The Dynamics of Online Sales for Private Organizations in Saudi Arabia

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Abstract-There is evidence that private organizations which utilize online sales must increase their presence as online sales continue to grow annually around the world and in Gulf counties, particularly in Saudi Arabia. This study reviews 120 private Saudi Arabian organizations to evaluate their online products and services in relation to their traditional sales. The aim of this study is to identify the percentage of online sales enacted by organizations in Saudi Arabia, and to investigate the percentage of advertising that has moved to an online format rather than traditional advertising methods. This research identifies the obstacles and motivations facing Saudi organizations which utilize online sales platforms.

Keywords- Challenges; Motivation; Online Sales; Saudi Arabia; Private Organizations

I. INTRODUCTION

Al-Mowalad and Putit defined internet sales as e-commerce or online shopping [1], and encompasses internet sales, purchases, and payments conducted by shopping websites. In his book E-business and E-commerce Management [2], Chaffey describes online sales as “all electronically mediated information exchanges between an organization and external stakeholders”. More commonly, internet sales generally refers to the buying, selling and/or receipt of payment for a product or service conducted over the internet. E-commerce is expected to be a critical area of digital growth in the coming years; an online sale accounted for $2.3 billion in global sales in 2014, and is expected to grow annually by 13% between 2014 and 2019. Saudi Arabia and the UAE are the dominant markets in the GCC, and will continue to represent 39% percent of the market by 2020.

A. Research Objectives

Determine the percentage of annual advertising budgets expended on internet sales and promotion by Saudi companies.

Determine the percentage of total annual sales accounted for by online sales by Saudi companies.

Ascertain the various e-marketing channels utilized by Saudi companies, including websites and social media outlets such as Facebook, Twitter, and Instagram.

Identify obstacles faced by Saudi companies engaging in e-commerce.

Prepare suggestions to reduce to obstacles and increase the usability of the internet for online sales and Marketing conducted by Saudi companies.

B. Contribution of the Study

Results of this study will provide information for use by government and private organizations in K.S.A. in order to reduce the obstacles and increase support for the online development and e-commerce ventures in Saudi Arabia. The findings of the study can also be helpful for academic researchers regarding the further development of e-commerce.

II. LITERATURE REVIEW

Technological improvements and the global reach of technology have drastically changed the way that market within the last ten years. Brand managers must be savvy when it comes to managing the marketing outlets, including the use of new channels provided by technological advances. These new channels must leave a lasting impression on consumers by generating the desire to purchase their products and services. Technology provides additional opportunities for companies to saturate the potential market with media, provide additional options to consumers, and reduce perceptual barriers. Marketing budgets must be cost effective, and rising media costs require the utilization of alternative outlets. A major new trend in marketing is to focus on communication of a message rather than on direct advertising [3].

Reference [4] stressed the fact that a successful social media strategy must not only understand consumer behaviour but also seek to stimulate their interaction with the site and the supplier. The internet and social media have provided tools with which companies may better communicate interactively with their customers. Interpersonal communication is one area in which the internet is very effective, and can produce similar results to in-person communications. The most powerful tool in
marketing has long been word-of-mouth testimonials that spread from friends, family and other networks, and is more powerful than mass media in driving consumer decisions to purchase products and services [5]. The huge expansion of social networks on the internet provides a vast opportunity for companies to simulate get word-of-mouth advertising based on the testimonials of others [5]. The use of electronic marketing can generate the “viral” phenomenon, which can create enormous dividends for marketers based on the buzz, prominence on social networks, or waves of peer-to-peer communication.

While it is impossible to directly control word-of-mouth recommendations, a connection does remain between marketer-controlled efforts and consumer-driven communication. Keller [6] reported that advertising serves as the source of information for approximately 20% of brand communication conducted by word-of-mouth, though the referenced study did not investigate which types of content promote positive electronic word-of-mouth. Numerous other authors have examined the connection between content and electronic word-of-mouth communication.

Research has found that face-to-face communication is very similar to way in which individuals interact with electronic communication sources. The connection between the internet and individuals can also persuade consumers to disclose more information in an electronic setting than they would in a face-to-face interaction [7]. Thus, self-disclosure can be defined as "online shoppers expressing anything customers want to say about the e-shopping mall. Specifically, a customer can inform his/her opinions, complaints and praises to visiting e-mails on the board or via email” [7].

