Online Shopping: Exploring Perceptions of Digital Natives in the United Arab Emirates

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ABSTRACT

The study aims to investigate the perceptions of the UAE digital natives regarding web vendors, and online privacy and security, that in turn determine their online shopping intentions. Despite exponential growth in e-commerce in the GCC in general and UAE in particular, and favorable economic and demographic factors, research in this realm is sparse. This study attempts to fill this void. More than 200 respondents aged between 18-30 years are surveyed and data is collected on their perceptions regarding various characteristics of web vendors, online security and privacy, and online shopping intentions. Principal Component Analysis and Binary Logistic Regression is used for dimension reduction and to examine association between the extracted factors and intention to shop online for the target group, respectively. The results highlight the importance of establishing positive brand image and adapting effective and viable privacy protection mechanisms to motivate consumers to shop online and use payment mechanisms other than cash on delivery.

KEYWORDS

Online Privacy, Online Reputation, Online Shopping, Online Trust, UAE Digital Natives

1. INTRODUCTION

Online shopping is increasingly becoming popular around the world and the Middle Eastern countries are not different. Acuity Middle East (2012) reported a 45% growth rate in B2C e-commerce in the Middle East, which was the highest in the world. The number of internet users in the Middle East increased exponentially between 2000 and 2011 from 5.3 million to 113 million representing a growth of approximately 2000% (IORMA, 2013). The GCC countries also have a high visibility on the Networked Readiness Index (NRI)1 of 2013 (INSEAD and World Economic Forum, 2013). Popularity of mobile shopping or m-commerce is facilitated by high level of smart-phone penetration (Nielsen, 2014)2, falling prices of data packages, and high capacity mobile networks like 4G and LTE (Etisalat, 2015). Subsequently, the GCC online shoppers spent nearly $3.2 billion in 2012 (IORMA, 2013).

With respect to the UAE, internet penetration stands at 80%, and the internet usage and the mobile phone subscription rate is 88% and 172% respectively (World Bank, 2014). Most importantly, smart phone penetration is estimated to be 78% and 81% of the smart phone owners are between the ages of 16 and 34 years (Nielsen, 2014). Despite high internet and smart phone penetration in the UAE, the number of internet users who actually shop online is only 15%, which constitutes less than 1% of the total retail sales of the region (ETC Digital, 2015).

Al Makahleh (2013) reports that 130% of the UAE population possess credit cards but due to high security concerns consumers are reluctant to provide credit card information to online platforms3.
Moreover, the UAE is reported to be among the top five countries worldwide impacted by credit card related fraud (Inscoe, 2012). Consequently, web vendors are forced to offer alternative methods of payments to the consumers who shop online, such as Cash on Delivery (COD). In the GCC in general and the UAE in particular, COD is the most popular and preferred mode of payment for online transactions as reported by retailers like MarkaVIP, whereby approximately 80% of the transactions on the retailer’s website use the COD mode of payment (Davis, 2013), which is considered to be a major impediment in the growth of e-commerce of the region.

Lack of trust is most frequently cited as a reason for consumers not shopping on the Internet (Lee & Turban, 2001). Monsuwé, Dellaert & De-Ruyter (2004) affirm that trust has an important moderating effect on the relationship between consumers’ attitude towards Internet shopping and intention to shop online. Doney & Cannon (1997) argue that in the context of traditional retail setting, the consumer trust is dependent on the salesperson’s expertise, likeability, and similarity to the customer. On the other hand, online shopping encompasses several risks that contribute to consumers' reluctance to shop online. First, the quality of a product cannot be affirmed physically, second the safety and security of sending sensitive personal and financial information while shopping on the internet cannot be monitored (Lee & Turban, 2001) and lastly, the lack of face-to-face interaction add to consumers‘ anxiety.

Various economic and demographic considerations facilitated the choice of the UAE digital natives for this study. The UAE’s economic environment is considered to be favorable for both offline and online retailers, owing to its high GDP growth rate (World bank, 2015) diversified economy and growth keys sectors like tourism, hospitality and retail, and high discretionary incomes (Alpen Capital Report, 2015). In terms of demographics, the UAE population of 9.35 million (World Bank, 2015) comprises of young individuals, whereby the median age is 30.30 years (CIA Factsheet, 2015). Nearly 35% of the population is below the age of 25 years and more than 60% of the population belongs to the age group of 25-64 years (CIA Factsheet, 2015). Given the population’s age distribution, it is safe to assume that large proportion of the UAE population is “Digital Native”. Prensky (2001, p. 1) defines digital natives as “...[the]’native speakers’ of the digital language of computers, videos games and the internet”. According to Strategy& (2010) report digital natives, the ever-connected generation, will constitute the largest group of consumers worldwide by 2020. It is therefore important for organizations to understand their perceptions about online privacy and security, and specific characteristics of web vendors that will drive their intentions to shop online. Exponential growth in e-commerce and internet shoppers, and favorable economic, social and demographic dynamics of the country and growing importance of digital natives as consumers collectively provide a viable ground for research on the online shopping behavior of the ‘iGeneration’ of the UAE.

Preliminary literature review suggested a surprising lack of studies on the topic in the context of the GCC and the UAE in particular. Only a few regionally focused studies could be found. Al-Rawi, Sabry & Al-Nakheeb (2008) studied driving forces for e-commerce in the region but did not focus on the demand-side of transactions that is, the consumers. Similarly, a study by AlGhamdi, Nguyen & Jones (2013) focused on the overall and broad adoption of e-commerce in Saudi Arabia, without drawing specific conclusions. The only study on the UAE consumers’ perception of e-commerce is by Muhammad & Ahmed (2014), who highlighted privacy and trust related concerns of the consumers. No further study has been conducted in depth to explore the UAE consumers’ perceptions and concerns regarding online shopping.

This study will attempt to fill this void by investigating the association between perceptions of the UAE digital natives aged between of 18-30 years regarding the web vendors, privacy and security and online shopping intentions.
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