

E-Commerce Challenges in Egypt

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ملخص الدراسة

ساهم التطور الملحوظ في تكنولوجيا المعلومات والاتصالات في زيادة حجم ونوع المنتجات التي يتم تقديمها عبر الإنترنت وبالتالي زيادة حجم التجارة عبر الإنترنت أو التجارة الإلكترونية. ومع التوسع في تطبيق التجارة الإلكترونية، تكون هناك محاولة لدراسة آثارها الاقتصادية، والقيود، والأمن والتكنولوجيا المرتبطة بها. وتتمثل أهمية الدراسة في تحديد وتحليل أهم نقاط القوة والضعف والفرص الخاصة بالتجارة الإلكترونية في مصر، مع محاولة التعرف على كيفية التغلب على التحديات التي تواجه التجارة الإلكترونية المصرية. حيث هناك اختلاف في مستويات وأحجام التجارة الإلكترونية فيما بين البلدان النامية والبلدان المتقدمة. وهناك جهود قوية من جانب الحكومة المصرية لزيادة انتشار وتطبيق التجارة الإلكترونية في الأسواق المصرية، إلا أن هناك العديد من العوائق والتحديات، تحاول التغلب عليها، من خلال وضع العديد من المشاريع والخطط، وتحديث البنية التحتية لشبكات الاتصالات والمعلومات، ونشر ثقافة المدفوعات الإلكترونية والتأكيد على ضرورة التغطية المالية الإلكترونية. ولقد تم سن عدد من القوانين واللوائح التي يمكن أن تساعد في تسهيل المدفوعات الإلكترونية في مصر، وحماية المستهلك من الاحتيال. إلا أنه مازال هناك حاجة لوضع قانون خاص بالتجارة الإلكترونية. ويلاحظ أن عناصر القوة والفرص الخاصة بالتجارة الإلكترونية في مصر، تتغلب على عناصر الضعف والتهديدات، مما يجعل هناك توقع لمستقبل جيد للتجارة الإلكترونية في مصر.

الكلمات المفتاحية: التجارة الإلكترونية-التحليل الرباعي-الشركات الصغيرة والمتوسطة.

1\ Introduction

The twenty-first century witnessed a large and steady increase in the number of natural and legal persons connected to the Internet. As a result of using the Internet as a channel for marketing of commodity and service products e-commerce increased. This remarkable development in communication technology has contributed to the increasing volume and type of products offered through the Internet and thus increased the volume of online trade, or e-commerce. Due to the expansion of e-commerce, many institutions trying to study its economic impacts, constraints, security and associated technologies. Which we will try to review in the next pages of this research, which will be emphasis on the Egyptian situation. E-commerce characterized by several characteristics, like there is no paper use, no documents exchanged and no transactions cost thorough commercial transactions. Transactions between dealers carried out electronically. Therefore, the electronic message adopted as a legal guarantee, recognized by the parties in the event of any dispute between dealers. The use of computer systems available in business helps to complete the business process with the lowest costs and high efficiency. For the first time in Egypt, e-commerce summit was launched. ICT industry leaders celebrate the success of various digital implementations on the future of the business landscape in the region. The event is set to become an annual destination for retailers to explore e-commerce solutions, the latest trends and innovations and future technologies transforming the retail market in the MENA region. The event held in the Nile Ritz Carlton Hotel on 26 September 2018.

This paper include

-Research Problem

Research problem can be identified in the following questions

- Is there a good future for e-commerce in Egypt?
- What is the possibility of establishing an electronic commerce law in Egypt and rules to protect consumers dealing with electronic commerce?
- What is the effectiveness of the procedures and projects that are accomplished in the communications and information sector in Egypt?

-Research Hypothesis

Can be as follows: "The volume and the role of e-commerce in Egypt may increase, with increasing attention and improving the infrastructure in the ICT sector".

-Research importance

-This study identify and analyze the most important strengths, weaknesses of e-commerce in Egypt, and overcome the challenges facing Egyptian e-commerce.

-This study may contribute to determining the importance of overcoming the obstacles and problems that may face e-commerce in Egypt.

-This research attempts to benefit from previous analyzes that studied e-commerce, especially in developing countries.

- Research Methodology

Descriptive and experimental methods used in this study, through collection of data about the information technology sector, to reach results related to Egyptian e-commerce. (SWAT) analysis used to identify the strengths, weaknesses, opportunities and threats of e-commerce in Egypt.

KEY WORDS: E-commerce-B2C-SWOT- MSEs.

