Electronic Commerce (E-Commerce)

بسم الله الرحمن الرحيم

Introduction

E-Commerce is a cornerstone of Saudi Arabia's economic growth. The government of Saudi Arabia aims to increase the contribution of modern commerce and e-commerce to 80% in the retail sector by 2030. The government also aspires to increase the proportion of online payments to 70% by 2030.

A recent report expected that the e-commerce market in the Kingdom will grow over the next four years ending 2027, to US$ 20.01 billion.

The report supposed that the e-commerce market will expand further as more companies enter the online marketplace of e-commerce in the Kingdom, which will provide tremendous growth for the e-commerce industry, to meet the growing demand for online retailing trade.

The same report pointed out that there will be an expansion of the e-commerce market in Saudi Arabia with a compound annual growth rate of 20.87% during the period from 2022 to 2027.

The report indicated that the Kingdom has been a destination of 575 new foreign investment projects in 2021, attributing the increase in these international projects to the boom in e-commerce and retail markets in the Kingdom.

Last June, Morgan Stanley also expected that the global e-commerce market would grow from the current total of US$ 3.3 trillion to US$ 5.4 trillion in 2026, an increase of about 60% in four years.

The Concept of E-Commerce

Electronic commerce, also known as e-commerce, is a new term that appeared in the realm of economics in early 20th century due to the wide spread of the Internet, regardless of what some researchers say that it appeared since 1970s through electronic information exchange systems between industrial companies.

E-commerce is a process of buying and selling products or services, and completing money transfers and data exchange using an electronic me-

dium (the Internet). Such a process allows individuals and companies to carry out their business transactions without any restrictions related to time or geographical barriers.

Types of E-Commerce

1- Business-to-Business (B2B) E-Commerce

This type of commerce includes all electronic transactions of goods and services conducted between companies. Usually, commodity producers and traditional wholesalers are involved in such a type of e-commerce.

2- Business-to-Consumer (B2C) E-Commerce

This type of e-commerce is a one-way trade in which electronic business relationships are established between companies and end users. This type of e-commerce is very similar to retail business in traditional trade. Nowadays, there are many electronic stores and virtual commercial centers on the Internet selling and marketing various types of consumer goods online including electronic and digital devices, clothes, shoes, and even foodstuffs.

3- Consumer-to-Consumer (C2C) E-Commerce

In this type of e-commerce, all electronic transactions of goods and services take place solely between consumers. These transactions are conducted through a third party that provides a platform or a system to enable consumers to actually complete these transactions.

4- Consumer-to-Business (C2B) E-Commerce

This type of e-commerce is particularly common in projects based on social outsourcing or crowdsourcing where a large number of individuals offer their services and products for sale to companies which specifically search for such types of services and products. An example of this type of trade includes those websites where graphic designers submit their offers to design a logo for a major company.

5- Business-to-Administration (B2A) E-Commerce

This well-known type of e-commerce includes all transactions that take place over the Internet between different companies and government agencies or administrations. This type of commerce involves a wide range and diverse spectrum of services such as tax services, social security services, legal records, and the like.

6- Consumer-to-Administration (C2A) E-Commerce

This type of e-commerce involves all electronic transactions between individuals and government agencies or administrations, such as education, including distance education, dissemination of information...etc.

E-Commerce Channels

Overview of the best e-commerce marketing channels:

First: Pairing Online Store with Search Engines & Content-based Marketing

The purpose of pairing online store content with search engines is to ensure the store name and contents appear on the first pages of search results by using influential and relevant keywords that customers use to search for those products the store offers. The importance of search engines is that they are the first destination customers go to for searching for products and services they seek to buy.

Second: Marketing Via Social Media Platforms

Users of media platforms are approximately 4 billion, with an approximate use of their accounts for two hours a day. Therefore, you don't want to miss such a fruitful field. Social media channels can be used to bring visits to the official online store, or to handle purchases on these platforms immediately.

