

# Growth of Online Purchase in Saudi Arabia Retail Industry



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**Abstract:** Online shopping is very popular in the current scenario of retail industry. Almost in every country e-commerce retailing is performing much better. In the case of Saudi Arabia, it has been noted that e-commerce retailing has grown much in this country. At the same time, the study has also identified the fact that e-commerce retailing is becoming more popular in Saudi Arabia because it is a convenient way to shop. At the same time, it has also been identified that people prefer the e-commerce retailing because they can save their time. This study indicated the fact that the government in Saudi Arabia is supportive enough for growing the online retail industry. The literature review of the study has indicated the fact that there is several large online retail companies are operating business in this country. Several foreign companies have also joined this market, which have influenced the growth of this industry further. This study was carried out by using positivism philosophy, descriptive research design and deductive approach of research. By conducting interview with 3 managers in the retail companies in Saudi Arabia, the primary data for the investigation was collected. The findings in this study can be used for understanding how far the people in Saudi Arabia are accustomed with online purchasing and how far the online sellers in Saudi are gaining profit. The findings in this study will help in understanding the actual pattern of growth of the online retail industry in Saudi Arabia, which is very important for the betterment of the industry.

## I. INTRODUCTION

In the current scenario, the e-commerce business has grown in almost every country. The e-commerce business was first introduced in the business world during mid 1990s and after that the concept of shopping changed in throughout the world (Cs.tlu.ee, 2018). Customers prefer online shopping because in the case of online shopping they can shop as per their comfort. They can easily buy a product at their home and even they can exchange the products if they are not satisfied with the same. However, along with the positive sides, there are several negative factors associated with online shopping like, customers cannot check the quality of the products physically in the case of online shopping. However, if the statistical reports are considered, it can be noted that in the current scenario, online shopping has grown rapidly in the markets of different countries. In Saudi Arabia, online shopping has grown by 100% between the years 2002-2005 (Technavio, 2016).

Manuscript published on November 30, 2019.

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Retrieval Number: C4054098319/19@BEIESP

DOI: 10.35940/ijrte.C4054.098319

Journal Website: [www.ijrte.org](http://www.ijrte.org)

## Background

As per the statistical reports the net turnover from the global retail industry has grown up to 23.45 trillion USD in the last year and it is expected that the sale will grow further in 2020 up to 27.73 trillion USD.

The rapid growth of this industry is indicating the fact that e-commerce business is contributing to the higher extent in the growth of the industry. Introduction of the e-commerce businesses like, Amazon.com has helped the countries enhancing the online retail sales by a higher percentage (Kahn, 2018). The increased level of technological knowledge among the customers is one of the key reasons behind the rapid growth of e-commerce business in the retail industry. At the same time, it can also be stated that the customers get attracted towards online shopping because it helps to avoid time constraints easily.

## Problem statement

The main problem that the study has dealt with is that in Saudi Arabia, the economy is highly dependent on the crude oil trade. Due to this, the growth of the online or e-commerce retailing is also controlled by the crude oil trading.

## Research questions

- Is online shopping dependent on price level of the products?
- Is online shopping dependent on convenience of shopping?

## Objectives of the research:

- To identify whether online shopping intention of the customers depends on the price level of the products
- To identify whether convenience of shopping has any positive impact on online shopping intention of the customers
- To evaluate whether customers' satisfaction is the result of the relationship between intention to purchase and convenience of purchase

## II. LITERATURE REVIEW

### Overview of global retail industry

Retail industry is one of the largest industries in the global market. Every year the industry generates a higher percentage of revenue. If the comparison is made among different countries, it can be noted that UK is one of the major contributors in the growth of the retail industry. Every year, UK generates near about 16% of the total revenue of the retail business (Statista.com, 2018). It means a major portion of the revenue is generated in the United Kingdom. Along with the United Kingdom, there are also the German retail businesses like, Aldi and Lidl, which have contributed much in the growth of this industry.



The contribution of the USA based retailers also cannot be ignored. The retailers like, KFC and McDonald's generate a high percentage of revenue in every year (Kahn, 2018).

