E-commerce in u.a.e

Abstract

This report examines the prevailing situation of the E-commerce industry in the UAE by determining the current size, key market dynamics of the industry and forecasts growth in the future.

The report provides an overview of Business to Consumer (B2C) E-commerce sector globally, with specific focus on the UAE market.. Withrespectto the UAE E-commerce industry, it focuses on the key emerging trends, basic growth drivers and notable challenges. It also presents a future outlook for the UAE business to consumer (B2C) e-commerce industry.

In addition, it analyzes the major barriers and issues in regards to proper implementation of e-commerce in the country, followed by the current trend of e-commerce usage. Furthermore, Government policies regarding the implementations of e-commerce are also highlighted upon, which study the growing demand for e-commerce in UAE.

Background

It has been recognized that informationtechnologyhas affected the structure of corporations. Technology has given new focus and identity for all aspects of organizational structure and functions including administrations, operations, products, markets and human resources. Understanding the adaption and application process of E-commerce must be examined through the regional context an organization is present in. Therefore, different countries have their own special conditions that shape its policies upon the introduction and use of e-commerce applications in their business enterprises.

E-commerce is an important instrument for information and knowledge in organizations (Gordon, 2002: 14). E-commerce applications assist in the processes of policy formulation and decision-making, production, marketing, sales, communications and human resource management. Dudley (2001: 52) studied the effects of e-commerce and found that e-commerce affects performance through strategic decision making and promotion of learning strategic initiatives. Dasgupta (1999: 30) reviewed several studies and found that companies that made investments in information technology and e-commerce showed a direct link to enhance performance and the development of innovative products.

Purpose of the Study

UAE has recently geared up to adhere to the dot-com era of shopping from home and taking advantage of the growing number of educated and highly tech-savvy young adults. Stereotypicaly popular for its " oil sheikhs," gold souks, exotic dessert, and famous landscapes such as the Burj Al Arab, UAE is emerging towards a a new trend of adding a technologically advanced characteristic to its image. (Rakesh 2001). The purpose of the study is to study the trend of e-commerce industry in the UAE and analyse potential trends and future growth. This study will also discuss the factors that influence the success orfailurein the implementation of e-commerce in UAE.

Problem Statement

The use of e-commerce is an important factor in information management and for the development of economies. Various researches also present the need for e-commerce and its applications that are demanded in businesses,

financial, and government sectors. To examine the policies and practices for e-commerce, it is appropriate to analyze the functioning of e-commerce departments in terms of the organizational placement, the role and configuration of systems & networks. (Zawya, 2009)

According to John (2011), UAE accounts for 60% of all e-commerce spend in the Gulf Region (GCC) and are estimated to reach $36 billion by 2012 (Zawya, 2009). E-commerce is particularly important for the growth of economy within the Gulf region and could possibly boost the performance of small businesses and new start-ups. Also, international and indigenous retail companies could stand to benefit from its immense growth.

Notwithstanding the growth, Zawya (2009) notes that the proliferation of e-commerce as an ideal shopping method is still in its early stages. Compared to western countries, where individuals are at ease shopping online, consumers in the UAE have still yet the benefits of e-commerce.

Furthermore, Zawya (2009) also notes that there is a lack of trust in the online system of shopping such as weak technical support and payment security, that is often cited as the major reason behind the reluctance. However, e-commerce growth globally have been staggering with the number of online shoppers growing from 1. 2 million to over 18. 7 million in 2010. This presents a significant opportunity for businesses based in UAE who can reach their consumers through e-commerce, yet have to find a way to establish trust and reliability successfully among online consumers.

Aims and Objectives

The purpose of this study will be to:

• To investigate the proliferation and growth of e-commerce within UAE.

• To ascertain the factors that act as a hindrance to its growth and adoption amongst shoppers.

• To determine the extent to which e-commerce can account for a higher portion of retail sales within the UAE.

Research Questions

The following question will be included in this study.

To what extent can e-commerce account for a higher portion of retail sales in the UAE, and what factors could help facilitate faster growth and adoption?