A. Social Media

Reference [8] defined social media as “a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of User Generated Content”. The growth of this technology has been massive, and the popularity of these networks has been phenomenal in recent years. Social network services and social media platforms have generated massive amounts of new internet users; estimates are in the hundreds of millions. ComScore reported in October 2011 that there are more than 1.2 billion social network users around the world, and that 98% of online users engage in social networking. For example, Facebook, the largest social network to date, reported more than 845 million users at the end of 2011 [9], and Twitter reported more than 100 million users by 2011 and more than 500 million users by February 2012 [9].

Young people from all over the globe have embraced social media, and young people represent the fastest growing global market. There was a huge rise in online users from 6% in March 2007 to 19% in 2011 [10]. Young people born between 1981 and 2000 (nicknamed “millennials”) spend a large amount of their online time on Facebook: approximately 41% as of September 2011 [10].

As the size of these networks and their number of users began to grown, private and public organizations began to take advantage of social networks as an important tool through which they can connect to the public, as a method to expand their exposure to potential customers. McKinney conducted a research study of over 4200 company executives and found that 72% used a social media network [11]. Reference [12] conducted another survey, which indicate that 80% of companies use social media to recruit employees. Reference [13] conducted yet another survey that reported that 93% of marketers used social media for marketing purposes. According to [14], social media provides more marketing tools than ever before. For example, the online social media giant Twitter used online marketing campaigns for organizations [14]. Marketers all over the world began to understand the power and importance of social media to gain exposure to online users.

Social media created successful promotional campaigns for companies and individuals. One high-profile pop singer used social media to launch a new song, and was instantly catapulted to celebrity status [8]. In order to be successful using this new medium “a successful social media strategy must not only understand the consumer but also seek to stimulate their interaction with both each other and the supplier” [3].

Organizations can use social media to improve, advertise and increase their brand image. They can introduce new products and services to global markets in addition to the exposure created by traditional advertising methods. In 2010, the Recording Academy launched a massively successful social media campaign to promote the Grammy Awards [15].

Social media became a powerful tool for organizations; the greatest challenge for marketers was to determine the best way to take advantage. The difficulty for marketers was to determine the correct way to take advantage of social media and abandon their outdated ideas regarding promotion and marketing. Reference [8] determined that there at least six types of social media, including collaborative projects (e.g., Wikipedia), blogs and microblogs (e.g., Twitter), content communities (e.g., YouTube), social networking sites (e.g., Facebook), virtual game worlds (e.g., World of Warcraft), and virtual social worlds (e.g., Second Life). Many organizations have begun to hire social media specialists in order to maximize its potential and increase their organizational exposure [16].

B. Social Media and Marketing

Marketing managers worldwide have taken advantage of the huge growth of social media. The developments of new e-marketing tools and technologies have contributed to the development of new marketing strategies [11]. An organization can increase their brand image and awareness and reach more internet users via their Facebook page rather than their corporate
website [17]. Facebook is regularly used for relationship marketing, and represents the largest client contact method in the field.

Social media is an “important way to transmit information, engage in discussions and form communities on the Internet” [18]. Organizational web content consists of one-third social media content [18]. One study contends that when developing a social media campaign, it is critical to first understand what motivates new customers [19]. Corporations are learning to understand the power of social networks and how they can best take advantage of their opportunities. Marketing communication is one area to which social media is perfectly suited. Social media provides an additional channel for marketers to inspire increased consumer focus by making personal connections with individuals and influencing their decision making [8]. Increasingly numerous applications and technologies continue to enter the market, forcing marketers to continually adapt. Social Media Technologies (SMT) also are extremely helpful to marketers in that they “provide unparalleled opportunities for customer relationship management” (CRM), which is extremely vital in the marketing world today [20].

There are tremendous benefits to marketing accomplished via social media outlets such as Facebook, LinkedIn and Twitter for social media “provides flexible, agile, and intuitive solutions for connecting people to people and facilitating coordination, communication and collaboration” [21]. Reference [19] concluded that companies are able to track real-time consumer engagement by using social media, including user visits to a website and any engagement (selection) of banner advertisements [19].

Social media continues to increase in popularity worldwide, particularly in the USA, where “by the end of 2008, social networking had become more popular than email” [22], (p. 1). By 2009, social media usage increased from 41% to 61% among internet users aged 18 and older [23]. In traditional media channels, marketing content is produced by the supplier; in social media outlets, the content is created by the user, rather than the supplier [19].

