Shoppers’ Attitude towards Online Retailing: An Exploratory Study Performed in the Context of United Arab Emirates (UAE)

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Abstract

Objectives:
- To examine the attitude of shoppers towards online shopping; with special reference to United Arab Emirates
- To analyse the future of online retailing in U.A.E

Methodology:
Nature of the study is Exploratory in nature, both Primary and Secondary data has been used in the study. Secondary data is collected from academic journals and text books for literature review, whereas Primary data is collected by executing an online survey and personal interviews with the subjects. Non-probability approach of sampling is used in the study and subjects are selected by using convenience and judgment sampling methods. Collected data is analyzed by using appropriate statistical methods. Frequency distribution tables and pie charts and bar diagrams are used to present and compare the findings and interpreting the results.

Results:
Findings of the study show, that in general people have positive attitude for online shopping. For certain reasons they prefer shopping through online, but not for all the products. They prefer online mode to shop for specific range of products. In the context of U.A.E. results show that people have interest in online shopping but there are a few serious concern of shoppers, if retailers take care of these factors while designing their websites, then people in U.A.E. will start buying online in U.A.E. too.

Conclusion:
Researcher has identified all the above relevant factors in this study, which covers the determinants responsible for positive, as well as negative attitude of shoppers for online shopping. The results of the study give direction to retailers to consider the identified factors for making online retailing successful, which saves time and cost and provide greater value to shoppers. Also this study highlights the fact that online mode can be used effectively as a tool for CRM.

Key Words: Online Retailing, E-marketing, Web Store, Multi Channel Retailing
Introduction

Online retailing is considered as one of the fastest growing retailing forms taking convenience to an entire new level where a shopper can make a purchase from any where at any time, regardless to the nature of the product and the distance from the marketer or supplier. Online shopping is the process whereby consumers directly buy goods or services from a seller in real-time, without an intermediary service, over the internet. An online shop, e-shop, e-store, internet shop, web-shop, web-store, online store, or virtual store; are a few common names analogous to online formats for shopping. These days on line retailing is attracting many customers in many countries and in some cases like Dell Computers, Amazon.com and e-bay has already established a remarkable success and a world wide popularity. With the invention of new and advanced technology of Internet, many retailers have now moved towards the online retailing. Many of the retailers who perform their businesses primarily through physical stores, in addition have now added this new format of online retailing in their operations. For example, Dell, Apple and many more companies serve their customers through both the modes i.e. the physical stores and online stores. In a study, McKinsey analyzed the 100 largest direct retailers in North America and found that direct retailers with physical stores captured 52 percent of Internet sales in 2003, while those without stores garnered just 31 percent. According to McKinsey, online retailing has come a long way since the go-go years of the 1990s: it generated $90 billion in revenues for US retailers in 2004, compared with just $8 billion in 1998.

Online retailing has already evolved and accepted at large in many developed countries such as United States, U.K. and Europe; but in many Asian countries, it is still in the evolving phase. Dubai mainly famous as a a tourist destination and is mainly considered as a shopping attraction place in the United Arab Emirates and in the whole Middle East, offers customers a wide variety of retail outlets mainly located within the super markets and huge shopping malls; but the culture of online retailing is yet at its infancy. Some of the examples of online retailers in U.A.E are boutique1.com, ellalmart.com, brownbag.ae, emiratesavenue.com and nahel.com; but how customers respond to online buying is yet to be checked. The present study is aimed with the basic objective of knowing the shoppers’ attitude towards online retailing and what are the future prospects of this retail format in UAE.
LITERATURE REVIEW

Online Retailing - Adoption, Requirements and Attitudes

Ahead of television or catalogue shopping, Internet shopping, otherwise known as online retailing or e-tailing, represents the most rapidly emerging form of non-store retailing today (Coughlan and Kennedy, 2006). Current advancements and innovations within the field of non-store retailing have drastically escalated the pressures of competition endured by many traditional, store retailers (Coughlan et al., 2006). Pure e-tailers (e.g. Amazon), in particular, which lack physical stores and promote and sell directly to customers via the Internet, pose a continual threat to traditional, store retailers by quickly penetrating global markets and seizing significant amounts of market share (Coughlan et al., 2006). Thus, the growing need for many traditional, store retailers to incorporate online retailing into their business becomes apparent.