Significance of the Study

The study is significantly important due to the fact that e-commerce is ultimately transforming the way businesses perform and reach their consumers. E-commerce provides many businesses competitive advantage, because they are able to reach their consumers more efficiently and effectively. It was found that banks, investment firms and financial institutions are actively using e-commerce systems and applications, to provide their services more conveniently to their consumers. By analyzing the use of e-commerce by financial institutions all around the world, we have determined the need for studying companies in the area of banking, investment andfinancein the UAE and how they can use e-commerce to reach their consumers. Therefore, this research project is a response to an obvious need to explore an e-commerce department in Arab banking and finance companies, in UAE.

Theoretical Framework

The business sector of UAE has been very active in recent decades. This

follows from the fact that the net contribution to the economy in GDP from $258 Billion in 2007 to $297 Billion in 2010 to grow around by 15% in three years apparently (Lowe 2012). This is consistent with the corporate sector of other countries. The country rely very little in the industries as the region is concentrated with oil and minerals, with very little research and development, and emphasis on consumer-oriented products and services. (Lowe 2012)

Methodology and Data Collection

The main source of data collection will be through the use of secondary and primary sources. Secondary data will be retrieved from online journals, websites and e-books. Also, studies from previous researchers will moreover be examined to investigate the problems in implementing the e-commerce infrastructure within the country. With regards to the current capabilities the research is also associated with some limitations such as time constraints provided that the framework of time is quite limited.

Primary data will be collected through the use of surveys and questionnaires. In order to avoid language problems and barriers, the questionnaire will be provided in English and Arabic and will include both close and open ended questions. Surveys will be conducted on professionals in financial institutions, and questionnaires will be filled out by the consumers of such institutions. This is to ensure that information is actively and accurately collected from both the service providers and the service users.

Literature Review

Electronic commerce (e-commerce) is the process of purchase, sale, transfer

or exchange of goods, services and/or information via computer networks (Zhou, 1999, 87). E-commerce consists of consumers buying goods and services online, as well as businesses selling and communicating with other parties via internet.

E-commerce is growing rapidly at an incredible place, allowing businesses to prosper at an incredible rate. It has also allowed many organizations to introduce innovative products and exceptional services to its consumers. All indications are evident of the fact that electronic commerce will continue to grow, and many organizations can either transfer their services online, or loose market share for not providing extended services to their consumers through it. The world runs on technology, and e-commerce has created a very competitiveenvironmentfor organizations. All organizations, whether large or small, have equal opportunities in e-commerce to succeed, since every organization have access to same kind of resources, both globally and easy to use set of technologies and technological standards (Bern, 1995, 18).

The e-commerce industry is estimated to be more than $40 billion, set to triple in the coming years. This is an opportunity that the UAE does not want to miss out on (Rakesh 2000). Factors that affect the use of e-commerce in UAE include political, cultural, and economical considerations that are slowly implementing widespread use of it in the country (Bern, 2001, 44). In October 2000, UAE took its first step towards tapping into the e-commerce industry when it established the Dubai Internet City (DIC). The $272+ million projected aimed to convert UAE into a major e-commerce destination in the Middle East. DIC is a tax-free zone that allows its occupants, firms large and

small, to operate freely with little government interference. Government actions such as the establishment of Dubai Internet City initiates widespread use of e-commerce and urges businesses to reap its benefits and prosper the overall economy. Also, with an accelerating GDP growth rate of 4. 2% and a sound economic policy, UAE continuously attracts significant investments because of appeal as a commercial and business hub. With such a high density of commercial and business firms located in UAE, the need for digitalization is a necessary aspect for prosperity and sustainable growth as well. The need to digitlize businesses and convert business functions towards e-commerce is in alignment with the demands of the increased competitive and globally challenging market.

