

An Empirical Study of the Emerging Trends in Online Shopping in United Arab Emirates

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Abstract

The purpose of this article is to understand the emerging trends in online shopping market in United Arab Emirates (UAE) and to capture the customer sentiment in this emerging market. The methodology of the research article is based on a primary data survey questionnaire, circulated by convenience sampling method with an unrestricted control group. The results are then compared with the existing secondary market data available on online shopping.

Consequently, the outcomes, recommendations and suggestions are constructed which are considered to be the vital part of the assignment. The research design used for the study is conceptual theory and analysis of primary data using percentage analysis method. The observations include popular categories purchased online, mode of online payment, smartphone penetration and the amount of time being spend by the respondents online in the UAE. Finally, a comparison of online vs. in-store shopping is also included with the help of a SWOT analysis. Hence, the findings, suggestions and recommendations are constructed which are considered to be the important part of the project.

Keywords: Internet Usage, E-Commerce, Online Shopping, In-Store Purchase, Category Purchased

Introduction

Today's life styles have become painstakingly busy! Shopping has become more of a task than a regular chore. Many consumers are finding it much more convenient to shop online in the comfort of their home rather than visit a brick and mortar outlet. Online reviews on a variety of products provide more information, in most cases, more than a sales associate at the physical store. With so much of information, product reviews and easy return policies at the convenience of a click, more customers prefer to purchase products online. Consumers in the United Arab Emirates are also increasingly going online for their shopping needs (MasterCard, 2014).

Online shopping picked up just before the dot com boom in 2000. Amazon, founded by Jeff Bezos became the only business to exist online without a brick and mortar store. Increasing number of people are buying things online because it is more convenient. Today, it is the most shopped channel after supermarkets and mass merchandisers (WSL Strategic Retail, 2012). E-commerce plays and it will play a key role in the economy in the future, and more and more companies will have to change their business strategies (DONICI, 2012). The internet revenue is expected to rise to around 10% of revenue and the current trends in BRIC countries show that the

revenue generated is still in its nascent stages at around 2% of revenue (Javelin Group, 2012). Globally E-Commerce market is valued at USD 579 billion and has an annual growth potential of 18% (Euro Monitor, 2013). Furthermore, active social online shoppers increase the market size and add to the annual consumption (Mckinsey Global Institute, July 2012).

UAE's E-Commerce Market

The United Arab Emirates (UAE) has a high penetration of Internet users, with around 4.9 million users who account for 75% of the total population (IPSOS, March, 2013). As a matter of fact, 16% already shop online (Telecom Regulatory Authority, 2012).

Figure 1: Projected UAE Online Shopping Market Size

The online business in UAE last year was valued at around USD 280 million and is expected to grow to USD one billion by 2020. Internet retailing continued to develop at a rapid pace in 2012, with current value sales up by 19% over the previous year (Emirates, 2013). The consumers, who shop online, spend USD 480 per user. Also, 30% of these users make these purchases through smartphones (IMRG, 2013).

Purpose of Study

The objective of the study is to provide insight into the real world scenario of using the internet as a shopping gateway and to understand the willingness of respondents to purchase retail goods over the internet.

The study also investigated the understanding of these online purchases, the demographics of the customer and types of products purchased.

Methodology

The study was designed in nonrepresentational structure within which investigation was conducted. The investigation planned a logical approach to find out the answer to the issues. It comprised of the plan for the data collection and measurement for analysis of the same, through sampling techniques. The sample was selected, purely based on the convenience of the researcher. It's a non-probability sampling which involves the sample being drawn from the part of the population. Sample population is selected because it is readily available and convenient. The researcher using such a sample cannot scientifically make generalizations about the total population from this sample, because it would not be representative enough. Here the population is infinite and finite sample is being taken for data collection. The sample area covers the data collected from selected shoppers from all over UAE, who are using internet for making online purchases. The sample size is 55.

Sources of Data

Primary Data The instrument used to collect the primary data is a well-designed questionnaire. The questionnaire was circulated to 55 respondents using convenience sampling method and the survey responses were analyzed using percentage analysis, bar graph and pie chart representations. Further to the responses on the questionnaire, the researcher also collected data through a series of discussions and scheduled interviews with the respondents.

Secondary Data These data were collected from the business records and industry information of the respective respondent firms. Questionnaire was designed to cover the issues that the shoppers are expected to face with the complexities of present online environment. It covered multiple choice questions and open ended questions.

Analysis of Demographics

Figure 2: Ratios: Female to Male and Single to Married

The surveys asked 55 respondents what kind of items they purchased online and about various customer preferences. Among the respondents, 40% of the survey takers were female and 60% were male. In terms of marital status, 49% of the respondents were married while 51%

Figure 3: Age and Education Qualifications of the respondents

were single. Majority of the respondents were between 25 and 32 years (66%), followed by 19-24 year olds (14%) and 33-44 years (12%). The education qualifications showed that 65% of the respondents were masters graduates and 28% were university graduates showing hereby that nine out of ten people surveyed were educated minimum to graduate level or upwards.

