E-Commerce Conductions between Formality and Haphazardness: Revisiting the Egyptian Milieu

Ibrahim Hassan Al-Sahouly *(Author)*
Senior Assistant Lecturer: Business Department,
Misr International University (MIU),
Egypt

Abstract — **This paper aims to explore the current Egyptian consumers' perceptions toward the utilization and adoption of e-commerce conductions. Data for the research was collected from fifty interviewees using stratified sampling method. Unstructured interview questions were addressed to collect qualitative data pertaining to consumers' perception toward e-purchase decisions and their insight toward the availability of formal and haphazard e-purchasing conductions.**

Keywords — e-commerce; Business to Consumer conduction; social media; e-trust; Egyptian consumers.

I. INTRODUCTION

The information and communication technology evolution has affected the way businesses are managed both internally and externally by creating new goods, services, delivery channels and tools by which the organization can enhance relationships with its customers (Karimi et al, 2001); consequently, evoking the concept and practice of e-commerce.

E-commerce is the use of information technology applications in business-to-customer (B2C) or business-to-business (B2B) contexts to attract new consumers and strengthen relationships with existing ones, through improving internal processes, existing products, and enhancing consumers' experience with product delivery (Bin et al, 2003). E-commerce has also been defined as the utilization of electronic information technology to conduct business between trading partners such as business to business or business to customer trading (Bin et al, 2003).

The successful presence of e-commerce through the Internet has helped create low cost and high efficiency for product and service sales through a more dynamic and interactive venue of opportunities where the world becomes the marketplace (Kamel et al, 2001).

E-commerce can take several forms based on the degree of digitization (Turban, 2001). This means the transformation from physical to digital of the product or service sold, the process of payment and ordering, and the delivery process. For example, purchasing a computer or a book which is delivered physically differs from purchasing an e-book or a software product from a website to be delivered digital. For the consumer, the purchasing decision will vary as most of the consumer would prefer to see the physical product and purchase it from the store rather than online.

The adoption of e-commerce process by consumers crystallizes around two major aspects: (1) getting information about the product and (2) purchasing the product from an online vendor (Pavlou, 2006). Business-to-consumer as a type of e-commerce is the activity in which consumers get information and purchase products using Internet technology (Olson and Olson 2000). Unlike traditional consumer behavior, Business- -to- Consumer e-commerce has some key differences: (a) the extensive use of technology for transactions, (b) the impersonal nature of the online environment, (c) the ease by which information can be collected by multiple parties, (d) the uncertainty of using an open medium for transactions, and (e) the newness of the transaction medium (Pavlou, 2002).

In fact, the latter five points may represent some barriers to consumer when they choose to conduct their purchasing behavior online. As to narrow down the scope of this paper, the researcher will shed light on two interrelated themes to the adoption and diffusion of e-commerce in Egypt; specifically, e-commerce barriers and the trust issue related to its utilization. The researcher will further focus on the Egyptian consumers' perception toward e-purchasing as a one of the

major indicators of its adoption, especially after the formation of various online vendors.

II. EGYPT: A CLOSER LOOK

Egypt as a developing country with an economy in transition, has invested in building its information technology infrastructure. In 1994, the Internet became a priority for the government and the public sector as a tool for business and socioeconomic development, which has established the base for the practice of e-commerce. According to the Internet Systems Consortium[1], which usually surveys internet users around the world, there is a rapid increase in usage. In January 2012, Egypt reached 215950 domain hosts (Internet Systems Consortium, 2012).

In Egypt, the consumer has a preference to purchase the products either goods or services from the stores more than online. The reason behind that can be due to the sensitivity of the Egyptian consumer towards the feel of risk and uncertainty avoidance (Hofstede et al., 2010) towards purchasing online. In fact, the latter point reflects one challenge facing the diffusion of e-commerce in Egypt; and further reflects the importance of perceived behavioral control (Ajzen 1991) as critical component of business to consumer e-commerce.

