Lessons to Be Learnt: Cultural Means Impeding e-Commerce Adoption in a Saudi Industry

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Abstract—Saudi Arabia is gifted with Hajj & Umrah religious tourism that accounts for 7 million visitors each year and constitutes a highly profitable business which could be further enhanced with e-commerce integration. However, despite the availability of technological and financial resources, e-commerce has not been adopted to its full capacity in the Saudi tourism market. This study conducted a qualitative survey among decision makers in the Saudi tourism industry and found that cultural aspects are a significant reason behind the limited adoption of e-commerce. There is a pervasive trust issue with online business with fears about privacy and security compounded by a low level of awareness of e-commerce services as such. It also found that Saudis overall have not developed a comfort level with the procedures involved in online transactions. Also, most Saudi travel agencies are family businesses which in most cases have a risk-averse leadership that likes to stick to the status. The rich and nuanced explanation of these cultural factors in this paper explains how e-commerce usage in Saudi Arabia is lagging behind despite the availability of technological and financial capability.

Index Terms—E-commerce, cultural means, information system, technology adoption, Saudi Arabia, tourism.

I. INTRODUCTION

As the largest market in the region, there are excellent opportunities for organisations with an online business profile to take advantage of Saudi Arabia's expanding and deepening ICT infrastructure. The growing dispensable income of the general population and the high level of computer literacy, particularly among the youth of the nation, can engender further interest in ICT-based businesses. Hajj & Umrah religious tourism accounts for 7 million visitors each year in Saudi Arabia and constitutes a highly profitable business which could be further enhanced with e-commerce integration. However, despite the availability of technological knowhow and the proven advantage of online marketing for the tourism industry, e-commerce has not been to its full capacity in the country. This study explores the perceptions and experiences of executives in the Hajj/Umrah tourism industry in the country to understand the attitudes, norms and behaviours that may have impeded e-commerce adoption.

II. LITERATURE REVIEW

Over the years, scholars have been developing theoretical models like TRA, TAM and UTAUT to understand the acceptance of new technologies [1]-[3]. Many factors affecting ICT adoption can be extracted from those tested models. Hofstede's model of National Culture provides the most comprehensive framework to understand the cultural factors in a particular national context that can influence technology adoption. Hofstede defines culture as "the collective programming of the mind that distinguishes the members of one group or category of people from another" [4]. Hofstede's cultural dimensions have been widely used and supported in the literature on acceptance of information systems [5], [6]. Hofstede's cultural dimensions were used to show the degree of difference between North American and Saudi Arabian adoption of IT [5]. The authors found that some of the behavioural intention and usage's determents had real impact on IT adoption in Saudi Arabia.

Although Saudi Arabia is a member of international organisations, such as the World Bank, the United Nations organisations, and business regulatory groups, Saudi firms are still grounded in traditional Arabic and Islamic socio-economic business practices and have not embraced technology to its fullest capacity [6]. Kulviwat et al. [7] observe that social and cultural influence and adoption intention is stronger when an innovation is publicly consumed rather than privately consumed. Organisational creativity and innovation are inherently complex phenomena, and subject to myriad contextual and social cultural influences [9].

III. METHODOLOGY

The study collected qualitative data collected to investigate the beliefs and attitudes of leaders in Saudi tourism organisations and identify the factors influencing the adoption of e-commerce. Taking a qualitative research approach, this study aims to describe the phenomena in a narrative fashion, identify major themes and present broad thematic concerns [10]. The data was collected through semi-structured interviews with open-ended questions to minimise influence on the participants' responses [11]. Furthermore, the authors did not edit negative or odd findings that run counter to the theme under discussion, as different or contrarian perspectives can actually enhance the credibility of the research [12]. Also, the main author spent extensive time in the field, studying the tourism industry and conducting field research for about three months in

Jeddah city of Saudi. The table below presents information about the participants in the study.