2\ E-Commerce Definitions

Electronic commerce simply, Selling and exchanging Goods and services through computer networks, all transaction or terms of sale performed electronically. Electronic business methods enable companies to link their internal and external data processing systems more efficiently and flexibly, so work more closely with suppliers, partners and better satisfy the needs and expectations of their customers. The Egyptian legislator defined electronic commerce as "the exchange of goods and services through an electronic intermediary"^{1*}. Chirs Reed and Gavin Sutter also defined it as "the group of activities and commercial transactions carried out through the electronic exchange of information via the Internet or any means"². World Trade Organization (WTO) has also defined Electronic commerce as "an integrated set of processes for the production, distribution and marketing of products and services by electronic means"³, this definition of (WTO) determines that, trade can be done by any electronic means. Also defined by Organization for Economic Co-operation and Development (OECD) as "all forms of business information between companies or individuals that are based on electronic data interchange, whether written, visual or audible"⁴. After presenting all these definitions, it is possible to agree on a definition that include the previous definitions "electronic commerce represents the exchange of goods and services for making a profit, such exchange takes place through the local and international network by modern technology means".

World Trade Organization (WTO) has contributed to the promotion and improvement of electronic commerce among its member countries.

Most important of these are prevention of discrimination; promote transparency and the expansion of world trade through removal of restrictions and barriers of trade. World Trade Organization (WTO) issued the General

¹ Hegazy Abd Alfatah, "The Legal System of E-Government", First Book, E-Government, Legal Books House, Al-Mahalla Al-Kubra, Egypt, 2007, p. 259

² Chirs Reed and Gavin Sutter, E-Commerce, computer Law, Edited by Chirs Reed and John Angel, Fifth Edition, Oxford University Press, U.K, 2003, p. 332.

³ Abd Elwahab Akram, Electronic Commerce, The Fastest Way to Success and Wealth, Ibn Sina Library, Cairo, Egypt, 2004, p. 10.

⁴ Abd Elkhalek Elsaied, E-Commerce and Globalization, Arab Organization for Administrative Development, Cairo, Egypt, 2006, p. 34.

Agreement on Trade in Services (GATS), which was one of the most important outcomes of Round 8 in Uruguay in 1994. In addition, The Trade Agreement on Intellectual Property Rights (TRIPS) was negotiated during the Uruguay Round, which balances technology producers and those who use them, in rights and duties.

Internet Corporation for Assigned Names and Numbers (ICANN), one of the most important Internet organizations established in 1998, aims to facilitate communication and electronic commerce among countries of the world.

It also plays a major role in settling disputes that may arise between the owners of the trademarks and electronic address holders.

2\1 Electronic Commerce Forms

There are six main forms of e-commerce:

(1)- Trade between business and consumers (B2C):

Especially through retail sales.

(2) - Trade between businesses (B2B):

Business to business is the process of buying and selling between companies using ICT.

(3) - Trade between business and government (B2G):

Business to government includes sales and purchases between companies and government units.

(4) - Trade between consumers and government (C2G):

Consumers to Government include sales and purchases made between the public and the government, such as the electronic license of the vehicles.

(5) - Trade between consumers and consumers (C2C):

Consumers to consumers includes goods and services exchanges between consumers, such as the purchase and sale of used consumer goods.

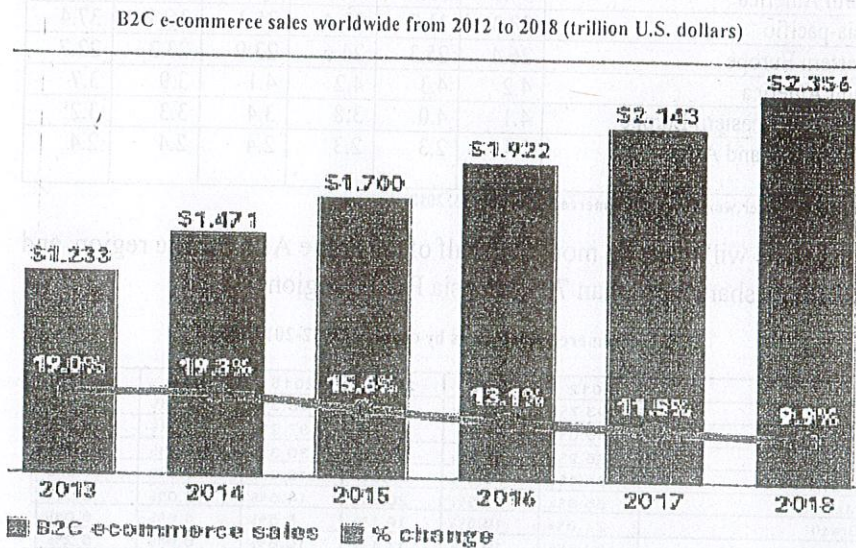
(6) - Trade between consumers and businesses (C2B):

Consumers sector sells its products and services to the business sector.