The major platforms are Facebook, Instagram, YouTube, Snap chat, and Tik Tok

Third: Email Marketing

Email marketing is the best and most powerful marketing method for e-commerce, and in some cases, the highest in terms of profits. A store that strengthens its good relationship with its target audience not only makes sales, but also creates loyal customers. Through a solid marketing strategy, the store can effectively retain and engage with mailing list members based on their buying history and behavior in the store.

Significance of Shifting to E-Commerce

The significance of e-commerce has currently embodied in a few key points, the most prominent of which are the following
.

Trademark Expansion

E-commerce is a very ideal method through which traditional trade can be shifted to an innovative, renowned and preferred brand for many, as e-commerce depends on providing services and products around the clock and interacting with all customers on various social media platforms.

Suitability for Customers

E-commerce is characterized by the fact that its online store is available to customers at all times, which allows customers to visit the store at their convenience, regardless of their plans and preoccupations, store's working hours, or of their geographical location.

Expand Target Audience

The buying forces of traditional commerce are often limited to a specific geographical area but e-commerce, on the contrary, is offered and made available to millions of people around the world, and can be accessed from various geographical locations.

Collect Data to Improve Services

Data is the fundamental groundwork of the e-commerce process. Through e-commerce systems, companies can collect data of their visitors, understand their needs and buying requirements, and follow up on

their reactions and opinions through direct comments or opinion polls, which lead to creating a database that can be relied upon to improve the products or the services the company offers.

Reduce Costs for Increased Profit

It is possible to establish an e-store on the Internet by allocating a small amount of money in contrast to traditional trade which requires a show-room, a warehouse, and transportation vehicles. However, e-commerce does not require a large number of employees, which all leads to a significant reduction in the costs of starting e-commerce.

Reduce Risks

E-commerce can be initiated by establishing an online store with a small amount of money and low operating costs compared to a traditional store. On the contrary of e-commerce, traditional trade is fraught with high risk levels, as any loss therein will result in large financial losses, which is avoided in e-commerce.

Privacy of Shopping Process

Some people feel bothered by the presence of sellers next to them during their shopping process, and they may feel embarrassed to leave the store without purchasing any of its items. This does not exist in the e-commerce buying process, where the consumer can enter the store and go through its items freely.

Economic Significance of Shifting to E-commerce

The benefits of e-commerce at the economic level can be highlighted as follows.

1. Increase Foreign Trade

E-commerce offers opportunities to increase exports through easy access to major consumption centers, marketing goods and services globally at a limited cost, quick conclusion and closing of deals, as well as analyzing the market and responding to the changing consumer requirements.

2. Enhance Economic Development

Small- and medium-sized enterprises represent a fundamental cornerstone of economic development. These enterprises endure absence of the economic resources to access global markets. E-commerce is a tool that enables small- and medium-sized enterprises to partake in the international trade movement effectively and efficiently, as it reduces marketing and advertising costs, and saves the time and space needed to complete business deals. This reflects positively on activating the undertakings of such enterprises, which would eventually reinforce the economic development.

3. Support Employment

E-commerce offers new employment opportunities; it allows individuals to establish small- and medium-sized enterprises and link them to global markets with lowest investment costs, especially service trade in which e-commerce provides a mechanism for specialized individuals to provide their services at the regional and global level without the need to move. This certainly would open the way for these people to start entrepreneurship. On the other hand, e-commerce provides job opportunities in many different fields relating to e-commerce applications such as e-commerce website creating specialists, e-store workers, administrators, and technicians, in addition to job opportunities in the information and communications technology sector.

4. Support Technological Sectors

The widespread of e-commerce at the national level provides for establishment of appropriate environment for the emergence of specialized sectors in information and communications technology to support the electronic infrastructure of online commerce applications. With the spread, development, and growth of e-commerce in commercial transactions, investment opportunities emerge to direct the capital to invest in developing, improving and modernizing electronic infrastructure, and such services associated with the information and communications technology sector, which leads to the creation or localization of advanced technological sectors that would support the national economy.

