E-COMMERCE FULFILMENT IN THE GULF COOPERATION COUNCIL

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Abstract

Purpose: This paper reports on an exploratory study of electronic commerce fulfilment (ECF) in Gulf Cooperation Council (GCC) markets based on three objectives: effective and efficient operations, a local and global purchase approach using reverse logistics processes, and consideration of cultural factors particular to the GCC countries including differences between small and large cities.

Research Approach: There has not been much logistics and supply chain research in the Middle East in general, and the GCC countries in particular. Thus, this study used a qualitative approach to obtain respondent perspectives regarding e-commerce logistics, whether pure player and multi-channel, grocery or non-food, local or global third-party logistics companies (3PLs), or consumers to reflect a suitable model that could fit and help firms in GCC countries develop an online market. One of the cultural factors related to Arabic managers and owners preferring to speak rather than complete surveys or write, hence 55 interviews were conducted with 27 e-commerce firms, 10 3PLs and 18 consumers (men and women equally).

Findings and Originality: This study found a lack of communication between e-commerce firms and 3PLs. However, despite this issue 3PLs were focussed more on business-to-business (B2B) activities and relationships rather than business to consumer (B2C). Local 3PLs firms have achieved some success by providing services regionally, with global 3PLs having an advantage in importing and then using local drivers for fast deliveries. Cash on delivery (COD), trust, policy and warehouse management emerged as major issues affecting e-fulfilment with a small scale of satisfaction in small countries like Bahrain and Kuwait and small cities in the United Arab Emirates (UAE) and the Kingdom of Saudi Arabia (KSA).

Research Impact: This research enhances the logistics literature through presenting an in-depth study covering aspects of e-commerce in the GCC. Further, the study indicates that 3PLs will have to provide different types of services in these markets e.g. depending on whether they are working under global strategies in UAE or under agents in KSA. Finally, findings related to cultural factors in both business and consumer settings are important for e-commerce firms and 3PLs to consider in this marketplace.

Practical Impact: This study investigated electronic commerce fulfilment (ECF) in the GCC, including pure-player and multi-channel e-retailers or Internet firms and global and local 3PL service providers, and provides guidance for all of them regarding the right factors for successful ECF in the GCC, including understanding policy regulation regarding global firms, helping local firms to become aware of the importance of logistic systems and their effectiveness, and dealing with consumer behaviours based on cultural factors.

Keywords:, e-commerce, e- fulfilment, Gulf Cooperation Council, logistics

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Introduction

Logistics and fulfilment have not been discussed much in the context of the Middle East, particularly in Gulf Cooperation Council (GCC) countries. In addition, electronic commerce (e-commerce or EC) study has focused on business-to-business (B2B) provision (Al-Somali, 2012). Operations processes and strategy plans do not align and the phenomenon is not clear from the few studies that have been conducted, which focus in one country or one sector (Al-Nawayseh, 2012). Electronic commerce has been discussed from the perspectives of internet technology and of different operational sectors, but its overall expansion has not yet been addressed. Three years ago, there were 91 online stores in the GCC; since then, the number has significantly increased to include more than 300 online stores.(Mothoq, 2014). As such, third-party logistics (3PL) service providers and policies must be investigated which two paper not representative various sectors like e-grocery and non-food operation (Sohail and Al-Abdali, 2005). This paper builds on Alotaibi et al. (2015) and discusses the results of the empirical study investigating pure-player (PP) and multi-channel (MC) e-grocery and non-food distribution in small and large cities in five GCC countries: Kingdom of Saudi Arabia (KSA), the United Arab Emirates (UAE), Oman, Bahrain and Kuwait. Three categories of respondents, e-firms, 3PLs, and consumers were interviewed to fulfil three research objectives, from which the following five research questions were derived.

To investigate EC and related logistics for B2C fulfilment (ECF) in GCC countries.
Q1: What model of ECF is used in pure-player and multi-channel firms?
Q2: Is the e-fulfilment process effective and efficient from a logistics and supply chain management (SCM) perspective?

To explain international and Gulf ECF purchase and delivery methods.
Q3: How does ECF differ between locally purchased goods and international transactions in the GCC market?

To determine the extent of culture effect on the ECF process in GCC countries.
Q4: Are there any differences between large and small cities in receiving local and global orders?
Q5: What differences are there between men and women in relation to online purchasing?