All these prewise forms and transactions are done, using electronic media methods.

212 E-Commerce around Worldwide

According to next graph B2C E-commerce sales expanded in 2012, sales reached \$1.058 trillion. In addition, in 2018 reached \$2.356.



Source: Statista, (2019), <https://www.statista.com/statistics/261245/b2c-e-commerce-sales-worldwide/>

B2C E-commerce sales increased from 2012 to 2018 by 122%. As internet usage continues to mature across the world, e-commerce growth will slow over time. Sales reaching 2.356 trillion \$ in 2018, a 10 % growth rate represents more than \$200 billion.

At next table, which represent B2C E-commerce sales share worldwide. North America (USA-CANADA), leading the B2C E-commerce in 2013, after that the competition between North America and Asia Pacific, specially China, The increase of E-commerce sales in Asia-Pacific is tied to a growing base of digital buyers, and as more new buyers come online, naturally sales will rise. Unfortunately, Middle East and Africa takes the bottom of the competition.

B2C E-commerce sales share worldwide (by region 2013-2018) (%)

	2013	2014	2015	2016	2017	2018
North America	34.9	32.9	31.7	31.1	30.7	30.6
Asia-Pacific	28.3	31.2	33.4	35.1	36.4	37.4
Western Europe	26.4	25.3	24.6	23.9	23.3	22.7
Latin America	4.2	4.3	4.2	4.1	3.9	3.7
Central and eastern Europe	4.1	4.0	3.8	3.4	3.3	3.2
Middle east and Africa	2.1	2.3	2.3	2.4	2.4	2.4

Source: Emarketer, worldwide Ecommerce Sales, July 23, 2018

China alone will make up more than half of the entire Asia Pacific region, and in 2018, its share more than 70% of Asia Pacific region*⁵.

B2C E-commerce sales grows by country (2012-2017) (%)

	2012	2013	2014	2015	2016	2017
China	93.7%	78.5%	63.8%	43.3%	34.4%	29.4%
Indonesia	85.0%	71.3%	45.1%	37.2%	26.0%	22.0%
India	35.9%	34.9%	31.5%	30.3%	24.5%	20.0%
Argentina	31.1%	6.3%	24.0%	18.0%	12.0%	10.0%
Mexico	55.8%	41.9%	20.0%	14.5%	10.0%	5.0%
Brazil	21.8%	16.5%	19.1%	8.5%	6.9%	6.0%
Russia	34.4%	19.4%	17.1%	10.8%	6.9%	5.2%
Italy	17.0%	16.8%	15.3%	13.5%	12.0%	10.6%
UK	14.5%	16.3%	14.2%	12.2%	9.2%	8.2%
Canada	15.0%	14.2%	14.0%	13.5%	12.5%	11.5%
Spain	10.0%	10.0%	13.8%	11.9%	10.0%	8.0%
Sweden	18.4%	16.2%	13.3%	10.3%	9.0%	8.4%
US	14.2%	13.4%	11.8%	11.0%	10.9%	10.4%
Norway	14.9%	12.7%	11.0%	10.8%	8.1%	7.2%
Denmark	14.3%	12.4%	10.8%	8.9%	6.5%	5.9%
France	32.3%	10.3%	10.0%	9.8%	7.0%	7.1%
Netherlands	12.7%	11.4%	9.4%	8.4%	6.3%	5.3%
South Korea	12.7%	9.6%	7.4%	4.8%	4.3%	3.6%
Germany	25.6%	6.7%	7.4%	6.9%	6.5%	6.1%
Japan	12.3%	-10.2%	7.1%	6.7%	5.6%	5.0%
Australia	10.5%	6.0%	5.7%	5.1%	5.0%	4.2%
Finland	4.3%	4.4%	3.7%	3.2%	2.7%	2.5%
Worldwide	22.3%	18.3%	20.2%	17.7%	15.9%	14.8%

Source: Emarketer, worldwide Ecommerce Sales, July 23, 2018

Consumers in China are among the world's most active mobile shoppers. In 2013 over 100 million people shopped via mobile Internet, more than double the 2012's level. However, in China, the e-commerce market is dominated by

⁵ Emarketer, worldwide Ecommerce Sales, (2014),

<https://www.emarketer.com/Article/Worldwide-Ecommerce-Sales-Increase-Nearly-20-2014/1011039>

mobile shopping apps. Indonesia described as the next frontier for online retail. Indonesia is the country's millions of new Internet and smartphone users. In other hand, E-money is a good indication that Indonesian society will adopt electronic transactions more rapidly in the coming years.