Advantages of E-Commerce

1. Low Capital Cost
While traditional stores require thousands of dollars to rent a showroom and endure many other initial costs such as front facades, store design, merchandise inventory, vending equipment, and the like, one of the major advantages and benefits of e-commerce is the low start-up costs.

2. Attract Customers throughout the Day
This is one of the most important advantages of e-commerce, where the website or online store keeps open throughout the day, and unlike traditional trade, the online store administrator is not restricted to a specific time to receive customers.

3. Making Big Sales
Through e-commerce, you can create a website for your business. Statistical research has proven that 88% of people do research first before making a purchase, and this increases the chance of your online store appearing in search results.

4. Ease of Product Showcasing
One of the major advantages of e-commerce is that it enables e-store owners to showcase the best-selling products to attract a larger number of customers.

5. Good for Introverted Customers
Introverted people who decline to deal with others go to online stores, where they avoid regular stores that involve discussions and inquiries with the seller about the product, or negotiations about the price of the product.

6. Easy Access to Data
Through e-commerce, e-store owner can obtain all customer data by e-mail or address, through which they know which groups visit their

store the most, and eventually can develop their store and provide the best services to attract customers and meet their needs.

Disadvantages of E-Commerce

1. Technical Disadvantages of E-Commerce

One of the major disadvantages of e-commerce is that some technical difficulties occur on the website during the customer's buying process; as a result, the unfortunate customer will not be able to make the purchase once again; rather, the store's website will be completely disabled.

2. Inability to Inspect the Product before Buying

One of the biggest issues encountered by many online store owners is that customers can't inspect the product, which causes anxiety and confusion for customers before completing the buying process.

3. Increased Competition between E-Stores

After the technological development the world witnessed over the past years, many people inclined to start e-commerce, and the number of merchants increased in the field, which caused increased competition, and led to an increase in e-commerce-related advertisements, which made it more difficult to make a profit.

4. Impatient Customers

In some companies, customer service is not always available all the time to respond; rather, the service may be delayed in responding to customers for some time. This may be due to plenty of inquiries and the inability of customer service to respond to all of them at the same time.

5. Delay of Product Shipments

Many customers get upset with the delay in receiving their shipments, as they have to wait for at least two weeks to receive them, unlike traditional stores where customers can buy a product and get it at the same time.

Areas of E-Commerce

1. Retail and Wholesale Trade
E-commerce has many applications in this sector. Electronic retailing is carried out through online stores where customers place their selected items in the virtual shopping carts after going through the related electronic catalogues.

2. Online Marketing
This term refers to the process of collecting data about consumer behaviors, preferences, needs, buying patterns, etc. This process helps in marketing activities such as setting prices, negotiating, improving product specifications, and building strong customer relationships, as this data can be leveraged to provide customers with a personalized and enhanced buying experience.

3. Finance
Banks and other financial institutions get involved in large-scale financial e-commerce transactions, where customers would check their account balances, transfer money to their other retained accounts, pay bills through online banking, pay insurance premiums, and request finance.

4. Manufacturing
Supply chain transactions also use e-commerce. Usually, some companies form a group and establish an electronic exchange system to facilitate buying and selling goods, sharing market information and back office information such as inventory control and the like.

5. Online Reservation
This process includes booking hotels, vacations, airline tickets, travel insurance, etc. These bookings and reservations are made through online booking engine which is used largely by air travel agencies, tourism firms, and hotel industry

6. Online Publishing
This process refers to digital publishing of books, magazines, catalogs, along with the development of digital libraries.

7. Digital Advertising
Online advertising is used to provide promotional materials to consumers. Such a process includes a publisher and an advertiser, where the advertiser provides advertisements to the publisher, and the latter embeds such advertisements into online content. There are often creative agencies that create and help publish such advertisements.

8. Auctions
Online auctions bring together many people from different geographical locations where items are traded at negotiated prices, and carried out using e-commerce technologies.