Therefore, considering the overall scenario, it can be stated that the retail business in the international market is at a strong position. There are number of companies operating in this industry and the growth level of this industry is also at a better position.

### Online retailing in Saudi Arabia

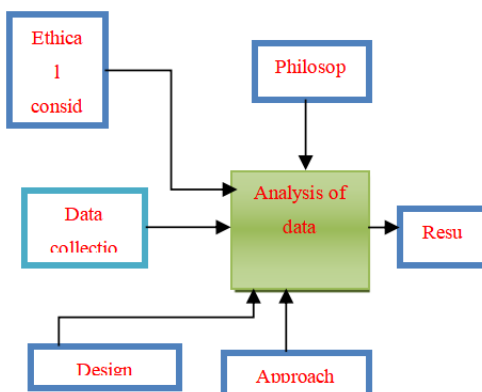
If the retail industry in Saudi Arabia is considered, it can be noted that there are several retail companies operating business online. The growth of online retail business in Saudi Arabia indicates that the customers prefer to shop online because of several benefits associated with this system of shopping. During 1990s, the growth rate of the online retailing in Saudi Arabia was at the highest level (istizada.com, 2018). The online retail business in Saudi Arabia has increased because of several reasons. For example, the government of Saudi Arabia is highly supportive to the growth of the online retail industry. Due to this, it became possible to create a proper infrastructure so that online retailing can be increased within the country. At the same time, it can also be stated that the increased level of customers' interest on technology has also influenced the growth of online retailing in this country.

### III. METHODOLOGY

For this study, a systematic methodology has been followed. The methodology has included positivism philosophy, deductive research approach and descriptive research design. The positivism philosophy has been followed because it is very useful in gathering and investigating huge quantity of data at one time (Flick, 2015). On the other hand, deductive approach has been followed during the study because deductive approach is more suitable for developing the casual relationship between the variables of the research. The descriptive design has been selected because it is very effective in analyzing the data in a critical manner (Ledford & Gast, 2018).

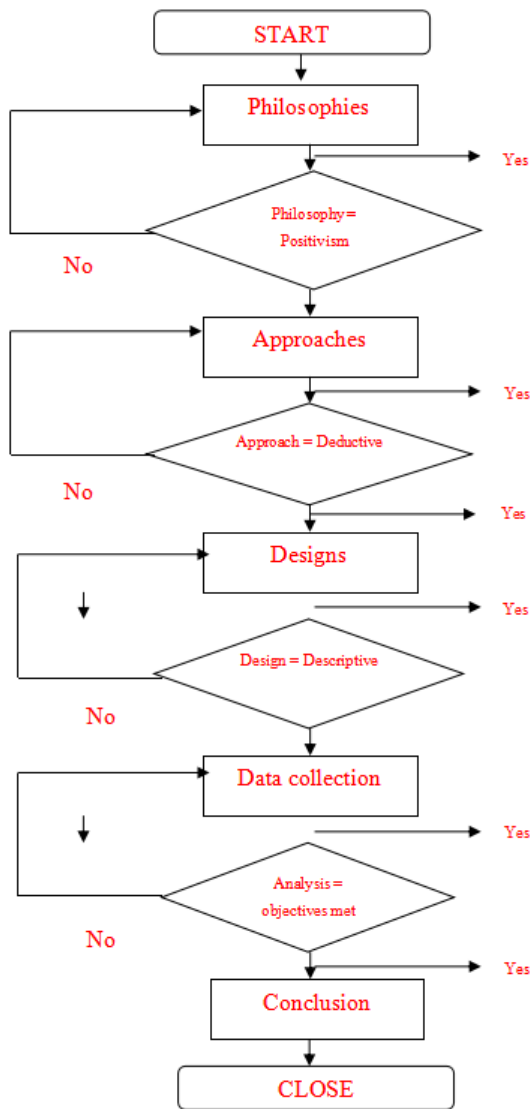
The study has primary data for conducting the investigation. The primary data has been collected by conducting telephonic interview with 3 managers in retail industry in Saudi Arabia. The study has analyzed the interview data using the qualitative method of data analysis because this method helps in in-depth analysis of the research data.