In fact, according to the Egyptian Ministry of Communications and Information Technology (MICT), "Egypt's Internet bandwidth capacity has increased 71 percent over the past years", a matter which leads to a more faster and reliable Interent access and usage (Journal of the American Chamber of Commerce in Egypt, 2012: 26) . In addition, according to MCIT, "mobile subscriptions increased 26 percent year-on-year to reach 80.4 million in September 2011, representing almost 100 percent penetration" as Egypt was one of the first countries in Africa to launch third generation (3G) mobile services (Journal of the American Chamber of Commerce in Egypt, 2012: 27).

Recently, the availability of fast Internet access and 3G mobile services have helped in the diffusion of social media access and usage. Face book and Twitter is becoming a strong phenomenon and a vital mean of communication among Egyptians and had led to the flourishing of some forms of what the researcher wants to call 'haphazard e-purchasing practices'. On social media web pages, Egyptians can conduct many socialization activities: they can chat, contact friends, notify each other with updates, share photos, events, search for lost friends, and other means of communication to the extent that it has been argued that Face book was a vital medium that strengthen Egytptians' political engagement and played a key role in preparing for Egypt's January 25th revolution, 2011. In addition, on Face book people can buy products, advertise and even sell some goods.

Further, it has been noticed that social networks are considered an existing medium for marketing and advertising. It can be clearly observed that there are many selling acts conducted on Face book, which can be considered informal forms of e-commerce conductions. A specific individual can publish on a Face book page the possibility of ordering certain products from abroad, or can announce the availability of certain products or services. Through sharing means of contacts, which in most cases are conducted via phone, the seller can contact the seller i.e. the individual and order a specific product or service. The latter conduct is what the researcher calls 'haphazard e-purchasing practices' that will be explained later at this paper; specifically, at the methodological framework part. The following part of the paper will shed light on the major barriers of e-commerce diffusion in Egypt,

III. BARRIERS TO E-COMMERCE

Among the general broad barriers to e-commerce is the perceived risk "due to the purchaser's inability to directly value product quality, the lack of personal contact with sellers, the cost of learning how to use Internet and change of channel or the absence of any personal interaction with other buyers" (Martin, 2011: 46). Another barrier is perceived uncertainty, according to Zhang (2011), uncertainty occurs when there are many implications to a decision; for elaboration, unlike the traditional shopping, online purchasing makes consumers more sensitive. In traditional shopping, consumers experience the commodities to reduce uncertainty before they make a purchase decision as they may visit the store, touch the commodity, or may seek advice from the salesperson. Physical interaction with the product prior to purchasing a specific product can play a role in customers' purchase decisions; according to Tahir Rashid (2003) trust can lead to the development of relationship marketing, which on the long run can create satisfied and loyal consumers. In fact, the latter aspect is very important as it helps in the diffusion process of e-purchasing.

It is obvious that the former factors that increase uncertainty are even more obvious with Consumer to Consumer type of e-commerce. In Business to Consumer [B2C], companies are legally registered, in such case they sell with either good or bad reputation (Zhang, 2011), a factor that if known will help in reducing the level of consumers' uncertainty during B2C interactions.

It has been noted that consumers' perceived uncertainty drive from both *endogenous* and *exogenous* uncertainty;

[1] Internet Systems Consortium, Inc. (ISC) is a non-profit public benefit corporation dedicated to supporting the infrastructure of the universal connected self-organizing Internet—and the autonomy of its participants—by developing and maintaining core production quality software, protocols, and operations. It is available on http://www.isc.org.

according to Littler and Melanthiou (2006), the endogenous uncertainty is generally caused by consumers' own reasons such as lack of knowledge, lack of experience, or inability to determine the attributes of commodities. On the other hand, exogenous uncertainty is caused by consumers' perception of external factors, and it has two major forms: *perceived commodity uncertainty* and *uncertainty of behavior* (Chevalier and Mayzlin, 2006). The major cause for the *perceived commodity uncertainty* is the type of uncertainty witnessed due to the lack of information about the attributes of commodity such as its quality, style, or cost. The other type of exogenous uncertainty is *uncertainty of behavior*, which results from the consumers' inability to determine the credibility and truth of the information provided by the seller (Chevalier and Mayzlin, 2006).