Moreover, UAE has grown to become one of Middle East's most prominent economic hub. In order to limit its dependency on oil and natural gas revenues, the country has implemented endeavors in recent years to expand its economy by advancing areas such as tourism, aluminum production, telecommunications and lastly e-commerce. Lastly, cultural aspects also have an important aspect in increasing e-commerce in the country. As the demographics of UAE is changing towards a younger, tech-savvy group of individuals, so are the cultural characteristics of the country. The number of expatriates and citizens from other countries is higher than the locals, bringing in a diverseculture. Therefore, technological savvy products and more advanced services geared towards internet based services are in demand. (Bin Rashed 2001; Darby 2003; Aladwani 2000)

MasterCard E-Commerce Survey in UAE

Recently, MasterCard carried out a survey to analyze the number of shoppers in UAE and a study to tap the growing market. The survey was conducted from September to ? October 2010, and included ? 8, 500 consumers in 15 sectors throughout the Middle East, Africa and Asia Pacific. According to the MasterCard survey, online shoppers in the UAE rose to 42% in 2011 at an astounding rate of 29% since 2009. The reason behind such a drastic increase was the change in demographic as described earlier and the increased awareness of online shopping as the main online consumers belonged to the age group of 25 – 44. From the survey, it became evident that women in UAE have become active online shoppers. The current percentage stands at 40% (of the total 42% online shoppers) as noted by the MasterCard survey. This rate incremented by 33%, which was the total number of female online shoppers in 2010. (Rakesh 2001)

The survey also indicated that key sectors that are leading growth in e-commerce in the UAE were tickets (74%) and hotel bookings (? 66%), followed by home appliances and electronic products (? 32%), clothing and accessories (34%), restaurants, or service delivery of meat products (32%), and supermarkets or shops (? 32%). Things like shopping and restaurants orfooddelivery service and purchase from supermarkets or shops grew by a third out of almost five over the past year. In terms of attitudes toward shopping via internet, 64% of the respondents in the UAE reported that they would prefer when shopping online to have a phone number to inquire. In addition, 48% of the respondents stated that the prices of most goods over internet are much more affordable, then purchasing items in-stores. The

concept of online shopping, in relation to entertainment, continues to rise (46% in exchange for 2010 39% in the year 2009). Still ? 45% of consumers in the UAE do not feel safe when shopping online.

Among the most prominent factors affecting online shopping, respondents chose the price or value of goods (? 84% in the year 2010 from ? 68% in the year 2009), secure payment facilities offered by the internet sites (81% in the year 2010 from 72 % in 2009), methods of payment facilitator (? 79% in the year 2010 from ? 70% in the year 2009) and the reputation of the website or business enterprise (? 78% in the year 2010 from ? 68% in the year 2009). (Lowe 2012)

Barriers towards online shopping remains to be consumers preferences for physically inspecting goods before purchasing items online, or due to security reasons that they avoid making financial transactions online. However, as government controls increase on the regulation of credit and debit fraud online, the concern for security has decreased substantially (? 49% in the year ? 2010 from 67% in the year 2009) and no longer constitutes as an obstacle (Lowe 2012). And the absence of additional charges for services and enhance security measures for online payment transactions still pose by two-thirds of consumers in the UAE as solutions to improve online shopping in the future. (Burn 2001)

Ayad Kurdish, Vice President and Regional Director of MasterCard International in the UAE said, " it is encouraging to see such positive trends of online shopping and mobile phone in the UAE. MasterCard is committed to contributing to the development and prosperity of the UAE as a leading international retailer and confirm results of the latest survey by MasterCard

on the growth of the movement's growing retail market". (Burn 2001)

Management of e-commerce in the UAE Government

The UAE Government itself has been very active in encouraging e-commerce, and announced in early 2002 that its e-Government initiative would broaden its focus in order to take in expatriates from the United Arab Emirates placed overseas, and students from the region studying abroad (Al-Tawil 2001). The Department of e-Commerce promotes the regulatory environment and the development of initiatives that enable secure electronic transactions and electronic commerce, as well as for the implementation of Federal Law No. 1 of 2006 on electronic commerce and transactions. The Department of Commerce led this initiative in line with the Ministerial Decree (Al-Tawil 2001). The Department is always seeking to promote the application of best practices and improve the quality of services provided to clients through effective monitoring and implementation of laws and regulations relating to transactions and electronic commerce. The UAE government is guiding its economy the way to e-commerce transactions through other means as well. Telecommunications Regulatory Authority has established a successful e-commerce setting while the e-pay gateway allows customers to settle fees for e-government services online on a 24/7 basis in a secure environment. (Al-Tawil 2001)