It is argued that non-traditional, multi-channel retailing is essential to the continued growth and success of businesses associated to the retail industry, both domestic and global (Coughlan et al., 2006). Whereas, instead of competing directly with the Internet, retail businesses should encompass it within their overall retail strategies by utilizing a combination of both “online and offline activity through a bricks and clicks approach” (Coughlan et al., 2006). In other words, retail businesses should engage in both traditional and e-tailing services simultaneously. However, this is easier said than done and, in fact, many established retail businesses experience varying degrees of difficulty in transitioning themselves toward a multi-channel retailing environment (Coughlan et al., 2006).

The quick expansion of the Internet has enabled several organizations to utilize online retailing to extend their markets and improve operational performance (Chen, Liang and Lin, 2004). Thus, it is worthy to note why online retailing positively impacts certain types of business more so than others, and which factors specifically impact their financial performance with regard to online retailing.

Many reasons as to why discrepancies in profit associated to the use of online retailing exist amongst different types of business. However, researchers argue that the most significant of these is the “industry-technology fit” theory, which states that the nature of the business
determines the degree to which online retailing is feasible and advantageous (Chen et al., 2004). In other words, the types of business whose characteristics are more suited to the adoption of online retailing are expected to gain much more from it compared to those that have a poor fit.

Aside from the pressures of rival competition, Chen et al. (2004) describe two additional theories as to why retail businesses would adopt online retailing. The first of these is called the “product fitness” theory, which states that retail businesses are more likely to utilize online retailing if their products are “easily digitized”, thus better suited to marketing and sale via the Internet, or if customers require a great deal of information regarding their attributes and/or use (Chen et al., 2004). The second is called the “transaction cost” theory, which states that online retailing is more likely to be adopted if via its use, retail businesses are able to reduce product and transactions costs, thus enhancing their overall value (Chen et al., 2004).

Several requirements are involved in the implementation or foundation of online retail business. These generally revolve around having “viable business models, effective supply chain management, secure transactions, good website design, quality order fulfillment, and clear customer focus” (Rajan, Sebastianelli, Tamimi, 2003).

In terms of computing, the most fundamental software necessary to facilitate online retailing includes “a point of sale program, shipping software, and other electronic warehouse and fund transferring systems” (Ngai and To, 2006). According to Ngai et al. (2006), it is, in fact, an organization’s “technical resource competence” that ultimately decides whether or not it is capable of establishing online retail. “Firms which have the technical infrastructure and manpower are more ready for the adoption of online retailing” (Ngai et al., 2006).

Contemporary research in online retailing generally places a great deal of emphasis upon specific factors which directly impact quality. Such factors, which serve as necessities to successful online retailing, include “website performance, features, structure, aesthetics, reliability, storage capability, serviceability, security, trust, responsiveness, product differentiation and customization, policies, reputation, assurance, and empathy (Rajan et al., 2003). Others mention factors such as “purchasing process, payment methods, delivery time and charge, speed of
loading, timeliness of information, presence of search engines, and translation into multiple languages” as being of great importance as well (Rajan et al., 2003).

Quality of information is particularly important to products that are entirely digital, as well as “information-augmented” products where, as mentioned before, customers require a great deal of information regarding their attributes and/or use (Miller, 2005). With both types of products, the overall, online shopping experience is likely to be negatively impacted if the quality of the information provided concerning them is perceived by customers to be sub-standard (Miller, 2005).

