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Critical Success Factors influencing E-Commerce in Kuwait

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Abstract

Electronic Commerce which enables business transactions to be conducted electronically has demonstrated significant operational and strategic benefits. Developed countries have actively adopted e-Commerce and have made it an integral part of business activities. Despite its ability to bridge economic and digital gap between developing and developed countries, developing countries are still slow in e-Commerce adoption. Currently, there is still a lack of e-Commerce readiness research in developing countries to fully assess the relevance of e-Commerce in these unique environments. This study aims to shed light into the e-Commerce readiness in Kuwait, by assessing technological, legal and environmental contexts.

Keywords: e-Commerce, success factors, readiness, developing countries, Kuwait

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Background

The last few years have witnessed a technological revolution fueled by the wide spread use of the Internet, web technologies and their applications. Electronic commerce as part of the information technology revolution became widely used in the world trade. However, there is no universally accepted definition of the term "electronic commerce" or "e-commerce". One definition of Ecommerce defines it as a mean that cover the distribution, marketing, sale, or delivery of goods and services by electronic means. Other definition has been given to e-commerce as every type of business transaction in which participants electronically prepare, transact business or conduct trade, in goods or services. Some other definition has been mentioned for e-commerce, as it is a commercial activity that takes place by digital processes over a network. The simple definition of electronic commerce is any transactions takes place via the internet. It excludes businesses that have only advertisements on the internet. Not necessary all businesses with sites on the internet are engaging in e-commerce.

E-commerce has grown tremendously since it has started. According to one estimate, over 875 Million consumers have shopped online (Nilsen, 2008). E-commerce sales are projected to carry on growing robustly in the US, according to Forrester. Online retail sales will enjoy a 14% compound annual growth rate over the next five years. Excluding travel, sales will grow from nearly \$110 billion this year to \$210 billion in 2010. E-commerce is witnessing fast increase in the developing countries. According to a study (The Arab Advisors Group, 2007), E-commerce volume exceeded US\$ 4.87 billion in **Kuwait, Lebanon, Saudi Arabia** and **UAE** in 2007. Total number of e-commerce users in these four countries exceeded 5.1 million people in 2007.

E-commerce activity is generally low in the GCC region. In 2004, business-to-business (B2B) e-commerce was estimated at US\$9 billion, or 1.45 percent of total regional GDP valued at US\$620 billion, in substantial contrast to a global average estimated at 5 percent of GDP. Indeed, across the Middle East only 28 percent of firms use the Internet for conducting business, almost a third less than the average 38 percent for the remaining developing world

Around the globe, e-commerce is the subject of concentrated interest in many sectors: in government, business, service sectors, consumers, and academics. E-commerce has expanded from the closed world of business to business transactions amongst known parties to encompass a complex web of different activities, involving large numbers of individuals. E-commerce has the potential to fundamentally change the way commercial transactions, the business of government, the delivery of services and a host of other interactions are conducted, raising issues at the heart of policies.

In 2007, reports indicated that annual E-Commerce sales increased 40%. Despite this growth, many firms continue to struggle with the E-Commerce adoption. There are many underlying factors affecting the adoption of Ecommerce in general, and in developing countries in specific. Although firms in developing countries are trying to adopt E-Commerce services, the process of adoption has been slow and the current utilization is far below that achieved in developed countries. While finances is not a problem for the Gulf countries, they have historically used far less than their available computing capacity. E-Commerce adoption and acceptance in the GCC has not been evaluated before.

As the use of the internet for electronic commerce continues to expand rapidly, researchers are becoming increasingly interested in identifying the web site features that are associated with success. Studies suggest a number of factors which lead to more positive evaluations of e-commerce sites, including the characteristics of the organization running the site (Jarvenpaa et al. 2000), and the interface characteristics of the sites themselves ((Kim and Moon 1998, Egger 2002).

With the rapid global growth in e-commerce, businesses are attempting to gain a competitive advantage by using e-commerce to interact with customers. Businesses with the most experience and success in using e-commerce are beginning to realize that the key determinants of success or failure are not merely web site presence and low price but also include the electronic service quality (e-service quality) (Yang, 2001; Zeithaml, 2002). Santos (2003) defined e-service quality as overall customer assessment and judgment of e-service delivery in the virtual marketplace.

A key challenge for e-commerce business is to understand customer requirements and to develop their Web operations accordingly. An organization with a Web site that is difficult to use and interact with will project a poor image on the Internet and weaken the organization's position. It is therefore important that an organization be able to make an assessment of the quality of their e-commerce offering, as perceived by their customers and in the context of the industry. In doing so, organizations can improve their offerings over time and benchmark against competitors and best practice in any industry.

Many models have been developed to measure customer perception of service quality. SERVQUAL model, first developed by Parasuraman et al. (1988) has been widely tested as a means of measuring customer perceptions of service quality. The SERVQUAL model consists of five dimensions, namely tangibles, reliability, responsiveness, assurance and empathy. During the past decade, SERVQUAL model has been tested for measuring service quality in e-commerce settings (Kuo, 2003; Negash et al., 2003).

Research is required to measure the influence of e-services on all customer responses, such as perceived service quality, customer satisfaction and purchase intentions (Jeong et al., 2003). Understanding the determinants of service quality, customer satisfaction and purchase intentions for online shopping is important for online stores managers. Moreover, previous studies have revealed that service quality in online environments is an important determinant of the effectiveness of e-commerce (Yang, 2001; Janda et al., 2002). However, few studies have examined the relation among different dimensions of e-service quality in predicting overall service quality, customer satisfaction, and purchase intentions for online shopping.

The table below lists the 15 eMetrics computed in this study.