TABLE I: PARTICIPANTS' INFORMATION

P	age	Experience	Industry sector	e-commerce Use
1	30s	6	Accommodation, tourism & attractions	None
2	40s	25	Travel agency	None
3	40s	22	Accommodation & religious tourism (umrah)	Business to business
4	30s	12	Travel agency	Business to business
5	40s	8	Travel agency	Partial business to consumer
6	20s	7	Religious tourism (hajj)	None
7	40s	20	Events	None
8	50s	32	Religious tourism (hajj)	None
9	60s	40	Religious tourism (hajj & umrah)	None
10	50s	31	Aviation	Business to consumer
11	40s	23	Travel agency	None

IV. ANALYSIS AND DISCUSSION

This section presents a discussion of significant themes located in the feedback given by respondents in the interviews. Note that, the participants are signified by the letter [P. participant number].

A. Trust

The issue of trust has been identified as a significant obstacle to e-commerce and online trading as Saudis find it hard to trust business transactions there is no actual real-time interaction with the other person. In a study on ICT acceptance by students and staff at King Fahd University of Petroleum and Minerals Eid [13] found that perceived security and privacy risks indirectly influence trust. Almousa [14] found that and performance risks outweigh concerns regarding privacy among young Saudis shopping online for apparel.

In this study too, trust seems to be the most significant issue hampering e-commerce adoption as this is not only a relatively new form of trading but also has a lot of security and privacy concerns unlike traditional forms of business. Security issues, issues with prototypes on e-shopping, and payment logistics were some reasons cited by participants. P3 was convinced that fear of fraud and robbery were uppermost on the minds of potential customers in regard to any purchases.

"Saudi people are really scared about taking credit cards out of their wallets, so what do you think about putting their (credit card) numbers online? It's a big issue." [P3]

P4 whose firm had been in business for several decades still preferred face-to-face sales for the security and trust it offered:

"Customer trust is a high priority for our agency. We gain trust through face-to-face interactions. Customers trust our travel agency reputation and we have been in the market for 30 years. There have been some famous online fraud cases which have prevented clients from booking over the internet … fraud happen and fraud is easy" [P4].

Only one participant, P5 found that his firm has been able build trust with customers through the online segment of his business, as their customers passed on a good word to others through social networking on online forums and reviews which attracted new customers.

"Our business is more than 50% e-commerce-based. We do not offer online payment yet because of lack of customer trust. . . I think over time we may offer it, as our reputation in the market has been increasing for over eight years . . . our customers advise others to travel through us on the online bulletins" [P4].

Participants P2, P4 and P5 said that greater acceptance of online trading could occur only if the government backed the concept and offered reassurance to the population. They suggested that the government provide the tourism industry with a risk-free portal to market tourism services online. Here, it is interesting to note that the private sector expected the government to provide the infrastructure and assurance to garner the 'trust' of potential customers.

B. Awareness

Customer awareness regarding the use of ICT in general, and internet and e-commerce in particular is a significant driver for innovation acceptance [15]. In this study, participants made some 19 comments relating to this issue. One interviewee was adamant that low customer awareness of online trading was the main reason for slow e-commerce adoption.

"In developed countries, customer awareness about e-commerce forces retailers to provide online services ... the reason is that businesses go where the customers are and believe me, the Saudi tourist is unaware of e-commerce" [P9].

The main reason for Saudi reticence to online trading was that most adults belonged to a lower educational level and were unfamiliar with ICT as such.

"The solution for a community to deal with e-commerce is education. The only people who use e-commerce now are highly educated . . . the coming generation will be much more aware" [P9].

"Age directly affects usage of e-commerce. For example, those people over 40 years have illiteracy rates over fifty per cent, whilst the age group between 12 and 25 (years) I think is less than 20 per cent … and this group will adopt an electronic culture over the next decade" [P7].

But another interviewee mentioned that attitudes were changing and that there was growth in online trading.

"The general way of thinking about this [ICT] has changed during the last two years. People are interested in electronics ... their views about technology are changing" [P2]

C. Human Interaction

The interviewees also felt that online sales were impersonal as the internet did not engage the customer in a direct interaction. Therefore, e-commerce was not perceived as a channel that could build rapport and trust between the travel firm's staff and a potentially long-term customer.