Additionally, Miller (2005) mentions that factors such as speed and reach, in particular, exemplify the environment for online retailing. These factors affect the quality of information provided by impacting upon attributes such as “timeliness, completeness, and context” (Miller, 2005). Furthermore, Miller (2005) goes on to state that speed and reach have transformed the “inter-organizational dynamic regarding innovation”. Generally speaking, before the introduction of the Internet, it was more difficult and took considerably more time for an organization to duplicate another’s innovations in terms of products or product enhancements, as a result of barriers associated to “information access, product development, and customer response” (Miller, 2005). The same may be applied to the retail business. However, subsequent to the introduction of the Internet, aspects such as “website enhancements and new business practices” have become readily available and require much less effort to imitate (Miller, 2005). Developers of online retailing websites may now obtain from other retail businesses what once took months or years, in matter of weeks, days or hours. “This altered landscape has affected information quality and its relationship to business success” (Miller, 2005).

Perotti, Sorce and Widrick (2005) state that, similarly to traditional shoppers, online shoppers fall within two categories: those who shop as a means of enjoyment or entertainment (i.e. hedonic shoppers), and those who shop to fulfill a specific goal (i.e. goal-oriented shoppers). “Hedonic shoppers are motivated by their involvement with a class of product that directs their browsing of the Internet through to auction sites and visits to hobby-related sites” (Perotti et al., 2005). In other words, hedonic shoppers have need for a “product-specific online shopping
experiences” (Perotti et al., 2005). Perotti et al. (2005) go on to state that, on the other hand, goal-oriented shoppers are driven by certain attributes associated to online retailing, such as convenience, greater availability of information, greater range of products, and the means to control their online shopping experiences themselves. Additionally, others have mentioned motivational factors toward shopping online that include “social escapism, transaction security and privacy, information, interactive control, socialization, non-transactional privacy, and economic motivation” (Perotti et al., 2005).

Alternatively, attitudes toward shopping online are negatively impacted by certain, generally perceived risks: product category risk and financial risk (Perotti et al., 2005). While as financial risk refers to the dangers of providing one’s financial details over the Internet, product category risk concerns products that are priced highly and/or are technologically intricate.

When determining who is more likely to purchase via the Internet, researchers’ results and opinions are mixed. While some argue that this is based upon certain demographic factors (e.g. age, income, education, etc.), others feel as though such factors are not nearly as significant as one’s attitude toward technology (Perotti et al., 2005). Additionally, Perotti et al. (2005) go on to mention that older users of the Internet generally prefer to shop online more so than younger users, even though younger users report greater hedonic and utilitarian advantages associated with it.

Advantages and Disadvantages of Online Retailing

According to Coughlan et al. (2006), the process of transitioning a traditional retail business toward a multi-channel retailing environment poses benefits for both the organization, as well as its customers. In terms of the organization, benefits derive mainly from the relative ease with which they are able to carry-over their existing customer base toward the new, online retail environment, and utilize pre-existing retail networks and distribution channels (Coughlan et al., 2006). In terms of customers, benefits derive mainly from the fact that they would continue to deal with what they may have always perceived to be a trustworthy, reliable, and reputable organization, while additionally enjoying the positive aspects of shopping online (Coughlan et al., 2006). Thus, the potential exists for well-established retail businesses to leverage their brand
equity onto the Internet and reduce costs, especially those that concern the acquisition of new customers.

Additionally, many believe that the implementation of online retail into one’s business would, in turn, compliment their business of traditional retail financially (Ngai et al., 2006). In line with this, Coughlan et al. (2006) state that “selling through existing physical stores and through Internet channels allows retailers to leverage the strengths of each channel with stores and websites working well together, and so increasing the sales of both.” Coughlan et al. (2006) go on to mention that this may be partly attributed to the fact that many shoppers search for product information on the Internet, because of its easy access and comprehensiveness, with the intention of making their purchase in a traditional retail setting. Alternatively, customers with the intention of purchasing online (e.g. due to lower prices) may wish to examine a product in a traditional retail setting first-hand prior to making their purchase decision (Coughlan et al., 2006).