Indian e-shoppers spent about US\$16 billion in 2013. Only 17% of Indians are online, and only 9% of online Indians shop*⁶.

2\3 Largest E-commerce companies around the world:

Every company wants to maximize its business & customers volume. Now, to achieve this target, lots of business modules and marketing trends introduced. Moreover, earn more money by reaching to the whole world. Many metrics used to categorize e-commerce sites, one of them (**gross merchandise value**) (GMV). GMV metric referred to merchandise sales, or price charged to the customer multiplied by the number of items sold. In addition, it is a measure of the total value of all items sold on an online store*⁷. According to next table, at the top, it is (**Alibaba**) by more than 768 B\$, started in 1999, in China. Its business also consists of Taobao (Alibaba's consumer-to-consumer marketplace) in China, Tmall (business-to-consumer e-commerce) in China. In addition, AliExpress (international shoppers), support small businesses in China to sell to customers all over the world, GMV's Alibaba did not include AliExpress.

World's largest e-commerce companies (GMV) 2018

Company	GMV	Type(s) of E-commerce
Alibaba	>\$768 billion	B2B, C2C
Amazon	\$239 billion	B2C, C2C
JD.com	\$215 billion	C2C, B2C
eBay	\$93 billion	C2C, C2B
Shopify	\$33 billion	C2C
Rakuten	>\$31 billion	B2C
Walmart	>\$19 billion	B2C, C2C

Source: Adam Levy, 26 Dec 2018, <https://www.fool.com/investing/2018>

⁶ Steven Millward, 2 Jan 2014, <https://www.techinasia.com/india-ecommerce-market-spending-16-billion-dollars-in-2013>

⁷ Adam Levy, 26 Dec 2018, <https://www.fool.com/investing/2018/12/26/the-7-largest-e-commerce-companies-in-the-world.aspx>

In the second place (**Amazon**) by 239 B\$ founded in 1994 in Seattle, (USA). Amazon started by selling books, TV shows. Now it services includes electronics, clothing, food and many more. It has a website and a mobile app to make online shopping easy. Amazon now has over 100 million Prime members worldwide.

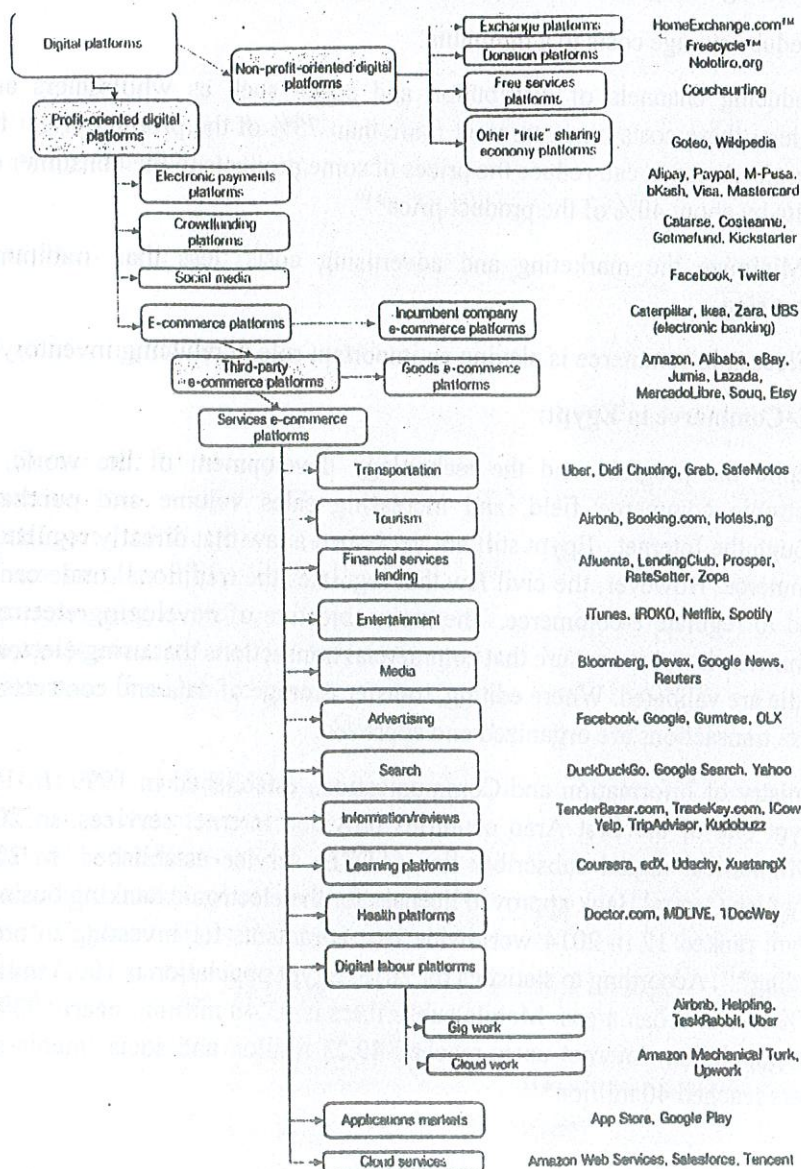
In the third place, it comes, (**JD.COM**) by \$215 billion, it is also called as (Jingdong). JD.com founded in 1998 in Beijing, China for B2C online business. JD.com has over 137.000 employee while Alibaba has nearly over 65.000 employee*⁸. Now most e-commerce companies like Amazon and JD.COM try to use advanced technologies, they have plans to build drone airports, to deliver goods.