Also, Dubai International Financial Centre (DIFC) established a Data Protection Law in 2007 that would govern ethical practices among organizations operating in UAE (Gordon 2002). DIFC also appointed a Data Protection Commissioner to oversee the administration and provide guidance to the body for adhering to laws protecting consumer rights and administer

fraudulent online activities for UAE consumers. The Data Protection Law, ensures the protection of all personal information, including any sensitive personal data, and is compliant with the provisions of the laws and directives of the European Union and the guidelines of the Organisation for Economic Co-operation and Development (OECD), including on the transfer of data (Burn 2001). Omar Bin Sulaiman, the Commissioner of DIFC calimed, " in our era of globalisation, when information has never been more readily available and transmittable, it is crucial to establish effective data protection regimes and enforce legal safeguards against the misuse of personal data. At the DIFC, we are committed to upholding and continuously improving upon the highest standards in this regard." (Gordon 2002)

Conclusion

Undeniably, e-commerce is proposed to be one of the central components for the world economy and increasingly, the countries. With such a significant increase in internet usage, it's no revelation that the internet is rapidly becoming the foundation for business, particularly as the UAE is such an imperative economic core. E-commerce in GCC sales are increasing faster than the global average with sales in online business to consumer transactions anticipated to reach $5 billion by the end of 2011 (Gordon 2002). The GCC e-commerce sector is expected to maintain enhancment at a rate of 30 to 35 per cent yearly, to approximately $15 billion by 2015 (Visa 2011). The UAE's annual sales that approached an estimated $2 billion in 2010 made up approximately 55-60 per cent of GCC e-commerce sales during the period, according to Visa. (Visa Survey, 2011; Darby 2003) Predominantly , UAE shoppers have purchased online confidently from

international websites, yet have have avoided to shop online from local websites or companies. Due to lack of choice, quality and trust UAE based online shoppers did not face convincing motives or prospects to purchase from local or regional websites. However, a research by GoNabit. com revealed that an attitudinal shift and claimed that mainstream online shoppers not only feel confident shopping from local websites, but they are actually buying twice as much online from local based websites, as they are internationally (Darby 2003). Regional businesses prolong to serve as an immense entry point into e-commerce for consumers new to online transactions. A survey conducted by GoNabit. com revealed that during the last six months of 2011, 38% of users reviewed have made their initial online purchase. The research also proposed that 75% of respondents experience self-assurance in buying online from regional websites, an increase of 18% since the March 2011 pilot study. It was also established that surveyors are more than twice as likely to buy from the region where they are dwelling (60% buy once a month or more) than from other areas of the world (25% buy once a month or more). (Darby 2003)

Generally, online consumers are encouraged to return back to purchasing products and services online in the future. Researches from Visa and MasterCard surveys claim that 45% of the respondents claimed to make more purchases online by buying diverse set of products or services and 34% respondents claim that they will be spending moremoneyon potential purchases. Almost 40% of respondents said they plan to purchase more from websites based in the Middle East region and 41% said they would try shopping from a wider range of websites. (Lowe 2012; MasterCard Survey

2011; Visa Survey 2011)

Nontheless, it is evident that while online shopping is an area of growth in the UAE, e-commerce is still in its premature phases because there still exists a number of barriers such as lack of trust, discernment of businesses facility to submit orders and mainly because it is a cash-oriented society (Lowe 2012). Many researches propose that the conceot of online shopping is still in early stages in the state. However, the current trends such as government commitment, retailer investment and most importantly a young population open to adapting new technologies and innovations, present an optimistic outlook for the growth and development of e-commerce. (Lowe 2012)

Ethical Considerations

Ethical aspect of research should be kept in mind while conducting a research. Violation of research ethics relating to the rights of human subjects, their privacy and confidentiality should not be harmed. Apart from that, they should not be deceived due to their participation. In this study, the ethical considerations will not be violated at all and information accessed directly or indirectly will not be used for any other purposes than studying the research question.

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