"Going online is a future goal for my company. But we fear that will not be able to personalise customer relations online. From experience, most of our customers come to us as they trust our staff to take care of all their needs. This advantage will not be available on the internet … I also do not believe other technologies can duplicate the process of meeting customers and talking through their travel plans" [P6].

Participants felt that potential customers preferred to discuss their travel arrangements face-to-face and negotiate a price, an option that would not be available online.

"Selling and marketing is all about word of mouth. From my experience, most of our customers like to discuss their preferences at length. Actually, offering an e-commerce website selling our Hajj packages would help but still we need to make face-to-face contact with our customers because of the personal touch … and that's the way we like it" [P6].

"Arabs naturally prefer the opportunity to see what they are buying, not just to hear about it. Customers go to the agents to meet the agent, talk about their plans, build a trusting relationship and negotiate prices" [P9].

D. Procedural Compatibility

Saudi customers had yet to fully accept e-commerce as a form of business, as they were not fully comfortable with its procedures and processes. Many participants felt that while customers would often venture to search for their travel needs online, they would not complete their transaction online as they were still uncomfortable with the idea of online business. Participant P10 commented on time spent in his firm from online enquiries that do not result in sales.

"About 70 per cent of enquirers contacting our call centres make reservations, but they don't confirm and pay for their reservations. Also some of the 30 per cent who finalise the transaction do not take the flight they booked" [P10].

There is therefore an issue with online booking, as it requires immediate payment and prompt purchase by the customer. While e-commerce is widely available and people may often browse these websites, they are yet to feel convinced or comfortable with this form of business. Participant P9 said that Saudis lacked initiative to seek new experiences unless they were encouraged to try. He gave the example of how banks managed to move their clients online by reducing staff and closing branches to enforce the use of online payment and automatic teller machines [16]. An online purchasing site even required a potential customer to make a promissory statement taking God's (القسم بالله) oath that the payment would be made and the medium's benefits will be paid.

E. Leadership and Management Competency

Several participants pointed out that the adoption of innovations like e-commerce was dependent on the leadership in the business. Participants P4 and P5 commented on the lack of initiative in the industry, stating that industry members tended to leave things as they were, waiting for someone else to make a move and following the other if they are successful. As a firm in religious tourism, P5 confirmed they would adopt any new technology only after it was successfully introduced by competitors. In a study of risk-taking among Saudi executives, Sadi and Al-Dubaisi [17] find that self-confidence is a barrier to creativity in marketing.

This aversion to risk-taking and lethargy in the leadership is also a result of the fact that Hajj/ Umrah business is projected for a guaranteed growth rate with population expansion and international tourism. Their revenue from sales is largely generated due to the natural growth of the tourism industry due to government programs of tourism development and infrastructure development. With this guaranteed growth, industry leaders don't feel the need to put in extra efforts.

In fact, as there was lack of initiative and leadership in the industry, any technological innovation in business was mostly due to natural evolution of systems change. Several comments by the participants showed that new technologies were integrated into operations simply because they had become the industry norm and not because of a concerted effort by the management. Systems evolve through their own impetus and if technological innovation occurs it is mostly an after-effect of such change.

This apathy in the management was illustrated with an example by participant P11. According to him, he convened an alliance with a number of tourism executives in Jeddah to form a business group.

"We met several times, set goals, constructed travel packages using combined resources. One goal was to produce an online portal; however, some of the group members were not interested in e-commerce, so the whole idea faded."

F. Corporate Structure

Participants also noted that the majority of tourism firms' leaders were not technology literate and followed basic business models due to inherent faults in the corporate structure in Saudi Arabia. The participants broadly attributed this to two phenomena in Saudi commerce. The first was overrepresentation of family businesses among the major firms where managers or owners are inherit their business and are not appointed on their performance. P6 further explained:

"There is a real issue regarding the use of websites for promoting services, and this is the nature of a family business. Usually the owner is the founder and is still in full control of the business. Sometimes relatives are employed in executive positions and they may not be able to make the right decisions to develop their firms" [P6].