Digital platforms create new opportunities for companies of all sizes to engage in trade. They can lead to efficiency gains through lower transaction costs. Other benefits include lower consumer prices, increased market access and more competition. Digital platforms are key in the evolving e-commerce) and digital economy landscape. Their main characteristics include the provision of infrastructure to intermediate between different users. Using Digital platforms in local industries in developing countries, reduced reliance on imports and greater openness to support exports. In developing countries, many consumers may not buy online, so it may not be worthwhile to invest in digital platforms in these countries. Next figure shows electronic commerce is a part of (profit-oriented digital platforms)*⁹. E-commerce platforms divided into two parts. First (Incumbent Company) like Zara, UBS and Caterpillar. Second (Third-party e-commerce platforms), which divided into goods e-commerce platforms and services e-commerce platforms.

*Stefan Pajović, 19 February 2019, <https://axiomq.com/blog/8-largest-e-commerce-companies-in-the-world/>

⁹ UNCTAD, "Making Digital Platforms Work for Development", No73, March 2019, P.2-3.

Electronic Commerce in the Digital Platforms Landscape



Source: UNCTAD, 2019.

2\4 Advantages of Electronic Commerce:

- 1-Reducing transport and communication expenses and time for shopping.
- 2- Reduce storage costs to a minimum.
- 3-Reducing channels of distribution and costs, such as wholesalers and retailers, these costs may represent more than 75% of the product price, for example, Amazon can reduce the prices of some products to the consumer on its site by about 40% of the product price*¹⁰.
- 4- Minimize the marketing and advertising costs, less than traditional advertising.
- 5- Electronic commerce is playing an important role in reducing inventory.

3\ E-Commerce in Egypt:

Despite the progress and the technology development of the world, in electronic commerce field, and increasing sales volume and purchases through the Internet, Egypt still not yet issued a law that directly regulate e-commerce. However, the civil law that regulates the traditional trade can be used to regulate e-commerce. The main objective of developing electronic commerce law, is to ensure that commercial transactions that using electronic media are validated. Where editing, transfer, storage of data and contracts for these transactions are organized and approved.

Ministry of Information and Communications established in 1999. In 1993 Egypt one of the first Arab countries provided internet services. in 2000, asymmetrical digital subscriber line (ADSL) service established. In 2002, Egyptian Central Bank approved licenses for the electronic banking business. Egypt ranked 12 in 2014 worldwide best attractants for investing in online trading*¹¹. According to statistics for 2018, Egypt population is 100.3 million, 43% live in urban areas. Mobile subscribers is 93.48 million, nearly 93% of the population. Internet users reached 49.23 million and social media sites users reached 40 million*¹².

¹⁰ Amazon services,(2019),<https://services.amazon.com/fulfillment-by-amazon/small-and-light.html>

¹¹ Research Department, Bank of Alexandria,(2019), <https://www.alexbank.com/ABOUTUS/Research>

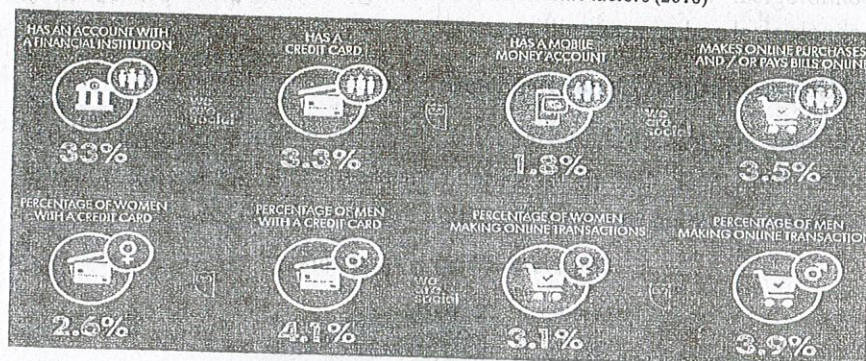
¹² Hootsuite, digital, (2019), <https://datareportal.com/>

3/1 Egyptian Financial Electronic Services

The Egyptian economy based on cash payment. In order to overcome this problem, Egyptian government promote for the term "Financial Inclusion", which means financial transactions integration of individuals and institutions in Egyptian electronic system. Egypt is seeking to provide electronic services, by spreading the culture of electronic payments for governmental services such (electricity, water and telephones). Companies such as Fawry, Bee and Masary, are among the most important companies operating in the field of electronic payments in Egypt.

