



Factors Influencing Consumer Behavior Towards Online Shopping in Saudi Arabia

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Abstract

This study intends to identify factors that may affect consumer behavior in Saudi Arabia while shopping online. Although Saudi Arabia has the largest and fastest growing ICT in the Middle East and the online shopping activities in Saudi are increasing rapidly, it is still lagging behind the global development. The four factors—website design quality, perceived trust, perceived convenience and advertisements & promotions were selected from the available literature. A survey was conducted and questionnaire that includes 25 questions was distributed randomly to a sample of 107 participants in Dammam city (in the Eastern Province of the kingdom). The collected data was analyzed by using SPSS software. The result indicates one hypothesis has been accepted. The findings of the study are analyzed and discussed further at the end of this paper.

Keywords: Internet, E-Commerce, Online Shopping, Consumer Behavior

Introduction

Globally, the Internet has been playing a critical role in various aspects for two decades, and today, this generation does not know life without the Internet. In fact, the Internet has leveraged the activities in electronic commerce, or as known as e-commerce. Thus, most of e-commerce transactions nowadays are done through the Internet such as online shopping. However, shopping via the Internet does not only offer convenience and bring other benefits to consumers, but further gives huge advantages to business organizations, for instance, whereby it reduces sales and marketing cost as well as reduces overall operational cost and in turn increases efficiency and maximizes profit margin (Almahroos, 2012). Furthermore, Alsuwat (2013) signifies that more and more organizations are shifting from bricks to clicks due to new opportunities as well as challenges that have emerged in the market. Hence, online shopping has obviously become the new business trend in the twenty first century. Although e-commerce, particularly online shopping, has been growing worldwide in the recent years, some countries such as Saudi Arabia is still lagging behind the global development in that regard. In Saudi Arabia, the e-

commerce platform is still considered a new wave in the kingdom's information technology revolution. Although the country has the largest and fastest growing Information and Communication Technology (ICT) marketplace in the Middle East, it has a slower pace with regard to e-commerce development (Qamar, 2014).

Background of Study

Online Shopping in Saudi Arabia

Rasooldeen & Taha (2014) stated that the online shopping had been thriving in Saudi Arabia whereby within just the first six months of 2014, over than 62 million people visited Souq.com (one of the largest and most popular local online megastore). In addition, Saudi Gazette, a famous online press in Saudi Arabia published a recent study conducted by PixHear (a Dubai-based web design and development company) that projected the Saudi e-commerce market will hit \$13.3 billion in 2015, accounting for 8% of the kingdom's overall retail market. Based on that, Saudi Arabia is getting closer to achieve the target as an online retail market will only be considered as developed if at least 8.5% of a country's total retail transaction is conducted through online (Pupic, 2014). The same study indicates that profit would be primarily generated from 25% (i.e. only 3.5 out of 14.3 million of Internet users in the kingdom) who are already active in e-commerce. Moreover, electronic items are still the top purchased products. Nevertheless, despite the initiatives of increasing the use of credit cards, cash on delivery (COD) is still the dominant preferred means of payment by the majority of online consumers that represents 75%. However, with the increase of new regional online retailers entering the market, the current top regional retailers still claim a minor share of the kingdom's e-commerce market, with Souq.com occupying 13%, followed by Sukar 8% and Namshi 7% (Pupic, 2014). Another report by Payfort.com showed that online transactions in Saudi were made by 85% male vs. 15% female in 2014.

Consumer Behavior in Online Shopping

Consumer behavior as described by Schiffman & Kanuk (2007, p.3) as 'the behavior that consumers display in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs'. Bashir (2013) draws attention to the fact that behavior of individual consumers or groups may differ depending on various internal as well as external factors such as personalities, and psychological and social drives, which influence the decision-making and actual purchase behavior. The online buying behavior includes five stages of decision-making process similar to those associated with the traditional shopping behavior, which are (1) need recognition (2) Information search (3) Evaluation of alternatives (4) Purchase decision, and finally, (5) Post-purchase behavior (Li & Zhang, 2002, p.508; Baeva, 2011, p.25). However, the distinctions must be taken into account when considering online buying behavior and physical shopping behavior (Hasslinger et al., 2007, p.7). The reason elaborated by Baeva (2011, p.26) as shopping is in fact considered as humans' socio-psychological behavior; hence, the interaction in online shopping and traditional shopping may differ in this regard. For example, in physical purchasing, a consumer can experience face-to-face interaction; on the other hand, online consumer may be limited to virtual interaction (i.e. read other consumers' reviews and testimonies on the web about a particular product). Baeva (2011, p.23) further signifies that a consumer can determine the quality of the item in advance in store-based retailer (e.g. by feeling the material), while it seems impossible in online environment.