Findings

Eight main themes emerged from analysing the 55 interviews and are grouped into three categories.

Logistics activity: This category includes three themes: (1) effective and efficient ECF, (2) challenges of ECF, and (3) features desired to make EC better. Thus, this category considers the model used now and shows that deciding upon and designing a logistics model is still not fixed by most e-firms and 3PLs. This is illustrated by the failure of the largest MC online grocer in the region; the company applied a strategy that treated the retailer and delivery channels as one unit, and, as a result, deliveries were collected from branches while the retailer's system was still running. However, three e-grocery firms have succeeded, one of which dispatches from farms to consumers without returning to the city, as well as to large cities with premium services, using two methods of 3PL: from farm by driver staff, then shipment by air, then items again are received by local drivers and delivered to wherever the consumers are. Unfortunately, 3PLs are not in line with e-store requirements, as their business is still designed for B2B and the model is not suitable for e-stores. In addition, same-day delivery is not yet provided only few e-stores did that with an extra charge, which click and collect use as urgent especially in small country like Bahrain and Kuwait. Most e-firms who took part in the study stated the desire to develop a supply chain plan based on fulfilment of a shipment process.

Purchasing methods: This category includes themes involved in local and global ECF models. One involves consumers' preferred delivery methods; global delivery is thought to be better than and 'on the right track' compared to local delivery. Furthermore, large cities have greater demand and faster delivery, when taking into account that some cities, such as Jeddah and Dubai, receive global and regional shipments faster than to the capital, and offer an advantage to the small cities around them. Warehouse location and management affect fulfilment in ways that are not consistent with order demands. Interestingly, return shipments are not considered possible due to the cost and time involved, and this is influenced by three elements: cost, loyalty and language. Local PPs desire loyalty, and send replacement items with no questions asked, whereas for global shipments return costs are too high and considered a barrier.

Cultural effectiveness: when considering the payment gateway, it emerged that Kuwait and the UAE have a solution to enable convenient payment using systems called eWallet and K-Net. Although in Bahrain and Oman credit cards are accepted, cash on delivery (COD) is still dominant and preferred by most consumers and e-firms as it provides solutions surrounding trust and cash flow for e-firms, avoiding the long process of bank transactions and 3PL auditing. The majority of deliveries to women take place normally and alternatives are available, such as sons or drivers receiving shipments. At the same time, most global 3PLs use English when dealing with native Arabic speakers, which is considered the principal barrier to understanding the culture of GCC countries. Therefore, most e-firms and 3PLs claim these consumers do not understand shipment processes and delivery times, as accurate house locations need to be provided. In addition, delivering without notification often occurs, which has caused a great deal of trouble for consumers if they are away from the delivery address and deliveries cannot be made to unattended premises, which requires consumers to go to a branch or warehouse to collect the item. The issue here is that women cannot drive and the warehouses for most 3PLs are far away. Tracking for local and regional shipments are not provided and consumers only receive unspecific delivery windows, such as 'one to three days'. Therefore, the most frequent questions are 'When will the delivery arrive'? and 'Do you provide COD'?

Discussion

Q1: What model of ECF is used in pure-player and multi-channel firms? The model is still changing in PP and MC firms in e-grocery and non-food products across the online markets in the five GCC countries referred to above and e-grocery has been affected in both positive and negative ways. For example, in e-grocery, there was the failure of the largest grocery retailer in the region as a result of applying the wrong logistics model by opening an online channel without being prepared for the demand (Al-Nawayseh, 2012). The demand was enormous and delivery vans collected shipment orders from branches which were selling the products at the same time. In addition, the system was not updated, so orders were placed when there were no products in the warehouse. This led to failure (Tanskanen et al., 2002).

On the other hand, three e-grocery firms in this study from small and large cities have succeeded, one important firm dealing in perishable products. The model applied has no warehouse or supplier. The firm ships products itself directly from farms to consumers combined insource and outsources operation: from the farm by local staff, then as air cargo, and products are then taken to consumers by drivers who receive and deliver the goods once they arrive to wherever the consumers are, without returns if an error or damage occurs. The resultant model shown in Figure 1 is thus different from the model of Xing and Grant (Xing and Grant, 2006), which had a supplier, a warehouse and a returns policy.