Following infographic shows percentage of Egyptians, with bank accounts is 33% in 2018. Moreover, the number of credit card holders is 3% in 2018. Those who deal with bank accounts via mobile devices is 1.8% in 2018. Percentage of those who purchase and pay online is 3.5% in 2018. On the other hand, Egyptian women who have electronic credit cards payments is 2.6% in 2018. Percentage of men is 4.1% in 2018. Percentage of women who purchase and pay online is 3.1% in 2018, while men is 3.9% in 2018.

Infographic shows Egyptian financial electronic factors (2018)

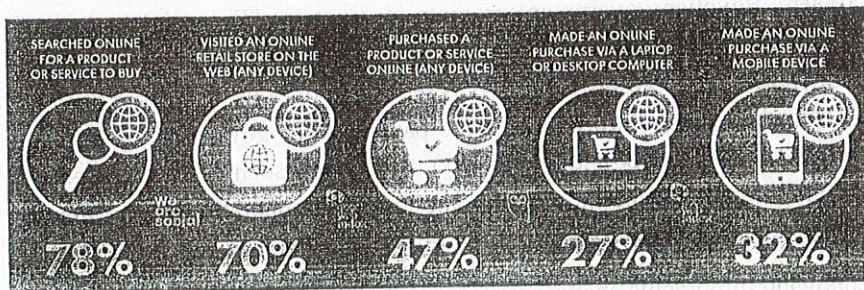


Source: Hootsuite, digital 2019.

3/2 Electronic Commerce Activities in Egypt

As shown on the following infographic, searching percentage for a specific item or service to buy is about 78% from total search. Visited an online retail store for any device is 70%. Actual purchases of goods and services (any device) from the Internet are 47%. On the other hand, percentage of purchases using desktop computers and laptops 27% from total buy, and through mobile devices 32%.

Infographic shows Electronic commerce activities in Egypt (Jan 2019)



Source: Hootsuite, digital 2019.

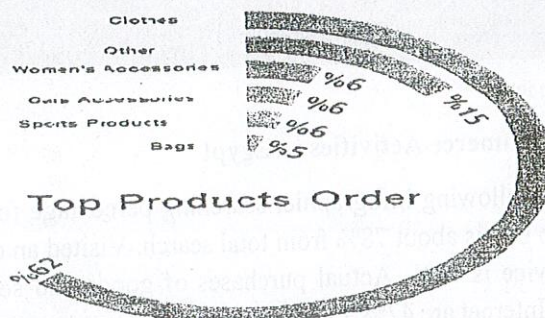
3\3 Shipping Services for E-commerce Activities in Egypt

In the first place, it is (Cairo) where we find the largest area in electronic distribution by 61%, and then Delta region by 19%. Upper Egypt occupied a late place by 4%. There is a lack of services related to electronic commerce in governorates of Upper Egypt, due to several reasons, including low technological infrastructure, in addition high illiteracy rates, especially technological and computer illiteracy*¹³.

3\4 Online Products Order in Egypt

Following infographic shows the most e-requests products in Egypt in 2018. In the first place clothes by 62%. Other products, which are mobiles, computers hardware and other electronic devices shows 15%.

Top Products Order in Egypt (2018)



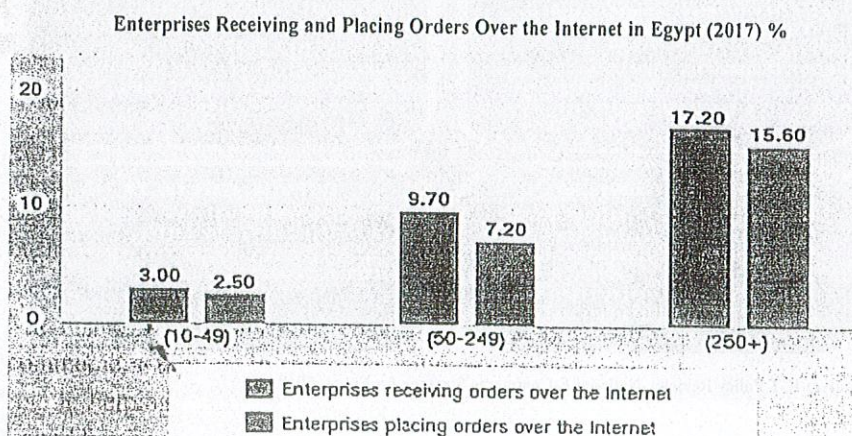
Source: VOO, Delivery Marketplace for Merchants and Courier companies, 2018.