Research Problem

As mentioned in the previous section, although the Saudi Arabia's online retail sector has been growing day by day, it is still lagging behind the global development. Furthermore, with COD is still the dominant preferred method of payment in the Kingdom, Harith Al-Anbari, product manager of PayPal EMEA draws attention to the fact that COD limits the growth of ecosystem (PayPal report, 2013, p.13). Finally, the current top regional retailers still claim a minor share of the kingdom's e-commerce market compared with their international online counterparts.

Significance of Study

The purpose of this research is primarily to identify factors that affect consumers' online purchasing behavior in Saudi Arabia. Also, in the absence or lack of published studies in that area, research is necessary in order to understand relevant issues lagging the online shopping development in the country. The result of this research, however, would assist business organizations in the kingdom to develop appropriate online marketing strategies accordingly to enhance the online shopping experience.

Research Objectives

Based on the problem statement above, the research objectives are:

- To identify the main and most factors which affect the consumer's online buying behavior.
- To find out the main factors slowing down the consumers' adoption of online shopping concept in the kingdom.
- To find out the major elements which encourages or discourage the people in Saudi to purchase through the internet.
- To highlight the research findings so that regional online retailers in Saudi Arabia can adjust online marketing effort accordingly and effectively.

Research Hypothesis

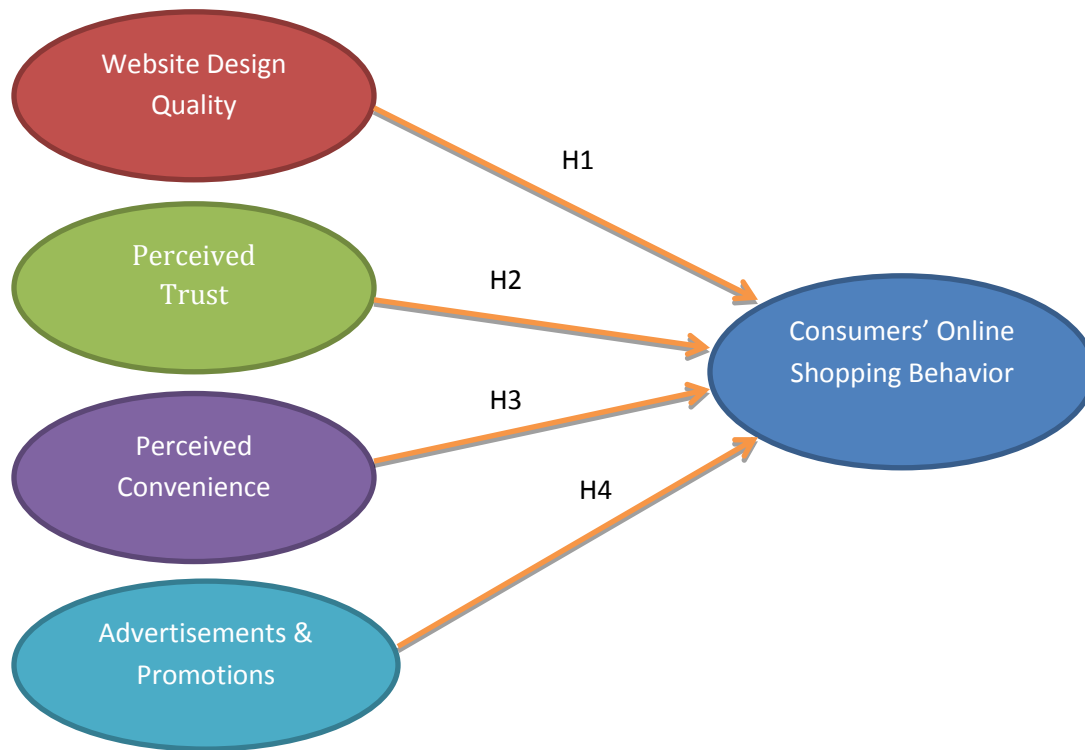
H1: Website quality has a major impact on consumers' online shopping behavior.