Most e-stores have continued to test models, one firm spending the equivalent of £25,000 on software to try to synchronise data. However, the results were not effective and the firm hired a new team to design software locally and have shipments handled by local drivers. This method worked temporarily in terms of the volume as it was then, but this increased and, globally, this system was not sufficient, as it has been recommended (Tanskanen et al., 2002) to make a logistics

model locally and test it for a further market. Some large retail names didn't provide yet delivery and a 'click and collect' option, apart from GCC countries, as there is a risk of failure or they are still testing the market (Boyer, 2001).
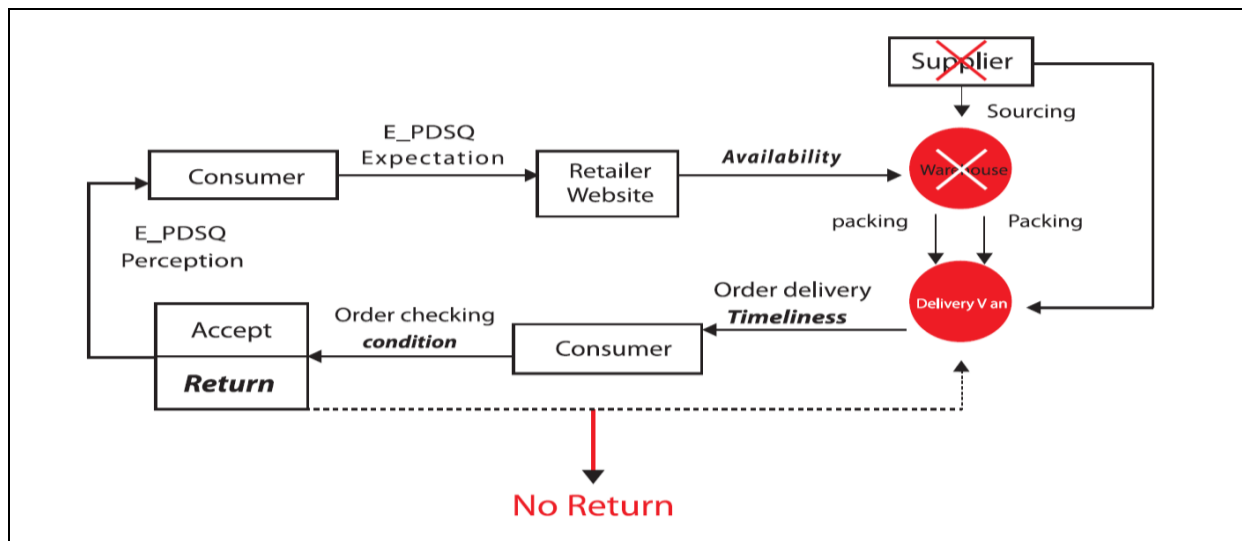

Figure 1: Adapted from Xing and Grant's (2006) electronic physical distribution service quality (e-PDSQ) model based on findings regarding the e-grocery experience depicted in this study

Q2: Is the e-fulfilment process effective and efficient from a logistics and supply chain management (SCM) perspective? Confusion regarding choosing a fulfilled logistics model leads to unclear decisions on whether to insource or outsource services. The majority of firms in the study decided to implement a logistics model without any survey of consumer demand and an appropriate model to operate. Therefore, choosing to insource or outsource is not considered an easy decision, as a logistics strategy is not allied with a firm strategy which is ,opposite of (Straub and Klein, 2001) study. Consequently, it can be seen that most e-stores provide delivery windows with non-specific times, such as shipments being delivered from 1-3 days locally, 3-7 days regionally and up to 1 month globally. Hence, fast same-day or next-day delivery with the ability to choose a time slot for delivery is still rarely provided and not easy process, even with an extra charge(Nicholls and Watson, 2005). The last mile in large cities, such as those in Saudi Arabia and Oman and some firms in the UAE, is still complex, whereas Kuwait and Bahrain, the issues have not arisen and shipment delivered as arrived or ordered as small distance and countries (Bask et al., 2012).