¹³ VOO, Delivery Marketplace for Merchants and Courier companies, (2019), <http://www.getvoo.com/>

Egypt has the largest market of prospective online shoppers in the region; its consumer population is growing by 2 million a year. A survey on electronic commerce in 2016, conducted by ministry of communication and information technology in Egypt, on a sampling size of 1000 households showed that 5.3% of internet users had bought online. 47.5% searched the internet for goods and services. Among those who shopped online top three items purchased were clothing, footwear, sporting gear and accessories by 28%. Electronic equipment by 19% and computers and IT equipment by 15%. The most popular methods of payment were cash on delivery by 59 %. Mobile payments and credit cards by 18 %. E-commerce consumers were male (69 %), and relatively young (age 15– 29 years). majority had a university degree or a high school education degree*¹⁴.

3.5 Enterprises Receiving And Placing Orders Over the Internet in Egypt

Egyptian enterprises are increasingly, by adopting Internet usage for their businesses (59.8 % in 2016)*¹⁵. As seen in the next figure, larger enterprises measured by number of employees more adopted in e-commerce activities. Micro and small household enterprises (MSEs) is still very limited in e-commerce activities. In the other hand, e-commerce can play an important role in helping to raise Egyptian exports. Egyptian devaluation of Egyptian pound has improved exports over imports.



Source: Ministry of Communications and Information Technology, Egypt, 2017.

¹⁴ ICT Policy Review: National E-Commerce Strategy for Egypt, United Nations Conference and Development, United Nations, 2017, P.14.

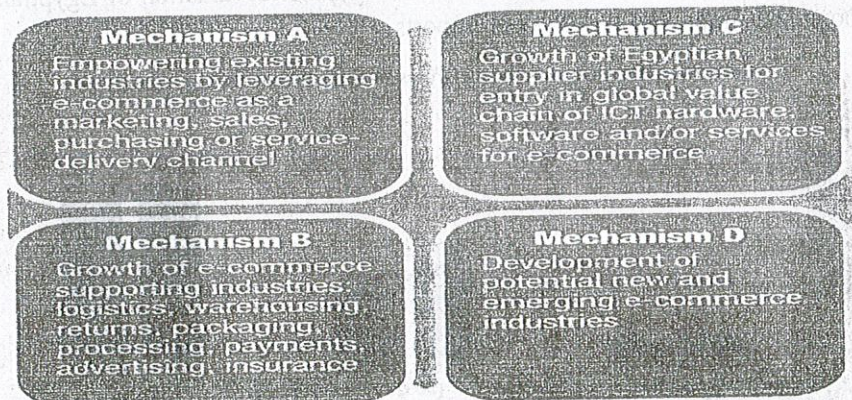
¹⁵ Ibid, p.15.

Suhag, entrepreneurs specialized in silk. In Aswan, entrepreneurs practicing handicraft. The majority in both cities used basic mobile phones, rather than smartphones. Many entrepreneurs communicated with their customers, through basic mobile phones. Some using WhatsApp.

Many efforts, such as the e-signature law in 2004, and the consumer protection law in 2006 have paved the ground for more Egyptians to engage in e-commerce. Egypt currently does not have a specific policy or treatment of taxation on e-commerce, the Government should study and adopt such a policy and put in place a simplified online mechanism for VAT (value added tax) collection related to e-commerce.

E-commerce grows industries through several mechanisms. According to the next graph, in mechanism (A) empowering existing industries by leveraging electronic commerce. In mechanism (B) growth of electronic commerce supporting industries logistics. In mechanism (C) growth of Egyptian supplier industries for entry in global value chain of ICT hardware, software and services. In mechanism (D) development of potential new electronic commerce industries.

Mechanisms of E-commerce Grows Industries in Egypt



Source: ICT Policy Review: National E-Commerce Strategy for Egypt, 2017.

