

Impact of the spread of E-commerce on the Saudi economy:
Applied to the Saudi consumers' buying behavior

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Introduction

In recent years, e-commerce has presented a competitive space for organizations and countries. As a result, the electronic sector has rapidly developed and outperforming many sectors around the world. e-commerce has made great growth in trade market and allows all people to reach all markets around the world easily. For that, countries are taking e-commerce seriously and make efforts to expand the online trade. Investments in e-commerce companies have grown in recent years. A notable portion of the investments have flowed into Asia, where more than \$ 106 billion has been invested in e-commerce and technological firms since 2012 (communications and information technology commission, 2017). For the Kingdom of Saudi Arabia, the biggest e-commerce and online shopping website which is Haraj was established in 2007 by the Saudi engineer Yousef Al Rasheedi. The Saudi government works on allowing the international E-commerce companies to establish a footprint in the country toward improving the country's economy. By 2017, global E-commerce major plyers such as Amazon and Alibaba have entered the Saudi market. In fact, the development in the internet and mobile highly contributed to e-commerce growth in economics. By 2020, about 90% of the Saudi population had internet access and 80% of them had awareness about online shopping (statista research department, 2024). The current study focuses on how the Saudi economy can be affected positively through studying the Saudi consumers' behaviour.

Research problem

The need to diversify the economy in the Kingdom of Saudi Arabia is now more important than before. Different authorities in the Kingdom have a role to play in making sure various sectors of the economy grow and help the country in doing away with oil dependence as the major driver of the economy. The communication and information technology commission is one of the bodies tasked with making better the electronical sector by providing new ideas and procedures toward improving the usage of the consumers of the e-commerce. Essentially, e-commerce plays an important role in the electronical industry, influencing overall Saudi economy. It is worth noting that despite the efforts that have been made by the authority, the success level attained is not maximum and there's still opportunity for improvement. Further to that, there should be efforts toward increasing the demand and adoption of consumers and developing the supply side ecosystem.

Importance of the study

The perception of the consumer about the products and services that they are going to buy is very important. The study of the needs of consumers will allow suppliers to predict the market trends and identify market opportunities. As a result, the e-commerce and other companies will achieve their financial goals by making profits, which will lead to economic growth. E-commerce companies' marketers spend a lot of money to cultivating a positive and appealing image that will attract more customers and build stronger brand loyalty. Even though the consumers behavior toward online shopping has been extensively studied, authors contend that there are still unexplored areas in this area. A logical investigation of a set of presumptions and beliefs is known as theoretical research. primarily, this kind of study involves defining or speculating how a consumer behaves and how that affects the e-commerce sector. Each study has its unique significance, and the current study has the following contributions. First, there are key factors that affects consumer decision making. Some factors are permanent, and others can be temporary. For psychological factor, the key idea in consumer behavior research and related buyer behavior research is the need of a product or service. Selecting a product or service is the primary goal of consumer behavior research. the need for a product or service plays a significant role in decision-making since the perception of a product or service is important in selecting options related to any product or service. So, it's important to understand the consumer needs deeply. The other factor is the social factor which includes the effects of different sources such as recommendations, and social media impacts on people minds. More to that, the changes of market trends. It's important to keep up with everything new in the market to be able to exist in the industry. There are researches available on the factors that influence consumers decision making. Yet, the current study is in line to contribute to existing literature regarding the enhancement of e-commerce from a different perspective.

Objectives of the study

primary objective

Establish the nature of the impact of the consumer behavior toward e-commerce and how that affects the overall economy of the kingdom of Saudi Arabia.

Other objectives

- 1- Increase the demand and adoption of Saudi consumers on online shopping.
- 2- Develop the supply side ecosystem and technology enablement toward fulfil the Saudi vision 2030.

Research hypothesis

This study is designed to assess the hypothesis that studying Saudi consumers buying behaviors, needs and demand toward e-commerce can affects the Saudi economy positively.

Questions of the study

- 1- What is the impact of the e-commerce on Saudi economy?
- 2- What is the importance of studying Saudi consumers buying behaviors?
- 3- How understanding consumer's needs, and demand can affect the profits of the e-commerce companies?
- 4- What is the influence of developing the ecosystem of the supply side?