However, one-third of e-firms insource their operations. Grocery firms rely heavily on in-sourcing for two reasons: they understand consumers' requirements and they offer COD and immediate exchange. A second 3PL is too expensive and cannot accept groceries, particularly perishable products. 3PLs do not support EC in this case (Lieb and Miller, 2002). Grocery firms have recently been studied in Jordan and it was found that click and collect was a fulfilment method, which delivery are preferred based on this study (Al-Nawayseh, 2012). One large PP had such a negative experience after one year with a global 3PL that it then assigned local drivers, as they were patient, fast, obtained feedback, and understood consumer behaviour that was otherwise hard to predict (Bask et al., 2012). Further, PPs face the risk of failure for having a single channel (Xing and Grant, 2006). Consumers rely on word of mouth (WOM) as one trust element that plays an essential role if an error occurs, especially with 3PLs. 3PLs are ready to customise but this is costly without realising consumers' desires, which is one disadvantage of using 3PL, even though they have been encouraged (Lieb and Miller, 2002) to support EC. Hence, most e-firms and some 3PLs intend to develop a supply chain plan to keep them up-to-date with e-commerce development.

Unfortunately, most 3PLs have no focus on B2C except two in practice and one more as regards as strategy – hence B2B is still dominant (Laudon, 2008; Veronica, 2012). The connection between the three categories of e-firms, 3PLs and consumers is not strong and each requires something from the others (Joyce, 2005). Delays often occur with insourcing and outsourcing, as tracking systems are not active or accurate, which globally better than locally. Time, availability and accuracy have been identified in two studies (Xing and Grant, 2006) (Quaddus and Achjari, 2005). Prices online and offline are still the same, which is considered another barrier for online stores and is not supportive of PPs in the online market (Brynjolfsson and Smith, 2000). The condition of shipments generally is not as expected, with many consumers receiving products that do not resemble their picture in size or shape. If items are received damaged or in error, this involves another process in which 3PLs are often not involved, and e-firms replace items to encourage loyalty but cannot identify the cause of the damage or the reason for the lack of accuracy or completeness in their model (Xing and Grant, 2006). Cooperation is not good between e-firms, 3PLs and consumers, as each needs something from the others to be fulfilled (Joyce, 2005).

Q3: How does ECF differ between locally purchased goods and international transactions in the GCC market? Customers that imported most products from abroad or from another region have had a different experience from consumers. Dealing with global 3PLs brands operating in five countries is different from dealing with brands in Saudi Arabia. The 3PLs have different prices and services, as franchise systems do not exist in Saudi Arabia(Council of Saudi Chambers CSC, 2015). Therefore, some firms use two 3PLs, one for imports and the other for retailer distribution. In addition, some Customs tariffs are unclear so firms have to review all the costs apart from one 3PL who handles claims by consumers. Damage to global shipments often occurs and in most cases Customs is blamed. However, Customs has a policy of not opening any shipment unless the receiver's representative is available, so retailers have to choose one after testing a number (Mentzer et al., 1989; Quaddus and Achjari, 2005). Hence, one 3PL delivers to the UAE without offering returns, as Customs is a busy area on the return road.

Whether conducted locally or globally, shipments should be made "in the right way, the right product, in the right quantity and right quality, in the right place at the right time, for the right customer at the right cost" (Mangan et al., 2008)p.9). Global shipments are often better than local shipments as tracking is not available for the latter, or if provided, is not accurate. The policy for shipment receipt is also unclear, as some 3PLs ignore delivery and call consumers for collection, which affects businesswomen who are not permitted to drive. Local logistics firms in the UAE provide more efficient technology and service. Some trade agreements were activated quickly, as there was a 1981 GCC trade agreement that outlined standards (Gcc-sg, 1981). A few 3PLs provided solutions to consumers and retailers with special services, such as collecting goods if the customer was female and an inventory service for low volume. However, the majority of consumers and e-firms required more and new 3PLs (Bask et al., 2012; Esper et al., 2003). In addition, one global 3PL changed its strategy exclusively inside Saudi Arabia to deliver to homes and another in Dubai launched one-day delivery but then stopped less than a year later due to the high demand and another failure in its model for speedy delivery (Scupola and Islam, 2011).