C. Online Sales 2014

E-commerce is a major sector of global business, and continues to grow every day. Growth estimates from eMarketer report that business-to-consumer (B2C) e-commerce sales worldwide will reach $1.5 trillion in 2014, increasing nearly 20% from statistics reported in 2013. However, not all e-commerce categories are equivalent in value and subsequent consumer engagement. For example, 33% of global purchasers of cosmetics via the internet report that they buy: nearly a one-to-one correlation. Similarly, approximately one-third of global respondents say that they browse and buy personal care products (31% and 29%, respectively) and groceries (30% and 27%, respectively). Approximately one-fourth of global respondents browse and buy pet products (24% and 21%, respectively) and baby supplies (23% and 20%, respectively), while approximately one-fifth of global respondents browse and buy flowers (20% and 18%, respectively) and alcoholic drinks (20% and 17%, respectively) [24].

In 2009, Neilson Online reported that 77% or nearly 220 million people in the USA had access to and used the internet [22]. Accordingly, 80% of major retailers in the USA have successfully used the internet shopping distribution channel to market to 80% of customers between the ages of 32 and 44. 70% of customers between the ages of 55 and 64, and 71% of customers between the ages of 18 and 32. Online shopping has become so successful in the USA that most retailers have or would like to have online sites [23].

D. Categories with Room to Grow

E-commerce has come a long way in a short time. Online purchase intention rates have doubled in three short years for more than half of the measured retail categories between 2011 and 2014. However, even the categories which demonstrate the highest recent growth still have room in which to grow digitally. Global online purchase intention rates in 2014 have doubled since 2011 in the following categories: event tickets (41%), electronic books (34%), sporting goods (31%), toys/dolls (29%), videos/DVDs/games (28%), music (27%), and pet supplies (21%) [24].

There has also been impressive growth of online purchase intention rates in the Middle East and Africa. The chart below depicts the B2C e-commerce sales in the Middle East and Africa from 2012 to 2017 (in billions, USD); sales grew from $20.6 Billion to $27 Billion in 2013, and the projected 2017 sales suggest that e-commerce sales will reach $51.4 Billion. This represents a significant opportunity for countries in the region that are interested in online sales.
Fig. 1 shows that b2c e-commerce surveys conducted in the Middle East reported that there are fewer users who purchase online compared to other regions of the world. Less than 1% of total retail sales were conducted over the internet, leaving 99% of sales conducted according to traditional channels. However, these numbers demonstrate enormous capacity for growth, because there are over 130 million internet users in the Middle East. Middle Eastern business have been more hesitant to adopt b2c-e-commerce than businesses in other global regions, with only 15% conducted sales via the internet. This number is projected to grow rapidly with online sales projections of $15 Billion in 2015, versus $9 Billion in 2012. Statistica.com also projects that the value of e-commerce will reach $4.9 billion in 2015 [8].

Online purchases in the Arab world are most likely accomplished by older male users. Males in the Arab world are more accepting of online shopping, with 55% of surveyed male users reporting that they occasionally shop online. Women are less willing to use the internet for purchases, with only 32% reporting that they occasionally shop online. This may be related to the fact that only one-third of internet users are female. In regard to age, 53% of users over 35 years of age reported that they have made purchases online, while 52% of users aged 26 to 35 reported that they have made online purchases [9].

E. Saudi Arabia

Worldwide internet sales are strong. $1.2 Billion in sales reported in 2007 (World Internet Users and Population Stats 2007). As of 2013, Saudi Arabia had the second largest online service among GCC countries, with $520 million in online sales; that number is expected to increase to $15 Billion by the end of 2015 [25].

Smart phone internet browsing is very common in the GCC, and a recent study by Jawab.com indicated that Kuwait, Saudi Arabia, Qatar and the UAE lead the world in smart phone usage to surf the internet, far exceeding the statistics reported by the USA and Europe. In the first quarter of 2014, Kuwaiti and Saudi smart phone usage accounted for 83% and 75% of internet usage, respectively, both of which are much higher than the same statistic reported by the USA.

In Saudi Arabia, there is a gap in the provision of e-commerce services. A 2010 study conducted by the Communications and Information Technology commission (CITC) in Saudi Arabia examined the ways in which business use the internet for marketing and sales. They found that only 8% of businesses have online purchase channels; in contrast, 54% of companies have websites used only to present products. The study reported that the volume of online trading was expected to reach 15 billion (SR) Saudi Riyals [26], and that growth in the Saudi market will be in the private sector [27]. This will be especially true for Small to Medium Enterprises (SMEs). Culture plays a large role in e-commerce success, which is particularly true in
Saudi Arabia. There are a number of factors involved, while those with the greatest impact are cultural and traditional factors [28]. Saudi Arabia is a conservative country, in which women are limited by the government, and not allowed to visit the mall alone. Reference [29] suggested that e-commerce could make products and services more acceptable to women, who may not otherwise have the opportunity to make purchases. There are also significant differences in the availability of shopping options in rural and urban areas, which could spark a further interest in e-commerce [29]. One challenge in Saudi Arabia is the fact that there limited post office boxes, and the lack of mail delivery options may inhibit the ability for goods to arrive at consumers [30].