The latter point may lead to the discussion of consumers' payment systems of e-commerce as a mean to establish trust. According to Gary Schneider (2011), during e-purchasing activities, consumers can use a variety of payments such as credit, debit, and charge cards. Electronic cash is another form of payment on the Internet but is less popular due to its high cost as the cost of processing payment cards for small transactions are greater than the profit on such transactions. Moreover, "electronic wallet provide convenience to online shoppers as they maintain payment card information electronic cash, and personal consumer identification; consequently, eliminating the need to re-enter payment card and shipping information at a site's electronic checkout counter. Instead, the electronic wallet automatically fills in form information at the sites that recognize the particular software's technology" (Schneider, 2011:521).

"Stored-value cards, including smart cards and magnetic strip cards, are physical devices that hold information, including cash value, for the cardholder. Magnetic strip cards have limited capacity. Smart cards can store greater amounts of data on a microchip embedded in the card"; although trials of smart cards in the United States have not been successful, they are popular in other parts of the world (Schneider, 2011:521).

Further, with the use of e-commerce and accepting Internet as a source of retail, ethical issues prompt serious concerns about safety and ethical behavior to consumers and create new challenges; thus, marketers must understand how these ethical challenges relate to dissatisfaction and distrust in the online retailing environment as to foster further growth (Roman and Cuestas, 2008).

IV. E- COMMERCE AND TRUST

Many previous research implemented on the adoption of e-commerce showed that consumers do not trust the existing security technologies integrated within the general set-up of e-commerce; furthermore, those studies showed that consumers are worried about the credibility regarding the delivering the products and the e-merchants (Yahalom et al., 1993; Thomas et al., 1994; Cheskin Research, 1999; Pereira, 1999; Siyal, 2000).

The literature on e-commerce tackled the scope of trust as a cornerstone of conducting transactions. Successful e-commerce requires trust; and a proper understanding of online trust. The physical business conduction depends to a large degree on the level of trust involved between parties, which basically consist of "the security of transactions performed" and "the quality of the exchanged services or products" (Gritzalis & Gritzalis, 2001: 71). Researchers have demonstrated that trust leads to long-term exchange relationships in the field of business (Ganesan, 1994).

According to Kyosti Pennanen et al. (2007), it has been argued by Garbarino and Lee in 2003 that the definition of trust proposed by Mayer is the most widely accepted definition as it states that:

. . . "the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party" (qtd. Pennanen et al., 2007: 29).

Obstacles to forging online trust crystallize around three major aspects: technical, which results of the development of inconsistent infrastructure of certification policies; legal, which emerges due to the availability of different or contradicting legislative frameworks that govern the conduction of e-commerce practices across countries; and finally the third obstacle is the managerial. It is worth mentioning that end users may trust the security of certain transactions, which at the same time does not enable the user to trust the quality of services or products offered by providers (Gritzalis & Gritzalis, 2001).

Some researchers have tried to solve the dilemma of trust between the buyer and seller during online conduct through introducing the idea of trusted intermediary as the consumer always needs the goods before he makes payment, while the merchant will not provide the good either a product or service unless being paid (Barkat, 2002).

Some recent research on e-trust has developed a value-based framework for the consumer e-trust building process. Pennanen et al concluded that there are two value-based external factors that consumers perceive as risks in e-commerce and that e-trust building process is dependent on individuals' personal values. By external factors Pennanen (2007) means the external agents such as "e-vendor, technology, other users of the Internet" or the price of products (P.33).

V. Research Methodology

Data for the research was collected from 50 research samples using stratified sampling procedure. Unstructured interview questions were addressed to collect qualitative data pertaining to consumers' perception toward e-purchase decisions and their insight toward the availability of haphazard e-purchasing vendors. The integrated questions were analytical in nature as it attempted to reach both explanatory and exploratory data.