Delivery is the preferred method, although one global 3PL has assigned branches in each district to provide greater convenience for consumers as a result of a bank strategy which meant that customers preferred to use credit cards after 5pm. The approaches of banks and B2B do not reflect consumer demand, as this study demonstrates that delivery is preferred. Local logistics firms and drivers have advantages in price and flexibility with ease of returns in four of the countries, but not in Oman(Blum and Goldfarb, 2006; Hortaçsu et al., 2009). The postal system is well-organised in Kuwait, Bahrain and the UAE, but not in SA and Oman, which causes deliveries to be late. Interestingly, governmental post and global 3PLs provide PO boxes for consumers abroad, such as in the US and UK, with various agencies collecting products and shipped them to the Gulf, which priority should go to Gulf consumers rather than provide cost and annually membership (Rosen and

Howard, 2000). Global shipment brand names are sometimes chosen by consumers but these might change after Customs procedures and damage that occurs in the local postal system, whereby the ability to track items is lost. Therefore, the tracking element is as not accurate as the Xing and Grant (2006) model proposed it should be.

Q4: Are there any differences between large and small cities in receiving local and global orders? The process for delivering to large or small cities depends on warehouse location, warehouse management, and the returns process. Timeliness with choice of delivery is one construct of (Xing and Grant, 2006) model, but most online retailers cannot achieve same-day or next-day delivery *easily,* with the exception of groceries. Another reason and proof of logistics model not in the top of firm strategy that majority of e-firms warehouses cannot keep up with highest demand ,which lead to open additional warehouses in the capital or city have more orders (Cho et al., 2008; García et al., 2007). Thus, the warehouses of most 3PLs are responsible for dispatching most of the shipments, which causes delays in delivery times. Small cities have an advantage if they are close to economic cities with hubs, such as Dubai and Jeddah, which is a different situation than that referred to in the literature (Blum and Goldfarb, 2006; Hortaçsu et al., 2009), which claims that large cities have more services than small ones. In addition, e-stores in the north of the UAE can deliver shipments to another country, Qatar, faster than inside the Emirates due to distance and demand. Thus, large cities like Saudi Arabia and Oman are majorly affected by the large distance and the horizontal extended, which causes a one-day delay in delivery. Technology use and EC laws in UAE have advantage of online retailers in others countries (Pecquet et al., 2008). Generally, high-quality global ECF processes and its tracking capabilities need to be duplicated by insoured services and local logistics firms (Quaddus and Achjari, 2005).

Q5: What differences are there between men and women in relation to online purchasing? The main gender considerations, in both small and large cities, are related to COD and the return processes. GCC women often send their sons or drivers to receive an order on their behalf and most 3PLs deal with this normally, as some cultural factors have been adapted in relation to EC (Lo et al., 2001). This situation does not happen with Saudi women, however, and even women in the Emirates and Kuwait who do have the freedom to drive will not deal with male delivery drivers, which was preferred by most women in this study (Idris, 2007; Lo et al., 2001). However, delivering to homes has to be arranged by calling beforehand, as some men, especially in Oman and Saudi Arabia, refuse to accept deliveries that have not been pre-arranged (Idris, 2007). Thus, calling before a delivery helps 3PLs and local drivers to deliver and reach accurate locations quickly but calls consider unwanted approach by most consumers for reasons. For example, deliveries have no specific time and consumers are often not at home, especially in crowded cities such as Riyadh and Dubai, which means that shipments mostly go to a warehouse to be collected. The process can become complex as there is only one warehouse in large city which can be a long way from the consumer's home and/or not conveniently placed based on the density of most consumer orders, especially in geographically large countries such as Saudi Arabia and Oman (Cho et al., 2008).

Women are not allowed to drive in Saudi Arabia and hiring a car is expensive. This becomes more complex if the shipment is COD and the consumer is not answering calls, which frequently happens. Therefore, in most cases, drivers have to wait or return another day, which costs the firm more. In addition, technology does not help as, in most cases, consumers cannot determine the location, telephone numbers change frequently, and addresses are often incomplete (Rabinovich et al., 2007). One large firm found that local drivers inside large cities would keep shipments for 3 days and collect the money at the end of the week and make 3PL run the other cities. However, it was found that the previous 3PL had different operations teams classified by country, each region having a structure and once shipment had return the process will stay long and returned items were considered lost for e-firms duo to long procedure(Zhang, 2008). Global returns are generally considered impossible, and online grocers assigned that followed by local PP, which won't be lost and keep consumers loyal. Global returns are considered too costly and most 3PLs deal with these as a separate process. Some

cases happened with consumers want to return locally and globally in small cities and large cities as consider hazardous situations, such as one driver being locked inside a house until the consumer had checked the shipment (AlGhamdi et al., 2011).