H2: There is a significant relationship between perceived trust and consumers' online purchasing behavior

H3: There is a significant relationship between perceived convenience and consumers' online shopping behavior

H4: Advertisements & Promotions motivate consumers to purchase from online retailers.

Conceptual Framework



Literature Review

There are several intensive literatures on consumers' online shopping behavior. Many researchers have attempted to consider different angles and focus on various factors in different ways. Some of those studies have focused on online consumers' decision-making process. However, Kim (2004) asserts that consumer attitude is a crucial antecedent of online purchase decision. The author, nevertheless, indicates that consumer attitudes do not, directly or by themselves, affect one's intention nor do they influence behavior. It is, thus, suggested that consumer intention or behavior is a result of diverse attitudes that a consumer feels towards various issues relevant to E-shopping. Other studies have examined the online buying behavior from demographic and psychographic perspective. Case et al. (2001, p. 874-875) mentioned in their work that males represent the majority of online purchase. It is further reported that age, income and educational level are strongly influencing the online buying behavior. Hasslinger et al. (2007) validate that educated consumers with high income appeared to express positive attitude and behavior towards Internet buying. Nevertheless, they made distinction between the consumer characteristics that are explained by cultural, social, personal and psychological characteristics, and online consumer characteristics (Hasslinger et al., 2007, p.19-28).

Website Design Quality

Several studies have been published regarding website quality. Although there is no constant definition of website quality, researchers have concluded that site quality is a multi-dimensional concept which may differ depending on the nature of online retailer activity. Therefore, the antecedents of website have been investigated from different point of views. Cheung et al., (2003) reviewed and analyzed over 300 research articles on antecedents of intention, adoption and continuance of online shopping. They found that website design was one of the key category that most early studies have explored. Park & Kim (2003) depict how the sites content as well as presentation of products/services information influences the consumer's intention and purchase from an online retailer. The investigators found out a well-designed site interface minimize the consumer's searching effort in purchasing task, thus leads to consumer's satisfaction.

Other prior related reviews on antecedents of website quality concluded significant relationship between electronic site quality and consumer's online attitude and behavior. A good website quality most likely invites to revisit an online store and enhances consumers' online transaction, thus leads to satisfaction and loyalty. On the other hand, Constantinides (2004) suggests that poorly designed and dysfunctional website causes a potential threat not only to the organization's electronic store, but also a hazard for its physical store. Further Li & Zhang (2002) mentioned in their empirical work that website quality is a major antecedent of online buying behavior. The authors state that early reviews treaded website quality as independent variable, yet sometimes as dependent variable. However, they concluded that various factors regarding to website quality have been significantly proven as a major influence on consumer's online shopping attitude and behavior.

Perceived Trust

The importance of trust has been recognized significantly. In spite of that, a prevalent disagreement of trust still exists in terms of definition, characteristics, antecedents and outcomes (Lee & Turban, 2001). Hence, there have been intensive studies conducted on trust in divers areas such as in psychological studies, in B2B (e.g. strategic alliances), and trust in computing system. Yet, researchers have not given enough attention to trust in B2C context. In fact, only few empirical studies have been done, solely on consumer trust in e-commerce environment (Lee & Turban, 2001). One of those few studies was carried by Jarvenpaa et al. (2000) and they define trust as '***a trustor's expectations about the motives and behaviors of a trustee***'. The investigators relied on consumer trust model in an Internet-based store and used *ad hoc* samples. The results, nevertheless, demonstrate positive relationship between trust and consumer attitude, intention and willingness to buy through Internet stores. Yet, the authors signify that the degree of trust varies depending on the type of product/service a consumer intends to purchase.

Gustavsson & Johansson (2006) mentioned in their work that trust is multi-dimensional construct and there is no common trust model used in e-commerce environment. In their empirical study, they investigated factors that viewed as important elements from consumer's point of view. However, they found out that trust is very often associated with consumers perceived risk such as uncertainty and lack of security associated with credit card and personal information. Dhawan (2008) validates the strong relationship between trust and security. The author further signifies that the trust factor lies on the medium (i.e. online store size and reputation) and not on the brand a consumer intends to purchase (Dhawan, 2008, p. 16-18). Further Hasslinger et al., (2007) indicate that prior experience and consumer trust in online shopping context have a significant impact on consumer's intention of online purchase. Although the factor trust and consumer's online shopping behavior are relevant in e-commerce environment, it is suggested that trust has no or less importance after the first purchase. Thus, with recurrent purchases, the risk most likely declines, while the factor trust increases (Hasslinger et al., 2007).