The retail sales projections for the GCC are strong until 2016. Projections for Saudi Arabia are the highest, indicating 10% growth, while the remaining GCC countries are expected to experience growth of 5-7% [31]. Saudi Arabia has been also studied by the Bureau of Near Eastern Affairs of the U.S. State Department, who reported that Saudi Arabia faces “international, economic, and development issues because of its unique role in the Arab and Islamic worlds, [as well as] its possession of the world’s largest oil reserves and strategic location” [22].

It is difficult for people in the Saudi market to trust E-commerce [31]; Saudis traditionally like to see and touch goods before they make their purchases [31]. Saudis also like to ask questions of sellers, increasing the difficulty of e-commerce [30]. Investing trust in online payment systems is also a significant issue, which can prevent Saudis from using credit cards who would prefer to make payment in person [31].

A qualitative study established a list of factors that represent consumer obstacles for online E-commerce purchases in the K.S.A. [32]. The following inhibitors were reported: feeling uncomfortable paying online with a credit card, lack of experience in making online purchases, the lack of clear regulations and legislation for e-commerce in the K.S.A., and distrust of e-commerce in Saudi Arabia.

Although there are high sales projections for Saudi Arabian E-commerce over the next 5-10 years, many problems in E-commerce may slow sales, including “the poor postal system, low credit card penetration, and the importance of shopping outings for Saudi families” [31].

A study was conducted in Saudi Arabia to measure how Saudi women feel about online shopping and their intentions to do so [33]. The survey reported that women responded positively to the following qualities of online shopping: “perceived enjoyment, usefulness, and subjective norms,” and they would continue to shop online as long as those qualities remained consistent.

Only a small number of Saudi commercial organizations are involved in e-commerce activities, most of which are medium and large companies in the manufacturing sector [31]. Sadly, the Kingdom of Saudi Arabia (K.S.A.) represents a relatively “rich” developing nation that does not highly value internet commerce [31].

III. METHODOLOGY

The methodology for this research was a case study that quantitatively analysed the data presented in this paper. The population was composed of organizations with online sales capabilities which sell a variety of products and services.

Reference [34] suggests that the case study structure is appropriate to research in which the nature of the primary research question involves conclusions regarding “how” or “why” a set of circumstances exists.

A. Sampling Design

The researcher identified 120 companies in Saudi Arabia that sell their products and services online. The studied companies offer many different product types, including software, hospitality, equipment, jewellery, makeup, perfume and a variety of services. This study utilized the Statistical Package for Social Sciences (SPSS).

The researcher met with the each organization to deliver the questionnaire, and also sent it to each company via email. The field study was conducted from October 2014 until March 2015.

The questionnaire survey technique was used to collect primary data; random probability sampling was employed. Reference [35] indicated that “sample sizes larger than 30 and less than 500 are appropriate for most research”. Thus, 120 organizations were selected as the sample size.

This study attempted to address three research questions, described as follows:

1. What are the obstacles faced by Saudi companies when doing business on the internet?
2. What are the key factors to reduce the obstacles that they face?
3. What percentage of annual sales of Saudi companies are conducted online?
B. Contribution of the Study

The results of this study project will be used to help government and private organizations reduce obstacles to companies and support E-commerce online development in K.S.A. It will also be used to gain knowledge for the owners of companies and the managers of governmental organizations to reduce the obstacle faced by Saudi companies. The findings of the study can also aid academic researchers regarding further developments of online E-commerce.

C. Data Analysis and Interpretations

1) Introduction:

The main objective of this study is the examination of the primary factors which impact organizations using the internet to conduct online business, in addition to determination of obstacles faced by such business and the subsequent risk to the e-commerce consumer. Data was collected via the survey questionnaire method. The collected data was entered and processed with the Statistical Package for Social Sciences (SPSS), version 20. Descriptive statistics techniques were employed to analyse and interpret the sample perceptions, including analysis of frequencies and percentages.

Participant responses to the distributed questionnaire were analysed; results are displayed in the following tables.

<table>
<thead>
<tr>
<th>Types of Business</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesaler</td>
<td>8</td>
<td>6.6</td>
</tr>
<tr>
<td>Retailer</td>
<td>63</td>
<td>52.1</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>7</td>
<td>5.8</td>
</tr>
<tr>
<td>Service</td>
<td>43</td>
<td>35.5</td>
</tr>
<tr>
<td>Total</td>
<td>121</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Table 1 depicts the types of businesses which were surveyed. The majority of the surveyed companies (87.6%) are in the retail business while 35.5% represent the service industry, 6.6% represent wholesale business, and 5.8% represent manufacturers.