Literature Review

The Kingdom of Saudi Arabia has many rich resources. It has special geographic location since it is located at the confluence of three continents: Africa, Asia, and Europe. Also, it has cultural, social, demographic and economic advantages which enabled the country to take a leading position in the world (unified national platform,2024). Saudi Arabia is a great market for e-commerce expansion since that 91 percent of Saudi consumers regularly shop online, and 14 percent of them buy online at least once a day (AstroLabs, 2024). The current study focuses on the consumers buying behaviors and demand as independent factors, and the overall country's economy as dependent factor. E-commerce has dramatically changed the dynamics of consumer behavior in business models in retail, alongside other sectors. This trend, however, still offers huge future for industry players in the Middle East region. Some driving companies contribute to the region's attractiveness as a target for e-commerce investment such as high per capita income, improved logistics networks, and high internet penetration. A large social media penetration has also affected the growth of e-commerce in Saudi Arabia (Statista Research Department,2024). E-commerce in Saudi Arabia faces some challenges that need to be diminished. The biggest challenge that Saudi consumers face is the lack of trust in online shopping. A lot of Saudi consumers are still afraid

about shopping online because of concerns about fraud and security. This is compounded by the fact that the Saudi e-commerce market is relatively new and there is a lack of awareness of consumer rights and protections. Another challenge is the high cost of shipping and delivery. Since that Saudi Arabia is a large country with a dispersed population, it is difficult and expensive to deliver goods to customers. More to that, logistic companies which work as a third party between the sellers and buyers are raising prices of shipping and delivery. This is a major barrier to entry for small to medium-sized businesses that want to sell products online. Even with challenges, the Saudi e-commerce market is expected to continue to grow in the coming years. The Saudi government is supportive of the e-commerce sector and is taking steps to address some of the challenges through investing in logistics infrastructure and developing regulations that are more supportive of e-commerce businesses (AstroLabs, 2024). In fact, Homegrown e-commerce platforms are playing a big role in the improvement of the Saudi e-commerce market. For example, salla and zid platforms enable merchants or individuals to create their own online store with integrated solutions, according to their interests and financial capabilities by paying monthly or annual fees. Each platform also provides a number of different packages that suit all individuals. More to that, these platforms provide different payment gateways for the customers such as visa, mada, Mastercard and apple pay (Noura Mohsen, 2022). Yet, there are challenges and drawbacks to consider. During the Covid-19 pandemic, 2019, first fintech emerged in the gulf region which is Tabby. It is now one of the leading players in the middle east buy-now-pay-later market. This business model allows customers to pay for their purchases in instalments over a period of weeks or months, which motivates them to shop online more than before. By 2020, Tamara app was launched in the kingdom of Saudi Arabia. Tabby rival Tamara has onboarded six million customers, making it one of the biggest shopping and payments platforms in the region – from Saudi Arabia to the UAE, Kuwait and Bahrain.

Methodology

The study will utilize the methodology of an online survey. Notably, the selection of this research method is influenced by the cost implication. Minimal costs are likely to be spent when the method is adopted. Further, the method is likely to reach a broad audience within a small timeframe. The online survey method will utilize online questionnaires as study tools. The questionnaires will contain questions that are sufficient to collect information that will make it possible to answer the study questions. The study will adopt a design of using online study platforms to send the questionnaires to the target population. The target population will entail random Saudi citizens who have engaged in online shopping in the past. Essentially, their anonymity will be respected and maintained for the study.

Research Structure

Next to the Introduction Chapter, Chapter 2 examines the literature to give a general overview of the factors that contribute to the spread of e-commerce in Saudi Arabia and challenges that must be diminished, and the potential opportunity for future improvement and expansion of e-commerce sector. The research methodology and the process for handling the study survey are covered in Chapter 3. For the actual study, Chapters 4 and 5 will be covered. The main conclusions and findings of the study will be presented in Chapter 4. Chapter 5 will wrap up the thesis by summarizing the essential findings and suggesting areas for additional research.

Study Limitation

There are some limitations in this study that could be addressed in future research.

First, the study focuses on the impact of the Saudi consumers' buying behaviors and demand on the overall Saudi economy, and the sample size used in the study is considered small. So, for having more valid and related conclusion the sample size needs to be collected randomly from larger space around the country. The second limitation is the measure used to collect data. On this research data collection was done through online survey. Using online surveys to ask the questions related to the study is not enough to expect very accurate results. The third limitation is the time constraints. This research must be submitted during a short period of time. So, the time available to study the research problem and to measure the change over time can be considered as a practical issue. Finally, the study has a limitation of researcher bias. Since the researcher is also a domestic consumer in the Kingdom of Saudi Arabia, personal opinions and preferences can spill into the study. However, objectivity will be maintained throughout the study.

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