Perceived Convenience

In online activity-based context, convenience refers to the ease of browsing or searching for information (Sultan & Nassiruddin, 2011). However, convenience factor appears to be a primary element in e-commerce (Wang et al., 2005). Mital (2013) states that most researchers have agreed that Internet brings convenience to users; however, they argue about the convenience attributes and antecedents. Nevertheless, majority of researchers have agreed upon three attributes of convenience in Internet shopping context which are search time saving, less physical effort, and the ability of shopping at anytime and anywhere (Zhao, 2012). Katawetawaraks & Wang (2011) also found in their empirical research that stress associated with queuing and waiting in long line at traditional stores as well as previous negative face-to-face interaction with a salesperson motivates consumers and increases their willingness to shop via Internet. Furthermore, the investigators found that 58 per cent of their respondents prefer to buy online due to the 24-hours operation availability. Schaupp & Bélanger (2005) found in their work that convenience factor impact positively on consumers' satisfaction.

Advertisement & Promotions

Advertisements nowadays can take other than just traditional forms (e.g. TV ads and printed media), but also online ads such as banners and pop-up ads. Similarly, promotion methods have been developed to include e-promotions such as free computer software trial and personalized offering via email (Kotler & Killer, 2012).

In the literature, many researchers have attempted to investigate the antecedents of advertising and promotions from different point of views. Investigators such as Tellis et al. (2000) have examined the effectiveness of various marketing communication tools and their effects on consumer's response. The authors signify that television ads increase the number of direct response of viewers. In their book 'Effective Advertising: understanding When, How, and Why Advertising Works', they depict how advertisements for a new medical service played on television increase the number of calls within the first two hours of TV ads exposure. Liaukonyte et al. (2014) reported a study conducted to investigate the relationship between single-source advertising on sales of large retailers. The result confirms that TV ads motivate direct-response, which in turn has positive impact on a retailer's sale in the short-term. The same report also mentioned a Nielsen survey that was conducted in 2012 found 27 per cent of respondents reported searching for the product on the Internet after exposure to television advertisement, while 22 per cent looked for the promotional deals announced on the same TV ad.

Other studies have conducted to understand the influence of specific advertisement appeals (i.e. ads content) on consumers' response. Chandy et al., (2001) found out both informative and emotional appeals were effective in increasing telephone calls, yet emotional content was found more effective during the advertisement exposure. On the other hand, informative-based appeal was found effective only few hours after the exposure to the advertisement. Furthermore, Naizi et al., (2011) have evaluated effectiveness of advertising and its influence on consumers buying behavior. Thus, the study attempted to find out the relationship between two variables (emotional response and environmental response) and consumer buying behavior. Emotional response factor includes pleasure, arousal and dominance, while environmental response factor reflect consumer's attitude (i.e. norms and beliefs) and experience. The findings show positive relationship between emotional response and consumer purchasing behavior. On the other hand, there is no relationship between environmental response and buying behavior.

In addition, researchers agree that online advertising is very effective in terms of low operational cost for the firm, however, they argue whether it motivates consumers to take action or not (Wilson & Abel, 2002). Some studies suggest that Internet advertising may not influence consumers' purchase decision; instead it has high possibility to increase brand awareness (Faber et al., 2004). Similarly, several studies

have shown various promotion techniques are very effective marketing toolkit that may increase short-term sales. Yet, researchers argue about the effectiveness of diverse promotion strategies in different environments (i.e. traditional store vs. online store), (Richard & Zhang, 2014). For instance, e-promotions such as lower prices for items sold online as compared to the same ones sold in-stores, is the biggest advantage that motivates consumers to buy via Internet (Zhao, 2012). Nuseir et al. (2010) elaborated in their work that promotional offers reduce the perceived risk factor associated with online shopping. The researchers justify that perceived value appears to overwhelm the risk factor. Thus, Lim et al. (2011) suggest that advertising on Internet would be more effective in influencing consumers' online shopping behavior if sales promotions were emphasized and go hand-in-hand with the advertisements.

Research Methodology

Research Design

This paper is based on an empirical research that applies non-experimental quantitative approach by which using numeric and quantifiable data. Furthermore, this research involves variables that are not manipulated by the researcher; instead, the variables are studied, as they exist.