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-9</td>
<td>1</td>
<td>0.8</td>
</tr>
<tr>
<td>10-49</td>
<td>7</td>
<td>5.8</td>
</tr>
<tr>
<td>50-100</td>
<td>12</td>
<td>9.9</td>
</tr>
<tr>
<td>More than 100</td>
<td>101</td>
<td>83.5</td>
</tr>
<tr>
<td>Total</td>
<td>121</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Table 2 depicts the number of employees working in the companies. The majority of the studied companies (82.5%) employ more than 100 employees, while 9.9% of companies have 50-100 employees, 5.8% have 10-49 employees, and only 0.8% have fewer than 10 employees. The majority of represented companies are of medium size.

Fig. 2 displays the length of time that the studied companies have been in business: 50.4% of the studied companies have been in business for more than 10 years, 32.2% have been in business for 6-10 years, 15.7% have been in business for 1-5 years, and only 1.7% have been in business for less than one year. Thus, approximately 50.0% of the studied companies have
been in business for more than 10 years, which will enable these companies to do business online.

**TABLE 3 SAMPLE PERCEPTIONS OF YEARLY ADVERTISING BUDGETS OF STUDIED COMPANIES**

<table>
<thead>
<tr>
<th>Budget</th>
<th>Frequency</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>5,000-50,000 SR</td>
<td>20</td>
<td>16.5</td>
</tr>
<tr>
<td>51,000-199,000 SR</td>
<td>20</td>
<td>15.6</td>
</tr>
<tr>
<td>200,000-500,000 SR</td>
<td>22</td>
<td>18.2</td>
</tr>
<tr>
<td>500,000 + SR</td>
<td>53</td>
<td>43.8</td>
</tr>
<tr>
<td>Not mentioned</td>
<td>6</td>
<td>5.0</td>
</tr>
<tr>
<td>Total</td>
<td>121</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

As shown in Table 3, 43.8% of the studied companies report annual advertising budgets greater than 500,000 SR, whereas 18.2% have budgets of 200,000-500,000 SR, 15.6% have budgets of 51,000-199,000 SR, 15.6% have budgets of 5,000-50,000 SR, and 5.0% did not report an annual advertising budget. Thus, the majority of companies reported an annual advertising of more than 500,000 SR.

**TABLE 4 SAMPLE PERCEPTIONS REGARDING THE PERCENTAGE OF TOTAL ADVERTISING BUDGET ALLOCATED TO ONLINE ADVERTISING**

<table>
<thead>
<tr>
<th>Companies (%)</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5 %</td>
<td>27</td>
<td>22.3</td>
</tr>
<tr>
<td>6-10 %</td>
<td>23</td>
<td>19.0</td>
</tr>
<tr>
<td>11-20 %</td>
<td>30</td>
<td>24.8</td>
</tr>
<tr>
<td>20 % +</td>
<td>36</td>
<td>29.8</td>
</tr>
<tr>
<td>Not mentioned</td>
<td>5</td>
<td>4.1</td>
</tr>
<tr>
<td>Total</td>
<td>121</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

As shown in Table 4, 29.8% of the studied companies allocated 20% or more of their total advertising budget to online advertising, 24.8% of companies allocated 11-20% to online advertising, 22.3% allocated 1-5% to online advertising, 19.0% of companies allocated 6-10% to online advertising, and 4.1% did not report percentages of their annual advertising budget allocated to online advertising. Results indicate that the percentage of the total advertising dedicated to online advertising varies from one company to another. This may be attributed to company size and the type of business that conduct.

**TABLE 5 SAMPLE PERCEPTIONS REGARDING THE ANNUAL SALES REVENUE OF COMPANIES**

<table>
<thead>
<tr>
<th>Budget</th>
<th>Frequency</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>50,000-99,000 SR</td>
<td>9</td>
<td>7.4</td>
</tr>
<tr>
<td>100,000-199,000 SR</td>
<td>19</td>
<td>15.7</td>
</tr>
<tr>
<td>200,000-500,000 SR</td>
<td>24</td>
<td>19.8</td>
</tr>
<tr>
<td>500,000 + SR</td>
<td>61</td>
<td>50.4</td>
</tr>
<tr>
<td>Not mentioned</td>
<td>8</td>
<td>6.6</td>
</tr>
<tr>
<td>Total</td>
<td>121</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