Furthermore, Coughlan et al. (2006) state that by utilizing the Internet, retail businesses are able to enhance the value of their current operations by expanding their range of products, or by associating themselves with other retailers, suppliers, products or services, for example. The latter often results in what are referred to as an online shopping portal (e.g. Buy4Now), where separate retail businesses enter into a joint-venture, combining their skills and capabilities to create a “one-stop” shopping website that boosts customer experience and generates much traffic (Coughlan et al., 2006). However, the main advantage of online shopping portals is that they allow for retail businesses to have access to other businesses’ customers through heightened exposure (Coughlan et al., 2006). In many cases, shoppers may visit an online shopping portal with the intent of make a specific purchase from a single retail business, only to result in making multiple unplanned purchases from several other businesses (Coughlan et al., 2006).

Other benefits toward the adoption of online retailing include the ability for customers to personalize or customize their products, the ability for retail business to access customers that are beyond their physical stores, and the general improvement to a business’s perceived image or position (Ngai et al., 2006).
On the other hand, a number of potential drawbacks are common with the adoption of online retailing. Coughlan et al. (2006) state that “the move to internet retail operations is shrouded in uncertainty for firms in terms of consumer demand, unproven business models, high costs of staying abreast with technology, a fragmented online market space, and fierce competition for consumer traffic.”

Aside from competitive pressures, Ngai et al. (2006) mention that channel conflicts may also arise as a matter of concern. “Channel conflict refers to the frequency, intensity, and duration of disagreements between a firm and its channel partners or intermediaries” (Ngai et al., 2006). Channel conflicts are liable to cause reprisal or uncooperative conduct from channel entities, which, according to Ngai et al. (2006), would likely restrain retail businesses in their efforts to transition toward a multi-channel retailing environment.

In addition, Coughlan et al. (2006) state that the actual delivery of products purchased via the Internet to customers is a cumbersome challenge for many online retail businesses. The issue with product delivery lies in the fact that the transportation of products within an online retail setting poses added costs toward retail businesses. While in a traditional retail setting, transportation is usually handled by customers themselves, thereby eliminating such costs. In order to compensate for product delivery costs, most online retail businesses charge customers a small delivery fee (Coughlan et al., 2006). However, in most cases, this involves outsourcing the task of delivery to a third-party: a process which, according to Coughlan et al. (2006), may be difficult and require extra effort to manage. Also, with regard to the issue of product delivery, Coughlan et al. (2006) state that “customer loyalty and retention is seen as the cornerstone of effective logistics, as the logistical costs of serving occasional customers needs is substantially higher than those of serving the continuous needs of permanent customers.”

However, according to McCrohan (2003), concern over security is the most dominating issue. McCrohan (2003) also states that both customers and retail businesses, alike, often question the safety of transacting via the Internet. Customers, especially, face the threat of having their personal and/or financial details stolen and duplicated by “cyber-criminals” each time they make an online purchase (McCrohan, 2003). Furthermore, McCrohan (2003) mentions that according
to research conducted within the US, approximately two-thirds of American citizens doubt the safety of providing such details over the Internet, and feel as though existing security measures are insufficient in thoroughly protecting against online theft. “The reality appears to be that market forces will continue to fuel the rapid expansion of online retailing, regardless of concerns over security. Additionally, it is difficult to encourage private sector investment in security solutions in the absence of a clear relationship between security and profitability, or a major commercial catastrophe” (McCrohan, 2003).

Research Objectives
The primary objective of this research paper is to generally examine and analyze the scope and future of online retailing in U.A.E. In order to get more accurate results, the main objective of this research is divided into very specific contexts which all explores the concept of online retailing in U.A.E at the final point. One particular concept to examine is to find out the current attitude of the U.A.E population towards online shopping on U.A.E based web stores. Furthermore, it is vital to identify what does this population look to buy in general and specify which category of products they are mostly interested in.

The other area to look at is to find out what commonly motivates the customers to go online and buy their preferred items instead of going to a physical shop. Finally, to discover how a typical online retailer performs in U.A.E in terms of security, costs, product offerings, and attracting customers.