The researcher has highlighted the term 'haphazard e-purchasing practices', which according to the researcher, can be operationally defined as the availability of personal entity who advertises for his product or service on a social medium; those personal entities should not necessarily be specialized sellers, but rather a person who can ensure the availability of a specific product or service to prospect consumers.

Usually those haphazard sellers advertise for themselves on Face book WebPages and tag certain groups or users. They post a variety of photos, and post their phone contact as a mean to be reached. In most cases, they deliver the product to the consumer prior to the payment transactions. The payment is either conducted online via credit cards or in cash when the customer gets the product. For most cases, those sellers advertise for Brand product and designers whose products and styles are not yet available in Egypt.

On the other hand, the researcher defines the formal e-commerce conducts as the availability of specialized websites that sell its products or services online and requires the buyer to abide by the formal the formal procedures of online transactions and money transfer prior to receiving the product or service.

Regarding the sampling technique, the researcher used a non probability sampling method. The type used is the stratified sampling based on three main qualities. The three basic criteria for the research sample in order to be applicable to the research theme are to be a user of a social medium i.e. Twitter or Face book; to be an Egyptian, and to fit the required age frame & class.

The researcher used unstructured questions, which allowed the researcher to develop further elaborations during the interview and to attain detailed responses. The researcher gathered the data by recording interviewees' responses.

In order to ensure internal validity, the researcher attempted to eliminate instrumentation as an artifact that can negatively affect the internal validity of the study. During the in-depth interviews, the researcher used unstructured questions and made sure that the order of questions was consistent; in addition, maturation was also eliminated. Each intensive interview lasted for an average of twenty minutes during one session with each respondent. Moreover, the researcher aimed at establishing rapport with each interviewee in an attempt to achieve comprehensive replies.

Besides, during the intensive interview, the researcher developed questions that seek in-depth elaborations from interviewees' behalf as to ensure cross validation. Evaluation apprehension is another artifact that may negatively affect the internal validity of the qualitative method, the researcher attempted to eliminate it during contacting the interviewee for an appointment, and at the very beginning of the interview by stressing that their cooperation is significant to the research study. The sample was in the 18-40 age group with a mean of 30.5 years old. In terms of gender, 50 per cent of the sample was female and the other 50 per cent of the sample was male. Regarding class segmentation, it was equally distributed among Upper class and Upper middle class in Egypt.

VI. Research Findings

Research findings crystallized around the aspect that the majority of research sample do not prefer the formal e-commerce vendors available in Egypt due to the lack of trust as they expressed their interest in purchasing merchants via regular means such as delivery or directly from the shop rather than online formal vendors .The basic reason behind the latter preferences is that consumers do not trust buying a specific product online.

The majority of the research sample expressed their preference that they would rather purchase merchants online from informal sellers available on Face book, the major justification behind their preference is their perceived control on the purchasing process and their ability to have physical contact with the product before paying for it.

The lack of trust in and proper orientation to e-commerce formal conductions are the major barriers to its utilization. The most popular products that consumer refer to buy online are new collections of clothing, books that are not yet available in the Egyptian market, sunglasses and cosmetics, watches, accessories and designer's bags.

VII. Discussion of Findings

It is obvious that research findings reflect to a great extent that consumers' perception toward e-commerce acts as a barrier in the adoption and utilization of formal e-commerce transactions. Consumers do trust the haphazard types of e-commerce conducts due to its similarity to their regular every day purchasing acts.

In fact the latter point of having Egyptian consumers trust the 'haphazard' vendors rather than the formal structured ones reflects to a great extent that the range of consumers' perception is influenced by their surrounding culture. At the end of the 20th century, there were strong expectations that

Internet would lead to a maximized productivity and help in having a wide scale of egalitarian pattern; instead, people have adopted it for their specific culturally defined purposes (Mooij, 2011), which Similar to the case of most developing countries, where the volume of e-commerce is insignificant (Ramzy & Ogden, 2011).