As shown in Table 5, 50.4% of the studied companies report sales revenues greater than 500,000 SR, whereas 19.8% of companies report sales revenues of 200,000-500,000 SR, 15.7% of companies report sales revenues of 100,000-199,000 SR, 7.4% report sales revenues of 50,000-99,000 SR, and 6.6% of companies did not report their sales revenue.
As shown in Fig. 3, 32.2% of the studied companies with online business conduct more than 20% of their sales online. Of the others surveyed, 23.1% reported that the percentage of their total sales revenue achieved by online business is 6-10%, 19.0% reported that their percentage of total sales revenue achieved online is 11-20%, 14.9% reported that their percentage of total sales revenue generated online is 1-5%, 10.7% of the studied companies did not report percentages of total sales revenue generated online.

As shown in Fig. 4, 47.9% of the studied companies use Facebook as a social media website, whereas 28.1% of the companies use other social media, 14.9% use Twitter, and 5.0% of the companies use LinkedIn for business purposes.

**TABLE 6 SAMPLE PERCEPTIONS REGARDING THE OBSTACLES FACED BY COMPANIES CONDUCTING BUSINESS ONLINE**

<table>
<thead>
<tr>
<th>Obstacle</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expensive</td>
<td>15</td>
<td>12.4</td>
</tr>
<tr>
<td>Lack of knowledge</td>
<td>33</td>
<td>27.3</td>
</tr>
<tr>
<td>Lack of trust</td>
<td>20</td>
<td>16.5</td>
</tr>
<tr>
<td>Customers want to feel the product</td>
<td>40</td>
<td>33.1</td>
</tr>
<tr>
<td>Credit card unavailable</td>
<td>9</td>
<td>7.4</td>
</tr>
<tr>
<td>Not responding</td>
<td>4</td>
<td>3.3</td>
</tr>
<tr>
<td>Total</td>
<td>121</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Table 6 indicates the sample perceptions regarding the obstacles faced by companies when conducting business online. The largest obstacle is that 33.1% of the sampled companies believe that customers want to feel the physical product, which hinders doing business online. The other obstacles mentioned include the following: 27.3% indicated lack of consumer
knowledge, 16.5% believe that distrust is an obstacle, 12.4% considered the expenses of online business, and 7.4% identified the unavailability of a credit card as an obstacle. Therefore, the most important identified obstacles that face companies which conduct business online include customers wanting to feel the product and lack of consumer knowledge.

Fig. 5 Consumer risk when purchasing a product online

Fig. 5 depicts the sample perceptions regarding consumer risk when purchasing products online. A large percentage, 38.0%, of the participants believes that the most significant risk is that customers don’t trust online sales. Additionally, 21.5% respondents considered product transportation to be a risk, 17.4% believe that complexity is a risk, 16.5% considered online purchases to be unsafe, and 6.6% did not specify any type of risk. Thus, the most important identified risks faced by customers when purchasing products online are that customers don’t trust online sales and product transportation.

Fig. 6 Most important factors for the purchase of online products

Fig. 6 displays participant perceptions regarding the most important factors when buying a product online from a business. Accordingly, 37.2% of studied participants believe that saving time is the most important factor, 37.2% of respondents consider all factors (price, time, and lifestyle) to be important, 12.4% believe that price is the most important factor, 10.7% prioritize lifestyle, and 2.5% of participants did not respond. Thus, the majority of participants consider all factors (price, time, and lifestyle) as the most important factors when purchasing products online.
Fig. 7 Participant perceptions of E-commerce prospects in the K.S.A.

Fig. 7 displays participant perceptions regarding the future prospects of e-commerce in the K.S.A. The data analysis concludes that 31.4% of participants believe that the future prospects of e-commerce are excellent in the K.S.A., 47.1% of respondents considered the prospects of e-commerce to be good, 6.6% believe that prospects are bad, 5.8% are unsure of the future prospects, 9.1% of respondents did not respond. Thus, we conclude that the future prospects of e-commerce in K.S.A. are regarded to be good according to the majority of participant perceptions.

**Table 7** Participant perceptions regarding the degree to which the technological environment has impacted the ways in which organizations manage online promotions

<table>
<thead>
<tr>
<th>Perception</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>4</td>
<td>3.3</td>
</tr>
<tr>
<td>Agree</td>
<td>7</td>
<td>5.8</td>
</tr>
<tr>
<td>Disagree</td>
<td>67</td>
<td>55.4</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>27</td>
<td>22.3</td>
</tr>
<tr>
<td>Not responding</td>
<td>16</td>
<td>13.2</td>
</tr>
<tr>
<td>Total</td>
<td>121</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Table 7 depicts participant perceptions regarding the degree of impact of the technological environment on the ways in which organizations manage online promotions. Only 3.3% of participants strongly agree that the technological environment has impacted the ways in which companies promote their products, 5.8% of respondents agree, while the majority of 55.4% of participants disagree, 22.3% strongly disagree, and 13.2% did not respond. Thus, the technological environment does not impact the ways in which organizations manage the promotion of products.