Another reason behind the lack of leadership and initiative among owners and executives was nepotism. Ramady and Sohail [18] note the role of nepotism or (Alwasta, الواسطة) in Saudi businesses and advocate listing these businesses on the Tadawul (Saudi Stock Exchange) to reduce the impact of recommendation, entrenched interest, and family and tribal relationships. The traditional controls of Alwasta and inheritance dominate the industry and the consequence is that the ruling elite have no reason to change the status quo.

"In Saudi, managers are not nominated for positions because of their qualifications, experience and capability, but relationships play an important role here! Consequently the managers' decisions do not maximise potential benefits

for their firms and that includes technology" [P7].

V. CONCLUSION

E-commerce has revolutionized the face of the travel business worldwide, but despite the technological and financial backing, it has not been able to fully penetrate the Saudi tourism industry. Scholars have studied the challenges to a more effective adoption of e-commerce and allied ICT platforms in Saudi businesses, but have mainly focused on organizational and external factors impeding technology adoption. Adopting a different perspective, this study argues that cultural factors play a significant role in the slow uptake of e-commerce in the Saudi tourism industry as there are no significant logistical and resource barriers to e-commerce in the country.

This study has enumerated a host of contextual factors in the Saudi market that impede the uptake of e-commerce. Low levels of customer trust and awareness of a relatively novel service like e-commerce can indirectly dissuade organisations to adopt e-commerce systems. Also, respondents felt that Saudi customers would not be comfortable with e-commerce systems as they lacked human interaction and required prompt purchase. Finally, the established organisational culture and corporate structure in the country impede the drive to technological innovation like e-commerce as the management was often averse to risk-taking and a family-business model often preferred to stick to the status quo.

However, this does not necessarily mean that e-commerce has no avenue for future growth in the country. As some of the participants in the survey indicated, the awareness level of e-commerce is growing, particularly with the youth population of the country. While all the characteristics of Saudi society, such as emphasis on human interaction, low education level, seem to conflict with e-commerce at this point in time, one should also note that with proper marketing, online business in the country could flourish. As Saudi women are likely to make decisions about domestic matters like travel arrangements, online business could be marketed as a safe and comfortable medium for women to make their purchases without having to venture outside or talk to strangers.

In fact, in the study we found a business which did not even have a physical shop and had been running its whole reservation module online. The executive from that firm said:

"We started the other way around; we launched our online booking first, unlike other travel agencies. At the start we were very concerned about customer reaction … that they may not accept online trading, but we found that we had exaggerated that concern. The customers liked the idea and with time our acceptance rate is higher" [P5].

This respondent argued that the perception of customer apathy to e-commerce was not only greatly exaggerated; it was possible to recruit customers through good networking. Saudi Arabia can be designated as a collectivist culture in Hofstede's model as people act in accordance with norms and behaviours sanctioned by the larger group. Saudis decision making behaviour when making a purchase is clearly influenced by personal recommendations [19]. Here,

social influence from friends, family or peers can exert a great influence. This respondent explained how recommendations from other customers had helped their business:

"Most of our customers initially find out about our services from the forums on the internet. Then they visit our website and choose from the packages we offer. They would trust our offers because they found recommendations for our services" [P5].

Overall, there are a few lessons to be learnt for better implementation of e-commerce in the tourism industry in the country to alleviate the problems noted here. First, any trust issues regarding privacy and security should be addressed, possibly with government backing to e-commerce to reassure the public. Secondly, there must be proper marketing through social networking and word-of-mouth to increase the level of awareness of e-commerce. Thirdly, e-commerce websites must be armed with virtual interaction channels so that customers do not feel the lack of human interaction or information while conducting online transactions. Finally, perhaps some issues of nepotism or risk-aversion in the organisational culture in the Saudi tourism industry should be addressed to foster better leadership that would be open to innovations like e-commerce.

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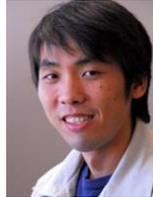
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