The final stage will include an analysis of the information and findings, hence a more in depth look at the whole issue. Therefore, a conclusion can be drawn to foresee the future of online retailing in the UAE and how to succeed in this particular field.

Methodology
Nature of the study is Exploratory in nature, both Primary and Secondary data has been used in the study. Secondary data is collected from academic journals and text books for literature review, whereas Primary data is collected by executing an online survey with the subjects. The online customer survey has been done on sixty participants. The survey is based on a study done
previously by the Rochester Institute of Technology in the United States (Sorce 2005). The
questions were adapted to better suit the study and understand a more specific approach towards
the attitude of online shopping in the context of U.A.E. The online survey was generated through
social networking websites such as Face Book, email and forums all over U.A.E. The survey
included twelve questions, which were to the point and easily understandable by the participants.
The participants were provided with multiple alternatives for eleven questions and for the last
optional question they were asked to give an example of an online retail business in the UAE
with which they are familiar with. It was ensured that participants could participate only once in
the survey and the multiple response inquiry was not possible by the same respondent. Collected
data has been analyzed by using appropriate statistical methods and has been represented through
pie charts and bar diagrams to conclude the findings and interpreting the results.

**Major Findings and Results**
When asked if the participants have ever purchased goods and services online, 54% replied that
they have shopped online, followed by 21% who mentioned that they have never shopped online,
while 20% said they were online shopaholics. These findings reflect that in general people in
U.A.E. have an experience of online shopping, and around 21% have never had this experience
before (Figure-1). By examining Figure-2, we may observe that 61% of the respondents have
never shopped from the U.A.E websites, whereas 18% have shopped online a few times, and
16% saying once only; while 5% mentioned they were shopaholics on U.A.E websites.

It is found in the study that mainly the shoppers go online because of convenience (36%), variety
(25%) and price (23%). This shows that all these three aspects are important to customers while
shopping online (Figure-3). When asked why shoppers hesitate to go online it was found that the
majority are concerned with shipping costs (33%) or need to examine the product first (29%) or
being concerned with security measures (28%). Only a mere 10% had issues with the payment
terms (Figure-4). This shows that the three major issues (the shipping costs, examining the
product and security) are all relatively important to shoppers and need to be examined
thoroughly. Findings of the study reflect (Figure-5) that majority of the respondents (84%) buy
only from trusted websites.
Figure-6 outlines that if the price offered by the online retailers are found competitive and reasonable, customers would prefer to buy online (44%). 35% of the respondents answer that the security is a major concern for them and they will buy if they are guaranteed for security measures. 16% of the respondents showed interest in the after sale service and only 5% said they found free shipping as an incentive to buy from U.A.E web sites. When asked whether the respondents trusted a brick and click business rather than stand alone web site; 74% responded positive and only 26% responded with negative reply (Figure-7). This shows that a business that already have physical retail store have a greater chance of success.

When asked their preferred online payment method (Figure-8), only 5% preferred money transfer, while majority preferred the payment mode through PayPal (28%), credit card (31%), and cash on delivery (36%). When asked the most likely item to be bought by shoppers through online in U.A.E are shown in Figure-9 as specific purpose goods (66%) including the goods that can not be found in the physical shops or are over priced in the U.A.E. Other products in the category of Fashion and accessories (10%), gifts (11%), and entertainment and books (13%) were relatively similar.

As it can be seen in Figure-10, majority of the respondents agree that the appearance of the website is an important factor. 38% replied that appearance has a medium impact, while 54% regarded the issue as a high importance. Only 8% responded as the appearance being not important or has low importance. Therefore, it is important for the online retailers to pay attention to the web site design and the message it sends out. Figure-11 presents the importance of product variety offered through the website. 59% rated this issue as of high importance, and 26% rated it as of medium importance, and only 15% rated it as low or not important. This reflects that a wide variety of products should be made available in an online shop as product variety has a high concern for shoppers.