Observations

Frequently brought items in the UAE

The results of the survey revealed that music and electronic items were the most frequently shopped online items in the UAE; whereas, around the world, the most commonly shopped item through the web are Books (AC Neilson, 2010). This major difference stands as a testament which characterizes the unique nature of the UAE online market. The survey also revealed that tours/ travel/ tickets are the second most preferred items followed by books and clothing apparel. The staggering finding in the survey is very low percentage of people who have actually shopped for groceries online. Brick and motor groceries have hyped a lot about introducing online shopping system in the UAE. The results show that the online market for groceries is still very nascent and therefore suggests a careful look at the investments before these grocery stores invest

in the online medium. Furthermore, the unique to UAE, there are small grocery stores that offer home delivery services to nearby areas. The customers usually use the telephone to call these groceries and request for last minute consumable purchases and these goods are delivered to the customer homes within minutes. These stores can be considered as a direct competitor to online grocery shopping as they provide the customer with ease and convenience of door delivery.

Amount of Money and time spent online

Figure 5: Percentage of monthly income spent on online shopping

Figure 6: Amount of time spent online

Amount of money being spent on online shopping is relatively small when compared to the total income of the respondents. With a majority 57% of respondents mentioning that they do not spend more than 5% of their total income online, there seems to be a lot of growth potential in terms of the total market size. The exponential online market growth suggests that there would be an incremental shift in customer spending percentages, resulting in the overall volume market expansion. This fact can be reiterated with a look at the amount of time being spent by the respondents online. More than half of the respondents are spending more than 2 to 3 hours online. This information is pivotal as the burgeoning online shopping market can be substantiated by the amount of time being spend online. This time can easily be considered as an untapped market and online marketing strategies of corporates should focus on churning the customer time into spending.

Smartphone penetration

Middle East has an estimated 90 million Internet users. Internet is not only restricted to the desktops, but also to laptops, tablets and smartphones. With the increasing penetration of smartphone users using the internet, the ability to shop anywhere, anytime and with any device is constantly changing the retail landscape.

Figure 7: Smartphone and Connectivity Statistics

The respondents reinstated the penetration of smartphones in the region; a whopping 84% of them were smartphone users, of which, 42% of the respondents were connected to the internet 24x7 through smartphone data plans. Customers are observing products on one channel; they are making their purchases on another and tracking orders on yet another. The concept is moving to round the clock purchase and delivery. This channel shift, if used effectively can help retailers in reducing operational over heads as well as experiencing customer enhancement (Retail Systems Research, 2011).

Modality of Online Payments

Thirty five percent of the Middle East Credit Card users accessed the internet to make a purchase in 2013, whereas which only twenty seven percentage of users only used the internet to shop in 2012 (MasterCard, 2013).

In the survey conducted 60% of the respondents preferred paying by credit card and the second most common option was Cash on Delivery. The lack of Net Banking options with majority of the banks have also narrowed down the scope of using it as a medium for purchases. In a way, the ratio of people preferring to use credit cards over cash on delivery also denotes the confidence levels of customers towards security provided by online payments. The percentage of people who prefer cash on delivery denotes that there are still 26% of the market who prefer not to pay by credit cards online. They are bothered about the security of the online market and this value shows the confidence in the security provided by online payments.

Discussion:

The analysis of the respondent data yielded some glaring realities into customer preferences. In some areas, the respondents clearly preferred shopping in store, whereas in some areas the customers preferred shopping online.

Global online retailers like Zappos.com have built their foundation of online business on customer service. They provide a 30 day free return, including the payment for the return shipment which attracts more first time customers to shop online. Many customers are unaware of how online return policies work and they are unsure on how to do a return for any product purchased online. The online retailers in the UAE should also reinforce such messages about free 30 day returns in their communication as well as on the websites along with a step by step guide on how to return products to the supplier free of cost. This will help build customer confidence and drastically open up the online marketplace to new shoppers.

Trust is another major factor which affects online purchases. When a shopper visits a retail outlet, he experiences the service and products through real time senses. The ability to touch and feel the product as well as the liberty to try the the product gives the customer a big confidence in making the purchase decision. The online experience cannot rival in-store touch and feel experience, but this gap can easily be bridged. Online visual appeal can be enhanced by providing multiple 360 degree views of the product, how it looks on real people and zoomed in views which provide detailed product quality. These recommendations can help the customer to know more about the product and give a feel of the product before the actual product arrives at his door step. Another equally important area where the respondents felt positive about in-store shopping than compared to online shopping was the benefit of interacting with the sales person. The outlet staff helped provide expert and personalized opinions on what product was best suitable for the customer's need. A similar experience can be created online by creating a frequently asked questions section. This section should cover the questions that majority of the customers ask a sales person. On the other hand, for example, when a customer likes a particular style of shoes, he usually needs the help of a sales man to find the fitting size or a variation in color. But online, finding the possible variations of

the selected product is very simple as the available colors and sizes are listed right beside the selected product itself.

Conclusion

It is concluded that during in-store shopping, the sales person can influence the buying decisions of the consumer. Presently options such as these are not available during shopping online. If the online presentation and sales techniques can be improved, they can overcome these present deficiencies. Step by step improvements in the online marketing segment can cause the online buying trends to increase enormously. The operational overheads of operating online are minimal compared to that of the traditional retail store. Thus the online market place will transform the shopping experience of the customer and bring about a large reduction in product pricing ultimately benefitting the customer.

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