It is obvious that the preference is toward buying merchants directly from the shop or having it delivered because as to have a contact with the product before buying it. Generally, when ordering a specific product via delivery, consumers pay after receiving the merchant, a situation which enables the consumer to check the product first, have a direct contact with its features before paying its price. On the other hand, the adoption of formal e-commerce transactions requires the consumer to pay prior to receiving the product or service. It is interesting to note that Egyptian consumers do trust the informal types of e-commerce vendors available online, which the researcher called the 'haphazard e-purchasing practices' rather than the formal structured ones.

VIII. Conclusion

This paper shed light on consumers' preference toward e-commerce conductions in Egypt, which the researcher categorized as formal and haphazard. It is interesting to note that Egyptian consumers do trust the haphazard conduction more that the formal e-commerce conductions due to the similarity of the haphazard ones to their regular physical modes of purchasing. The implication of this conclusion is that Egyptian consumers' perception may act as a future barrier in the diffusion and adoption of formal e-commerce procedures.

In fact, the latter aspects reflect that formal e-commerce adoption requires a legal & financial structure and a cohesive national imitative as to make it an integral part of consumers' shopping experience and lifestyle.

The researcher further argues that the Egyptian consumers' perception is influenced by the surrounding culture that should support the importance and integration of more formal e-commerce conduction, and more importantly, act seriously in familiarizing the Egyptian consumers with the availability of a current legal and legislative framework that supports consumers' rights during online purchasing. Both government and e-commerce providers should collaboratively aware the Egyptian consumers through specialized social awareness campaigns about the significance of the Internet as a new platform for purchasing transactions. The impersonal means of transactions through online purchasing should not be regarded as a hinder but rather as a new mean to enhance product delivery in terms of minimizing its cost and creating a more efficient selling and purchasing experience through a dynamic interactive medium.

Additionally, Online sellers should develop their websites as to minimize consumers' uncertainty by making it as interactive as possible, by providing detailed descriptions regarding products attributes and awaring the Egyptian consumer with their rights. The latter factors may lead to the establishment of a trust foundation toward the formal e-commerce practices, a situation which the researchers perceives as an important step in fostering the adoption and diffusion of formal e-commerce conduct in Egypt.

Acknowledgment

I am indebted to Prof. Sherif Kamel, *Dean of the School of Business at the American University in Cairo*; and Dr. Ibrahim A. Hegazy, *Head of Marketing Department at the American University in Cairo,* for their valuable time and effort.

References

[1] Ajzen, I. (1991). The Theory of Planned Behavior. Organizational Behavior and Human Decision Processes, 50: 179-211.

[2] Barkat, S. (2002). A Novel Trust Service Provider for Internet Based Commerce Applications Internet Research: Electronic Networking Applications and Policy Volume 12 (1), 55- 65.

[3] Bin et al. (2003). Cultural Differences in E-Commerce: A Comparison between the U.S. and China‟, *Journal of Global Information Management*, 11(2): 48-55.

[4] Chevalier, J.A. and Mayzlin, D. (2006), "The effect of word of mouth on sales: online book review". Journal of Marketing Research, Vol. 43, pp. 345-54.

[5] Cheskin Research (1999). "E-Commerce Trust Study", Report, Cheskin Research and Studio Archetype, January.

[6] Ganesan, S. (1994) Determinants of long-term orientation in buyer-seller relationships. *Journal of Marketing* 58 (April) 1–19.

[7] Gritzalis, Stefanos & Gritzalis, Dimitris. (2001). Information Movement and Computer Security. 9/2. Pages: 71-79.

[8] Hofstede et al. (2010). Cultural Dimensions in Business Life: Hofstede's Indices for Latvia and Lithuania. Journal of Baltic Management.

[9] Internet Systems Consortium. (2012). Online. Available on: http://www.isc.org.

[10] Journal of the American Chamber of Commerce in Egypt. (January, 2012). Online. Available on: www.amcham.org.eg/bmonthly

[11] Kamel, S. and Hussein, M. (2001). The Development of E-Commerce: The Emerging Virtual Context within Egypt. Logistics Information Management Volume 14 . Number 1/2. pp. 119 - 126.