Population and Sampling

The targeted population for this study is all online shopper in the Kingdom of Saudi Arabia. Basically, 120 residents in Dammam city including males and females, as well as Saudis and Non-Saudi citizens, were representing the sample size of total population of online shopper in the kingdom. In addition, a convenience sampling method was conducted among random people in shopping malls as well as coffee shops. The researcher has chosen this method because of the constraints in the Saudi cultural norms and value which females generally cannot be approached by a stranger male without an attendance of another male called "*Mahram*" (e.g., father, brother, husband or other men who are immediate family members).

Data Collection

In this study, 5 likert-scale based questionnaire (i.e. 1 = Strongly Disagree, 5 = Strongly Agree) was used as the main and only instrument in order to collect the necessary data for the current study. However, out of 120 participants, 107 respondents have completed the questionnaire; thus, the response rate is 89%. Nevertheless, a total of 25 likert-scale based questions were designed and which every 5 questions specified different variable of the study for internal consistency of questionnaire.

Findings and Discussion

In this research, SPSS software (Statistical Package of Social Science) was used to analyze the data after the questionnaire had been distributed and collected. However, the findings show that males represent 56.1%, while females 43.9%. Furthermore, the majority of participants fall under the age group 20-25 years old by 46.7% followed by 34.6% of participants aged between 26-30 years. Also, the result indicates that 61.7% of participants are single and 38.3 are married. The findings also show 49.5% of participants are college graduates who hold Bachelor Degree, which represent the majority. Moreover, the majority of participants that accounts for 28% state their average monthly income between SR4, 501 – SR5, 500, followed by 25.5% who earn between SR2, 501 – RS3, 500 as average monthly income.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.716	.692	5

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	2.515	.275	-	9.146	.000	1.969	3.060
Convenience	.142	.081	.258	1.746	.084	-.019	.303
Ads & Promotions	-.023	.066	-.040	-.344	.732	-.155	.109
Trust	.073	.083	.131	.876	.383	-.092	.238
Quality	-.140	.057	-.277	-2.478	.015	-.253	-.028

a. Dependent Variable: Online Shopping

Scale reliability was assessed according to Cronbach's Alpha, which is a measure of internal consistency that describes how a set of items is closely related as a group. In addition, Cronbach's Alpha is considered to be a measure of scale reliability by which a reliability coefficient of .70 or higher is considered acceptable in most social science research situations, according to Institute for Digital Research and Education (IDRE) online website. Hence, the reliability statistics above shows 0.716 based on Cronbach's Alpha, which indicates the study and variables, are reliable. Moreover the coefficient table showed the relationship and hypothesis between variables. Multiple and linear Regression analysis is used to test the hypothesized relationship among the variables; all result measure with $\alpha = 0.05$. Based on the regression analysis, and using $\alpha=0.05$, F test \rightarrow p value (F test) $=0.0000 < \alpha$.

Result showed that, there is no significant relationship between perceived convenience and consumer's online shopping behavior in Saudi Arabia since ($t = 1.746$ and $P = 0.84 > 0.05$). Therefore the "H1" was rejected. Furthermore, the relationship between advertisements and promotions and consumer's online shopping behavior, as represented in regression output showed that ($t = 0.344$ and $P = 0.732 > 0.05$), there is no relation between these two variables and "H2" was rejected. In addition the relationship between perceived trust and consumers online shopping behavior, as represented in regression output showed that ($t = .876$ and $0.383 > 0.05$), therefore there is a no relation between perceived trust and consumers online shopping behavior and "H3" was rejected. Finally the relationship between quality and consumer behavior in online shopping, as represented in regression output showed that ($t = 2.478$ and $P = 0.015 < 0.05$), which indicated that there is a positive relation between quality and consumer behavior in online shopping therefore "H4" was supported

Conclusions and Recommendation

This research was designed to determine consumer behavior in online shopping in Saudi Arabia. The findings of the study showed that from all the factors, only quality has impact on consumer behavior in Saudi Arabia. Other factors namely convince, trust and promotion showed no significant relationship with consumer behavior in online shopping in Saudi Arabia. The present study has been conducted on particular region as mentioned earlier. It is conducted in Dammam city in the Saudi Arabia, with 107-sample size. Its suggested that researcher may use a bigger sample size and try to do the same research in another areas to find out more about consumer behavior in online shopping in Saudi Arabia. Moreover other variables may influence consumer behavior in online shopping such as price, which may be of the interest for the future researchers.

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