No.	Metric
1	Sales by week
2	Visits by week
3	Visitor to registered visitor conversion rate
4	Registered visitor to buyer conversion rate
5	Visitor to buyer conversion rate
6	Average visits before registration
7	Shopping cart abandonment rate
8	Percentage of visits using search
9	Average page views per visit

10	Visit duration (pages)
11	Average time per visit
12	Average time per purchase visit
13	Average think time
14	Normalized spending distribution
15	Average home page processing time

E-commerce in Kuwait

Kuwait enjoys many advantages for Internet and E-commerce growth and development. One of the obstacles which limit the development of e-commerce locally is related to the culture or the behavior of customers when it comes to buying goods and services by credit. Another limitation that hinders the development of e-commerce in Kuwait is the small size of the market in Kuwait and the relatively small number of skilled and specialized people and firms in the Internet and e-commerce industry.

A growing number of Kuwaiti businesses are expressing interest in e-commerce. A study done by Arab Advisors Group (2008) indicated that the percentage of spread of E-commerce in Kuwait reached 10.7% in 2006. The same study concluded that Kuwait's e-commerce users reported a preference for payments through credit cards with 72.3% of e-commerce users reporting credit cards as their e-commerce method of payment.

Study objectives

This research study has three objectives:

- To identify the factors that effects electronic commerce applications in Kuwait and rank their importance.
- To find out how consumers in Kuwait perceive e-commerce sites, or their subsequent online shopping behavior.
- To analyze the effectiveness of E-commerce Web-sites in Kuwait.
- To identify the main influence on online shopping service quality.

Methodology

Four methods will be used in this research: questionnaire, Web analysis, interviews and card sorting.

This research utilized online questionnaire targeted at general Internet users to investigate factors effect Kuwaiti consumers' perception. A survey provides a quantitative description of a sample of a population, enabling the researcher to generalize the findings from this sample [Fowler, 2001]. According to Singleton [1999], Web-based surveys are used extensively for both scientific and non-scientific purposes, because of their ability to describe a large population in terms of a broad range of characteristics, attitudes, and behaviors. The online questionnaire will be available to selected respondents. The Web-based questionnaire was posted online along with a note that provided general information on the nature and importance of the study and the significance of the contributions. Participants were assured of the

confidentially of their responses and promised a summary of the study results if they so desired.

The survey questionnaire consists of three sections. In the first section, respondents will be asked to answer questions on their online purchasing experience (i.e., whether they had bought products/services online), the possible types of products/services that they had bought or would buy online, and the average price of the products/services that they had bought or would buy online. In the second section, respondents will be asked to choose one of the three categories—books, music, or travel as the frame of reference when they answered questions in this part. The category chosen is preferably the one that they had recently purchased. If they had never bought any product/service online, they will be asked to choose a commercial Web vendor that they were familiar with. Respondents will be asked to indicate the extent to which they agree or disagree with the statements about this specific e-commerce vendor.

The third section contains basic demographic characteristics including age, gender, nationality, education level, occupation, monthly personal income, Internet experience, etc. Respondents will be required to provide a valid email address for the lucky draw. They will be also encouraged to fill in any suggestions and comments at the end of the questionnaire.

Web analysis will be performed for E-commerce web-sites. There are now many commercial software packages that provide basic statistics about web sites, including number of page views, hits, and traffic patterns. These tools analyze the operation of web sites and can aid in identifying basic trends, such as traffic growth over time, or patterns such as differences between weekday and weekend traffic. With growing pressure to make ecommerce sites more profitable, however, additional analyses are usually requested. These analyses are usually deeper, involving discovery of factors, and more strategic to the business.

In-depth interviews will be carried out with owner/managers whom their companies adopted E-commerce in their business activities. The purpose of these interviews is to determine the barriers facing their business. Interviews will be also used with managers in the banking sector. Interviews will be conducted throughout the period of data collection. A set of questions were developed to provide 'some' structure for the interview and to ensure coverage of all issues related to e-commerce growth. Further, the questions themselves were grouped to address various dimensions of E-commerce issue.

Card sorting methods provide a means to tap into the constructs that people hold within a particular domain, allowing researchers an insight into how that domain is perceived. The basic technique involves asking people to sort entities (Upchurch et al. 2001). Useful results can be obtained with sample sizes which are relatively small compared to those required for survey analysis. Card sorting also has the advantage of being culturally neutral. Unlike questionnaires, the method does not implicitly impose the researcher's view of the world. If the data collection instrument is unconstrained by cultural bias in this way, it increases the possibility of discovering new insights. Card sorting is now widely used in the design and evaluation of interactive systems.

Procedure

Designing the questionnaire items in preparation for data collection was the first stage of data collection. A total of 200 web users will participate in this study. The items were measured using a five-point scale ranging from (1) "strongly not important" to (5) "strongly important". Respondents will be asked to answer the questionnaire items to evaluate E-commerce Web-sites. Respondents will be directed to the start page for the survey, where they could read a set of brief instructions and then click the "start" button.

Semi-structured field interviews will be conducted with 10 managers of E-commerce business and another ten managers in the banking sector whom are involved in the E-commerce activities. To obtain the descriptive data required. Interview participants were selected at a number of levels of the organizational hierarchy.

An initial card sorting task is to be designed in order to identify the design features of e-commerce web sites that Kuwaiti users are most likely to notice when comparing several sites. Ten sites were chosen as being representative of what is currently available to consumers in Kuwait. The chosen sites included local Kuwaiti vendors, vendors from other Arabic countries and international sites. They also included sites which use Arabic, English or a mixture of the two languages. Participants were asked to look at the cards and to choose a criterion by which the web site home pages could be distinguished from one another. For example, they might choose the background color of the web site. Having named the sorting criterion they would name categories for this criterion and sort the remaining cards into these categories. Twenty Kuwaiti professional will participate in this method.

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