E

Opportunities and Challenges for the Electronic Commerce Deployment in Developing Countries Discussed in a Case of Saudi Arabia

Saleh Alwahaishi
King Fahd University of Petroleum and Minerals, Saudi Arabia

Amine Nehari-Talet
King Fahd University of Petroleum and Minerals, Saudi Arabia

INTRODUCTION

One of the most popular activities on the Web is shopping. It has much allure in it – you can shop at your leisure, anytime, and in your pajamas. Literally anyone can have their pages built to display their specific goods and services. Electronic commerce (e-commerce) has been defined as the process of buying, selling, transferring or exchanging products, services, and/or information via computer networks, including the Internet (Turban, 2006). E-commerce includes consumers purchasing goods and services online; as well as businesses selling and communicating with other businesses through the Internet.

E-Commerce is not a new phenomenon. It has been around for at least three decades. Banks have used their own telecommunications lines since the early 1960s to transfer funds electronically from one branch to another and from one bank to another. This may be regarded as the earliest use of commerce executed by means of electronic data transferred through communications lines.

Ecommerce has a great deal of advantages over “brick and mortar” stores and mail order catalogs. Consumers can easily search through a large database of products and services. They can see actual prices, build an order over several days and email it as a “wish list” hoping that someone will pay for their selected goods. Customers can compare prices with a click of the mouse and buy the selected product at best prices.

Online vendors, in their turn, also get distinct advantages. The Web and its search engines provide a way to be found by customers without expensive advertising campaign. Even small online shops can reach global markets. Web technology also allows to track customer preferences and to deliver individually-tailored marketing.

The basis for moving to an electronic commerce is a belief that electronic markets have the potential to be more efficient in developing new information-based goods and services, finding global customers and trading partners to conduct business. Electronic commerce via the Internet will change business institutions, operations and products/services as we know today, just as the telephone, TV, fax, and e-mail changed the way businesses and consumers communicate.

Therefore, e-commerce holds out enormous promises for producers in developing countries: easier access to the markets of developed countries especially B2C, and higher incomes resulting from these new trading opportunities.

BACKGROUND

The World Wide Web is one of the most innovative technologies that changes the business environment and has a dramatic impact on the future of electronic commerce (EC). The future of EC will accelerate the shift of the power toward the consumer, which will lead to fundamental changes in the way companies relate to their customers and compete with one another (Slywotzky, 2000).

E-commerce, defined as “the buying and selling of information, products, and services via computer networks” (Kalakota et al, 2004)) is radically chang-

DOI: 10.4018/978-1-4666-5888-2.ch227

ing the dynamics of the business environment and the way in which people and organizations are conducting business with one another.

Lee (2001) suggests that e-commerce has altered the outlook of businesses from one focused on lean manufacturing (termed as economics of scarcity) to a focus on information which he terms as economics of abundance.

According to the definition of The Organization for Economic Cooperation and Development (OECD), Electronic Commerce or E-commerce as it is popularly called, refers to commercial trade in the open network integration, including that between the enterprise and enterprise (B2B), and that between the enterprise and consumer (B2C). Although transactions among businesses represent the bulk of electronic commerce, most attention has focused on business-to-consumer in Internet sales.

The Internet is reducing transaction costs, and reducing the benefits of optimal integration and optimal size. Small firms can buy services from outside more cheaply, thus barriers to entry are falling. By increasing price transparency and competition, the Internet is forcing companies to streamline their processes and eliminate inefficiency. They are doing so by closely working with customers and suppliers in order to offer a better service and a better price. More and more e-commerce is conducted over non-proprietary IT solutions, which reduces costs and offers better ways of communication between companies with different systems. By adopting e-commerce solutions, companies are gaining in efficiency and productivity and are offering better services that are available 24 hours a day, seven days a week (Pons et al., 2003).

The reason E-Commerce became so visible in the second half of the 1990s was the commercial aspect of the Internet. Once the Internet was opened to commercial activity, this worldwide network became the major carrier of business-to-business electronic data exchange. The United Nations predicts 18% of purchases by firms and individuals will be conducted online by 2006 (UNCTAD, 2002). While the future of Web-based e-commerce in developed areas appears bright, consumers in developing countries, face a number of obstacles that may impact their view of e-commerce. Consumers and merchants in developing countries face a number of barriers to successful e-commerce, including less reliable telecommunications infrastructures and power supplies, less access to online payment mechanisms, and relatively high costs for personal computers and Internet access. These problems may cause consumers in developing countries to view e-commerce differently than consumers in developed countries.

Consequently, Electronic commerce has become very popular because of the benefits and the convenience it brings along. As shown in Table 1, the benefits include product promotion, cost saving, timely information, shortened remittance time, information consistency, better customer service, better customer relationship, customization of products, competitive advantages, and convenience of doing business (Wen et al., 2001). Electronic commerce is no longer an alternative, it is an imperative. The only choice open is whether to start quickly or slowly. Many companies are still struggling with the most basic problem: what is the best EC model? Unfortunately, there is no simple answer for this question. Even companies in the same industry, of the same size, or with similar cultures are finding that one EC model does not fit all. Companies are required to review their EC models and rethink strategy in order to capitalize on the changing dynamics of the marketplace.

GLOBAL GROWTH OF E-COMMERCE

The Internet provides an open global network and access to this network is relatively cheap; that is simply the basic idea. This has led to claims that Internet-based e-commerce will grow rapidly and help producers in developing countries to overcome problems of exclusion from the world economy and improve the terms of their participation.

To understand E-Commerce one must understand both the technologies that serve as the infrastructure and the business models taking advantage of the technologies. Both technologies and business models currently used are innovative and fascinating. However, we must realize that within several years almost all commerce will be e-commerce to some extent. No one considers doing business via telephone or fax as t-commerce or f-commerce. It is only a matter of time before we realize that there is no reason to call business that is executed digitally via the Internet or other networks "e-commerce."

Related Content