When asked about the rating of online retail in U.A.E (shown in Figure-12), a majority of respondents (72%) rated the U.A.E online shops as below average, followed by 25% as average, and 3% mentioned it was above average. No one thinks that they are outstanding (0%), it shows
that the U.A.E is far away from being a major player in the online business world, although it is considered as a highly preferred shopping destination in the whole world.

Based on the findings and analysis above, it can be concluded that the current state of online retailing in U.A.E falls below the accepted standards of online shoppers. It is seen that there lies a great potential for online retail stores in the U.A.E, as in general there is a positive attitude of shoppers for online shopping (Figure-14), but the future of online retailing in the U.A.E depends on identified seven key factors (Figure-13) that need attention and if addressed efficiently and affectively will lead to the success of online retailing in the U.A.E. These factors include competitive price, variety of products, user friendliness of the website, adapting multiple security measures, offering multiple payment methods, and finally having a professional appearance. This exploratory study can be concluded with the following observations and recommendations:

- Online retailers need to have a wide variety of products on hand. This method enables the customers to have a wide selection of products to choose from. Some items can be included that are specialized and cannot be found in the traditional retail stores. For example, gamers in the U.A.E who are not able to find certain games in shops they can purchase them online.

- The other factor which plays an important role for the online retail site is the user friendliness and convenience of the website. The user has to be able to create an account, and access personal information without any hassle. They should also be able to shop easily and be able to speak to online support at any given time.

- Security is considered as the other major factor in an online shop. As the major backbone for any IT infrastructure system security play a big role to provide assurance to the customers and safety to the retailers. Adapting to multiple security methods is a good way to bring out this assurance and the issue has to be communicated to the customers on the site. For example, having a VeriSign website and by using the SSL protocol, the customers are assured that their private information is not revealed to any non authorized party.

- Another factor that plays a major role is offering the customers the choice to pay using their preferred methods. These include Cash on Delivery system, credit card payment, PayPal payment and money transfer.
The online retailers must also understand that in order to be able to keep the shoppers on their websites and interested the website’s appearance has to be professional and designed by a dedicated designed team.

Competitive pricing is perhaps the most crucial element in attracting shoppers in the first place and making sure their return in the future for their purchasing needs. One advantage that online retailers have is that they can decrease their profit margins, since they do not have the extra costs of a traditional retailer, such as rent, utility and other costs.

Online retailers can also use online shopping portals if they lack the skills to create and manage their own retail websites.

Specialized pick up options can also be granted to the shoppers so that they can go ahead and deliver the products rather than paying for the delivery.

In online retailing as in any retailing business it must not be forgotten that elements of the marketing, advertising, promotions, etc are required in order to attract, retain and maintain customers.

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Appendix

Global Sites Purchase

- Never 21%
- Once 5%
- A few times 54%
- I am an Online shopaholic 20%

UAE Online Purchases

- Never 61%
- Once 16%
- A few times 18%
- I am an Online shopaholic 5%

Figure-1

Figure-2
Main Purchase Reason

- I do not shop online 16%
- Price 23%
- Variety 25%
- Convenience 36%

Figure-3

Hesitation Reasons to Buy Online

- I need to examine or try the product first 29%
- Security 28%
- Payment Terms 10%
- Shipping Costs 33%

Figure-4
**Truste Website Purchases**

- Yes: 84%
- No: 13%
- Sometimes: 3%

Figure-5

**Will Purchases From UAE Sites If They Provide**

- Security: 35%
- Competitive Price: 44%
- After Sales Service: 16%
- Free Shipping: 5%

Figure-6
Figure-7

Favourite Payment Method

- Money Transfer: 5%
- PayPal: 28%
- Credit Card: 31%
- Cash On Delivery: 36%

Figure-8

Trust Websites With Physical Stores

- No: 26%
- Yes: 74%
Essentials for Successful Online Retailing

Figure-13
Online Shopping Experience of Shoppers Surveyed

Figure-14