**Table 8** Participant perceptions regarding which products customers frequently buy online

<table>
<thead>
<tr>
<th>Product</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT products (mobile phones, tablets, laptops, etc.)</td>
<td>41</td>
<td>33.9</td>
</tr>
<tr>
<td>Secondhand cars</td>
<td>9</td>
<td>7.4</td>
</tr>
<tr>
<td>Books/music</td>
<td>5</td>
<td>4.1</td>
</tr>
<tr>
<td>Home appliances (refrigerators, air conditioners, etc.)</td>
<td>10</td>
<td>8.3</td>
</tr>
<tr>
<td>Service products (hotels, restaurants, tickets, etc.)</td>
<td>41</td>
<td>33.9</td>
</tr>
<tr>
<td>Other products</td>
<td>1</td>
<td>0.8</td>
</tr>
<tr>
<td>No response</td>
<td>16</td>
<td>11.6</td>
</tr>
<tr>
<td>Total</td>
<td>121</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Table 8 depicts participant perceptions regarding the products that customers frequently buy online. The top category indicates that 33.9% of participants considered IT products such as mobile phone, tablets, and laptops as the most important type of products that they frequently buy online, whereas 33.9% of respondents regard service products as the most important product purchased online, 8.3% identified home appliances, 7.4% identified second hand cars, 4.1% of participants buy books/music, 1% buys other products, and 11.6% did not respond. Thus, the above data indicates that customers most frequently buy IT products and the service products online, representing 67.8% of the total responses.
Table 9 depicts customer perceptions of reasons why customers use the internet. The largest group, 41.3% of participants, believe that customers use the internet for work, 15.7% of respondents believe that customers use the internet for news, 13.2% believe that customers use the internet for entertainment, 13.2% believe that customers use the internet for online shopping, 7.4% of customers use the internet for other uses, and 9.1% of respondents did not respond.

Testing the Research Hypotheses:

H1: There is a significant correlation between the percentage of total advertising budget allocated to online advertising and the percentage of total sales revenue generated by online business.

To test this hypothesis, a Chi-Square test was conducted as shown below:

Table 9 shows the correlation between the percentage of total advertising budget allocated to online advertising and the percentage of total sales revenue generated by online business.

As shown in Table 9, the Chi-Square test reported a value of 89.57, which is statistically significant at the 0.01 significance level. Therefore, there is a statistically significant correlation between the percentage of total advertising budget allocated to online advertising and the percentage of total sales revenue generated by online business. That indicates that if organizations which do business online increase the percentage of total advertising budget allocated to online advertising, it will contribute to an increase in the percentage of total sales revenue generated by online business.
Fig. 8 Percentage of total sales revenue generated online

Fig. 8 depicts the relationship between the percentage of total advertising budget allocated to online advertising, and the percentage of total sales revenue generated by online business.

Hypothesis II: There is a significant correlation between the type of social media used by the company and the consumer risk when purchasing a product online.

To test this hypothesis, a Chi-Square test was performed as described below:
As shown in Fig. 9, the Chi-Square test reported a value of 11.04, is statistically not significant at the (0.05) significance level with a p-value is equal to 0.27. This indicates that the type of social media used by a company does not affect consumer risk when purchasing a product online.

2) Final Results:

Data analysis provides the following conclusions:

1. The study revealed that the majority of companies surveyed in this study are involved in retail and service businesses, represent approximately 87.6% of the total studied companies. The majority of companies have more than 100 employees, and have been in business for at least 10 years.

2. The study showed that the majority of the studied companies, approximately 50%, indicated that their annual advertising budget is greater 500,000 SR. Allocation of the percentage of total advertising budget to online advertising varies from company to company, which may be attributed to company size, and the type of business that they conduct.

3. The study revealed that the majority of the studied use Facebook as a social media advertising venue for their business, whereas the most important two obstacles that face companies which conduct online business are that customers want to feel the product and the lack of consumer knowledge.

4. The study showed that the majority of participants regard all factors as important when buying products online, including price, time, and lifestyle. Additionally, the study revealed that the future prospects of e-commerce in the K.S.A. are regarded as good based on participant perceptions.