Hence, using English within the system and when making arrangements with a driver is still considered the main barrier to global 3PLs. This can be solved by a local logistics firm but cannot cover global shipments or those between distant cities, in particular in Saudi Arabia and Oman (Veronica, 2012), which support learning English but, in GCC countries' culture, business might be collapse as playing essential role. Payment systems have a solution in Kuwait with K-Net and in the UAE with e-Wallet, and credit cards are accepted in Oman and Bahrain with some quick development solution in Saudi Arabia. However, COD is still preferred as an easy and quick method for e-stores as they do not need to wait for transactions to be verified, there are no bank charges and consumers pay an extra charge to be able to trust in receiving the correct shipment and better timing for deliveries (Šalhūb, 2002). Guarantee for local and global united from 3PL law as 100$ even for customers imported the same charge derived, which leads to consumers to have concerns regarding damage to their package, as returns are not guaranteed. An exception is Kuwaiti post, which allows for global returns at a low price, but consumers must speak English to arrange this with the vendor (Brynjolfsson and Smith, 2000).

<u>Conclusions and Contribution</u>
This paper has presented the results of an investigation of ECF in GCC countries by answering specific questions and determining three objectives that might help to improve electronic commerce by suggesting new strategies that could lead to EC fulfilment for consumers, e-stores and 3PLs. These results are intended to enhance further study to continue discussion of the Middle East and GCC countries from a logistics and supply chain perspective. Some solutions have been provided by online retailers or 3PLs. For example, P2 provides five parcel stations in the capital with different-sized secured spaces heading to 50 stations only in capital without another city and small one considered. Another theory suggests dealing with unattended delivery addresses by leaving the shipment with neighbours or leaving a card, but this is difficult to apply for the following reasons: firstly, COD is the dominant form of transaction, especially in Saudi Arabia; PPs could not risk this method because it may lead to losing consumers, which is considered one weakness of PPs in the online market. Secondly, one study (Grant et al., 2006) has mentioned that PPs have the advantage of less capital and risk. However, there is a risk of losing business in the case of GCC countries, as the postal system is not accurate enough to enable shipments to be left with a neighbour or in a box. Further, a box is not an efficient solution as there is a risk of theft and the high temperatures experienced by these countries might damage products (Browne, 2000).

This study has made several contributions. It is the first to conduct an in-depth investigation of ECF in GCC countries (with the exception of Qatar) in different categories and from different perspectives to establish the current status of ECF in e-grocery and non-food e-firms in small and large cities in the five countries considered. Accordingly, this study investigated ECF from different aspects and filled a gap in knowledge by adding to the Xing and Grant (2006) model as shown in Table 1. Another finding is that culture plays an essential role, such as in language and consumers preferring COD. Fulfilment is considered in EC according to one of four factors: ordering, billing, making payments and order fulfilment (James and Hopkinson, 2001). E-fulfilment has been considered in the research and practice in Western studies, which led this study to add a new concept and the perspective of how e-firms and 3PLs need to understand cultural factors and design a model based on these, in addition to having knowledge of consumers' behaviours, knowing a district well, offering convenient payment methods and avoiding long procedures for transactions.

Previous studies discussed ECF by focusing on one sector or one category. Additionally, the Middle East in general and GCC countries in particular have received limited study especially as regards ECF.

Thus, further research should investigate ECF from various perspectives, including cultural factors and the extent of their effects.

Timeliness	Availability	Condition	Return
- Chosen delivery date. - Time chosen. - Delivery arranged. - Fast delivery.	Confirmed products Alternative offers Tracking system Waiting (out of stock)	Accuracy Completeness Damaged	Ease of return Quick collection Quick replacement
Knowledge (knowing address and zones, understanding consumer behaviour, obtaining feedback, low price, few shipments, two shifts, keeping undelivered shipments)			
- Deliver once collected. - Keep shipment for delivery. - Deliver on appropriate time. - Know area well.	- Mostly Available. - Can exchange - Trust as known. - Flexible movement.	-Deliver as collected. -Less time to avoid damage. - Few shipments.	- Often available. - Receive oral feedback. - Ease of return. - Trust in a quick return.

Table 1: Xing and Grant's (2006) e-PDSQ model with new knowledge construct for GCC countries

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