#### Block diagram

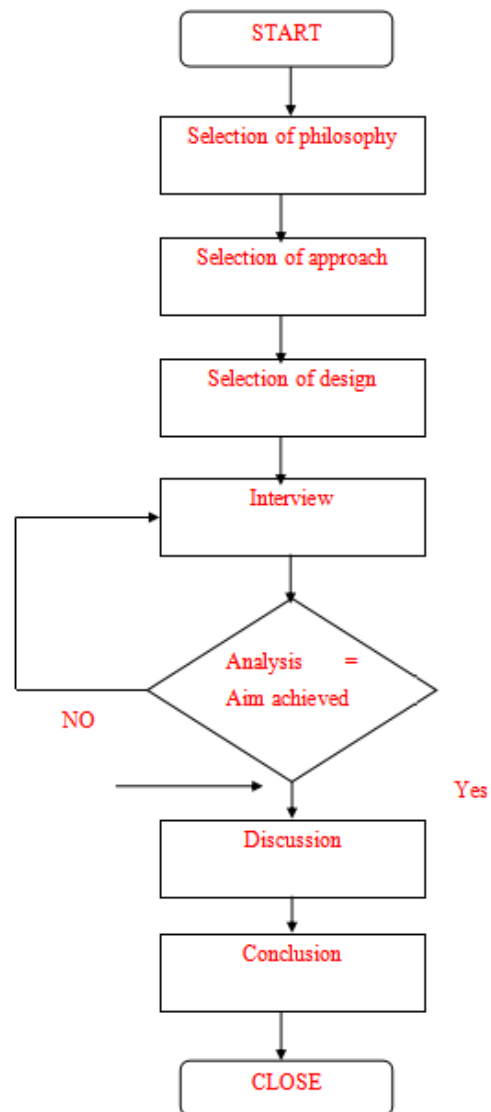


(Source: Created by author)

Algorithm



Flow Chart



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IV. ANALYSIS AND DISCUSSION

Analysis and discussion on the views of the first manager

According to the first manager in the interview process, retail industry in Saudi Arabia is growing every year and e-commerce has made huge contribution in that. The manager has also mentioned that the people especially the women in Saudi Arabia prefer more online shopping than offline shopping because of the convenience of shopping. The manager has also mentioned that fact the online shopping can be noticed more in grocery products and clothing products because in these two categories of products more price discounts are available.

Therefore, considering the views of the first manager, it can be easily understood that price and convenience play a major role in the process of decision making during online shopping. The manager has clearly mentioned that online shopping rate in grocery items and clothing items is high

because of price discounts. Hence, it can be considered that price is a major influence in online shopping.

Analysis and discussion on the views of second manager

The second manager in the interview process indicated that though e-commerce in the retail industry in Saudi Arabia is increasing, the craze for offline shopping is still at the standard level. The manager mentioned that the company in which he is working generates a huge amount of revenue through offline selling because many customers do not prefer online shopping because they cannot verify the quality of the products. However, the manager has admitted that people prefer online shopping because it does not involve much time.

Therefore, considering the views of the second manager, it can be stated that time is also a big matter that plays major role during the process on online shopping by the customers.

Along with that, it can also be stated that the major barrier of online selling or e-commerce in retailing is that the customers cannot judge the quality of the product.

### Analysis and discussion on the views of the third manager

According to the third manager, e-commerce business in Saudi Arabia in the current situation is very popular. The manager mentioned that his company is emphasizing more on the e-commerce business because it helps in enhancing the customer base easily. At the same time, the manager also mentioned the fact that in the coming 5 years the e-commerce retailing will be more popular in the market of Saudi Arabia and the country will be a major contributor in the global e-commerce retailing.

Analyzing the views of the third manager, it can be stated that people in Saudi Arabia are much supportive to the growth of the e-commerce business. In this context, it can also be stated that as the betterment of the technological infrastructure in the country has also contributed to the growth of the e-commerce retailing in Saudi Arabia.

## V. CONCLUSION

Considering the findings in this study, it can be stated that online shopping is quite popular in Saudi Arabia. People are interested in online shopping because of the benefits that they can enjoy in this form of shopping. The growth opportunity of this form of business is high in this country.

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