[12] Karimi et al. (2001). Impact of Information Technology Management Practices on Customer Services. Journal of Management Information Systems, 17(4/ Spring):125-158.

[13] Littler, D. and Melanthiou, D. (2006), "Consumer perceptions of risk and uncertainty and the implications for behaviour towards innovative retail services: the case of internet banking", Journal of Retailing and Consumer Services, Vol. 13, pp. 431-43.

[14] Martin, S. (2011). Dual Effect of Perceived Risk on Cross-National- e-commerce. Internet Research (21: 10). 46- 66.

[15] Mooij, M. (2011). Consumer Behavior and Culture: Consequences for Global marketing and Advertising. London: Sage Publications.

[16] Olson, J. S., and Olson, G. M. (2000). "i2i Trust in e-commerce," *Communications of the ACM* (43:12) 41-44.

[17] Pavlou, P. (2002). What Drives Electronic Commerce? A Theory of Planned behavior Perspective. Academy of Management proceedings. OCIS: 1-6.

[18] Pavlou, P. (2006). Understanding and predicting Electronic Commerce Adoption: An Extension of the Theory of Planning Behavior. *MIS Quarterly* (30: 1) 115 – 143

[19] Pennanen, K.; Tiainen, T. & Luomala, H. (2007). A Qualitative Exploration of a Consumer's value-based e-trust building process: A framework development. Qualitative Market Research: An International Journal. 10(1), pp. 28 – 47.

[20] Pereira, R.E. (1999), "Factors Influencing Consumer Perceptions of web-based decision support systems", Logistic Information Management, vol 12(1/2), pp. 157 – 181.

[21] Ramzy. O. & Ogden, O. (2011). "The Status of the Egyptian networked Economy after Facebook Revolution and Recommendations for Improvement". World Journal of Social Sciences. 1:5. PP. 98 – 108.

[22] Rashid, T. (2003). Relationship Marketing: Case Studies of Personal Experiences of Eating Out. British Food Journal 105(10): 742 – 750.

[23] Roman, S. and Cuestas, P.J. (2008), "The perceptions of consumers regarding online retailers' ethics and their relationship with consumers' general internet expertise and word of mouth: a preliminary analysis". Journal of Business Ethics. 80 (4): 641 – 656.

[24] Schneider, G. (2011). Electronic Commerce. USA: Cengage Learning.

[25] Siyal, M.Y. (2000). Factors influencing the adoption of e-commerce in Singapore", MBA dissertation, University of Guildford, Surrey.

[26] Turban T. (2001). A Trust Model for Consumer Internet shopping", *International Journal of Electronic Commerce*, 6(1): 75-91.

[27] Thomas, B., Borcherding, M. and Klein, B. (1994), "Valuation of Trust in Open networks", proceedings of the European Symposium on Research in Computer Security (ESORICS), pp. 3-18.

[28] Yahalom, R., Klein, B. and Thomas, B. (1993). "Trust Relationships in Secure Systems – A Distributed Authentication Perspective", Proceedings of IEEE Symposium on Research in Security and Privacy.

[29] Zhang, G. (2011). Effects of Influential Factors on Consumer Perceptions of Uncertainity for Online Shopping. Nankai Business Review International. 2(2): 158 171.

AUTHOR PROFILE

Ibrahim Hassan Al Sahouly is a current *Senior Assistant Lecturer* at Misr International University, Egypt. He has a professional scope in marketing studies as he has conducted various professional Training sessions on the graduate level; in addition to his experience in academic teaching. Al Sahouly has received his BA and MBA from the American University in Cairo (AUC), and his Graduate Diploma in International Politics from the AUC as well. Al-Sahouly is currently pursuing his PhD degree at Salford University, Manchester, United Kingdom.

To contact the author, you can kindly send an e-mail to:
Ibrahim.hassan@miuegypt.edu.eg or Ibrahimh@aucegypt.edu