5. The study showed that the most important products that customers frequently buy online include IT products and service products, representing approximately 67.8% of the total responses.

6. The study proved that there is a statistically significant correlation between the percentage of total advertising budget allocated to online advertising and the percentage of total sales revenue generated by online business. This indicates that if organizations which conduct business online increase the percentage of their total advertising budget allocated to online advertising, this will contribute to an increase in the percentage of total sales revenue generated by online business.
7. The study did not find any correlation between the type of social media used by companies and consumer risk when purchasing products online.

IV. DISCUSSION

1) The study reveals how consumers use the internet. The largest group, 41.3% of participants, believe that customers use the internet for work, 15.7% of respondents believe that customers use the internet for news, 13.2% believe that customers use the internet for entertainment, 13.2% believe that customers use the internet for online shopping, and 7.4% of respondents believe that customers use the internet for other uses.

2) The study determined that customers who buy products online purchase primarily from the following product categories: 33.9% of participants considered IT products such as mobile phones, tablets, and laptops to be the most important type of product frequently bought online, whereas 33.9% of respondents regard service products as the most important product purchased online, 8.3% believe that home appliances are most frequently bought online, 7.4% think that customers buy second hand cars online, 4.1% of customers buy books/music online, and 1% buy other products online.

3) This study identified the important factors for buying products online. Accordingly, 37.2% of participants believe that saving time is the most important factor, 37.2% of respondents considered all factors (price, time, and lifestyle) to be important, 12.4% believe that price is most important, and 10.7% believe that lifestyle is most important.

4) Customer risk was also identified in relation to online purchasing. A large percentage, 38.0% of participants, believe that the most important risk is that customers don’t trust online sales, whereas 21.5% of respondents considered product transportation to be a risk, 17.4% believe that complexity is a risk, and 16.5% considered online purchases to be unsafe.

5) The growth of global internet sales is very impressive. Global online sales in 2010 were $680 billion and grew to $1.250 Trillion in 2013; sales have doubled in that short time.

6) Understanding why consumers shop online is essential to marketing. The primary person that people shop online is to save time, with 73% of respondents indicating that it is important. The remaining top five identified responses included having more variety to choose from, ease of search and price comparison on the internet, avoidance of the crowds that form in traditional sales channels, and lower prices. The convenience of shopping on the internet is changing the way that people purchase goods and services.

7) The Middle East has been slower to adopt b2c-e-commerce that other global regions, with only 15% of businesses doing so. This number is believed to grow rapidly with online sales projections of $15 Billion in 2015, versus sales of $9 billion in 2012. Statistica.com also projects that the value of e-commerce will increase to $4.9 billion in 2015.

V. CONCLUSION

The research contained in this document presents a compelling case that online sales for Saudi organizations are growing. The motivations which convince organizations to embrace online sales requires further examination in order to determine how those motivations can be applied to the expansion of online sales. The obstacles faced by companies when selling online must be addressed, in order to be reduced or eliminated.

The study surveyed approximately 120 companies which use their own websites to sell their products of services online. Results indicate that the majority of the studied companies use Facebook as their social media outlet for business advertising.

An important part of the study was to determine which factors affect online purchases. Results indicate that the majority of participants identified price, time, and lifestyle as primary factors taken into consideration when making online purchases [35]. In a different study regarding the risks of buying products online in Saudi Arabia, 38.0% of participants believe that customers don’t trust online sales.

The most important products that customers frequently buy online in Saudi Arabia include IT products and service products, representing approximately 67.8% of the total responses [35]. Further analysis revealed that Saudi customers who buy the products online most frequently purchase from the following product categories: 33.9% of participants consider IT products such as mobile phones, tablets, and laptops as the most important type of products they frequently buy online. Additionally, 33.9% of respondents regard service products as the most important products purchased online, 8.3% identified home appliances as the most important products, 7.4% think that customers buy second hand cars online, 4.1% of customers buy books/music, and 1% buys other products [35].

In conclusion, study results indicate that the companies which increased their online services by using online advertising and increasing their percentage of total advertising budget allocated to online advertising will find that this investment will increase the percentage of total sales revenue generated by online business.
REFERENCES


**Abdulwahab Bin Shmailan** has completed his Ph.D. from the University of Portsmouth in UK 2011. His field of study was Business Strategy at Business School.

He is one the faculty of Jubail Industrial College in the department of Management & Information Technology (MIT) for 10 years. He is teaching and training private and government sectors in Gulf countries in Arabic and English language. His research interest includes the area of marketing research, E-commerce, sales, time management and entrepreneurship.

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