E-Commerce Websites in Saudi Arabia

Saudi Souq.com (Amazon.sa)
Souq.com website was founded in 2005 and is now the largest e-commerce platform in the Middle East and one of the fastest growing companies in the region.

Souq.com was originally launched as a C2C auction site, modeled after eBay, to provide individuals with the opportunity to sell their items through auctions for the highest bids. In 2010, the company realized that there was a potentiality in the market for a B2C e-commerce site, and it transitioned its business to B2C e-commerce with remarkable success.

As a result of Souq.com's success in digital commerce, many small businesses that started out selling some goods as retailers on the site have now expanded to lever millions of goods and dollars annually. In March 2017, Amazon decided to acquire Souq.com to be its arm in the Middle East.

Haraj.com Website

Haraj.com website was officially launched in 2006. It is a C2C e-commerce site where people sell their pre-owned items to other people. Haraj.com is one of the most well-known e-commerce sites in the Kingdom of Saudi Arabia, and is categorized according to the Kingdom's cities and categories. A potential buyer can navigate the website by choosing either the city where they live, the category they want, or both to get more targeted results.

Cobone Website

Cobone website was launched in 2010, and is an e-commerce site that sells coupons and discounts for goods and services to customers. Cobone is considered one of the largest "daily deals" sites in the Middle East, as it offers various coupons for activities to be conducted and places to be visited, in addition to restaurant meals, goods and services in Riyadh, Jeddah and Dammam, as well as in the United Arab Emirates.

Ootlah Website

Ootlah website was launched in 2018, and is a B2C e-commerce site that sells travel packages, excursions, and recreational activities in many countries around the world. The site specializes in selling tourism activities in the Middle East.

Jarir Bookstore Website

A few years ago, the renowned Jarir Bookstore launched its e-commerce website. The site made a great success thanks to the company's long history in the market. Founded as a small bookstore in Riyadh in 1974, Jarir Bookstore is now one of the market leaders in the Middle East for consumer IT products, electronics, office supplies, and books.

Noon: Online Shopping KSA

Noon is an e-commerce platform founded in 2016 with a partial fund from the Saudi Public Investment Fund that now owns 50% of the company, and launched in 2017. This e-commerce marketplace provides users with multiple options of products, categories and brands for online shopping.

World's Largest E-Commerce Businesses

E-commerce has grown significantly over the past years, accounting for more than 19% of global retail trade sales, compared to only 16% in 2019. Corona pandemic contributed significantly to the accelerated growth of e-commerce as most people relied thereon to avoid infection. Expecting the e-commerce will grow further in the years to come, we in this report will review the world's largest e-commerce businesses by 2022.

Amazon
Amazon, the largest U.S. e-commerce company, claimed the top spot among online retailers as being the most valuable e-commerce companies in the world. Amazon's operations extended to over 100 countries. The company sells almost everything, including household appliances, clothing, food products, cosmetics, and electronics.

Alibaba Group
The Chinese Alibaba Group is the largest e-commerce company in the world in terms of total merchandise volume, which amounted to US$ 1.2 trillion in 2021. The company operates in over 190 countries and regions, and recorded revenues of US$ 78.4 billion in 2020.

Walmart
This U.S. large company owns more than 10.5 thousand stores in 24 countries, in addition to numerous e-commerce sites. It has recorded revenues amounting to US$ 572.8 billion this year, 2023.

The Home Depot
This U.S. Company is the world's largest retailer of home improvement products, and operates 2,300 stores in the United States, Mexico, and Canada. It offers more than 30,000 products in its stores, and one million products online, including building materials, in addition to services such as tool and equipment rental.

Prosus N.V

This Amsterdam-based technology company operates across multiple sectors, including payments, fintech, food delivery, travel, education, health, and internet platforms. It has companies in Africa, the Americas, Asia, and Central and Eastern Europe.

Sources
- For9a website: https://www.for9a.com/
- Argaam website: https://www.argaam.com/
- Alrab7on website: https://www.alrab7on.com/
- Mawdoo3 website: https://mawdoo3.com/