3.6 Electronic Commerce Companies in Egypt

In the past years with the opening of operations in Egypt by major regional electronic commerce players, such as (Souq.com) and (Jumia), who have invested in Egypt in local training, local supplier initiatives and the creation of jobs. Jumia, for example, has collaborated with the Egyptian Industries Union to launch a (Made in Egypt) initiative, which supports the development of local manufacturers. In this initiative, Egyptian manufacturers promoted on the Jumia e-marketplace with zero commission fee, until the end of 2017. Egypt's main e-commerce retailers, such as Souq, manage their logistics by working with regional and international logistics companies such as Afamex, DHL, and FedEx. Electronic retailers can deliver e-commerce products to rural residents. Bringing the logistics costs down will be important for e-commerce to expand in rural areas. Amazon is an American electronic commerce and cloud computing company and the largest Internet-based retailer in the world by total sales, which has been serving worldwide from last two decades. Amazon is totally uses the Business to Customer Model. Amazon totally rely on the customer and customer satisfaction is its primary goal. It has started its business selling books, in 1994.

Since its launch in July 2005, Souq.com has grown to be the premier e-commerce and auction site in UAE, and then it opened new branches in Jordan, Saudi Arabia, Egypt, and Kuwait.

In 2017, Amazon has completes its acquisition on Souq.com in a deal worth \$ 850 million in cash. This deal is a real indicator of the success of Souq.com, which established in 2005 to become the largest Arab shopping site with a number of visitors to nearly 45 million visitors a month, sells about 8 million products, and employs about 3000 employees. The reason for this acquisition deal may be for several reasons such, increase the volume of Amazon sales in the future, and thus increase the profits. Moreover, the presence of Souq.com in a geographical control this area, and prevent other companies from competing control. But, did something change on the website after acquisition? First, some settings integrated, that enable users to log on to the site using the same account as their own login to Amazon site, as well as the possibility of signing in via Facebook account. Second, free shipping has

become increasingly available on the website of Souq.com on many products, which was not usual before*¹⁶.

In the last few years, outsourcing, which the act of moving an activity to an Egyptian supplier, has accelerated for many reasons. Such, rapid growth of global market demand for exportable ICT services has increased the value of total worldwide outsourcing market, to almost 300 \$ billion at the end of 2007, also ICT development has lowered the price of communications in Egypt. In addition, the supply of well-educated labor, often English-speaking has become available. According to (A.T. Kearney 2007), Egypt is among the 13 most attractive destinations for offshoring IT or business processes, before other regional competitors such as Jordan, Tunisia and Morocco*¹⁷.

4 Impact of Information and Communication Network Services on Egyptian unemployment:

Econometrics analysis, using Egyptian economic quarterly data from 2007 to 2013, for studying the impact of (ICT) services on Egyptian unemployment*¹⁸. By using the following Equation:

$$\text{Log unemploy} = C + \text{log ictcom} + \text{log ictgdp} + u$$

Whereas

- Log (unemploy) represents Egyptian unemployment, which calculated on individuals aged (15-64 years), and represents the dependent variable.

The independent variables are:

-Log (ictcom) represents (ICT) companies in Egypt.

- Log (ictgdp) the share of information and communications technology (ICT) in Egyptian GDP.

By using EViews 7 (econometrics program) to analyses this data

¹⁶ Shokey.Mustafa, "The real reasons behind the acquisition of Amazon on Souq.com", 2018, <https://e-tejara.com/>

¹⁷ Omneia Helmy, "ICT Services without Borders: An Opportunity for Egypt", the Egyptian center for economic studies, Working Paper No. 150, June 2009, P.9-10.

¹⁸ For more details: Mortada Mohamed Salah, "Information and knowledge society and its role in raising the level of employment in developing countries", Arab Journal of Administration, Arab League, four issue, volume 40, 2019.

Dependent Variable: LOGUNEMPLOG

Method: Least Squares

Date: 11/12/18 Time: 02:46

Sample: 1 26

Included observations: 26

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.654850	0.218263	-3.000286	0.0064
LOGICTCOM	0.519190	0.056774	9.144843	0.0000
LOGICTGDP	-0.325010	0.119894	-2.710800	0.0125
R-squared	0.804238	Mean dependent var		1.016189
Adjusted R-squared	0.787215	S.D. dependent var		0.075009
S.E. of regression	0.034601	Akaike info criterion		-3.781721
Sum squared resid	0.027536	Schwarz criterion		-3.636556
Log likelihood	52.16237	Hannan-Quinn criter.		-3.739918
F-statistic	47.24477	Durbin-Watson stat		1.151789
Prob(F-statistic)	0.000000			

The following results have been reached; there is an inverse relationship between the independent variable, the contribution of the ICT sector in GDP (logictgdp) and the dependent variable the unemployment rate (Logunempleg). If the contribution of the ICT sector increases by 1% in (GDP), the dependent variable (Logunempleg) decreases by 0.32. Therefore, by intensive using of electronic commerce and (ICT), it will lead to create many jobs in the society at lowest costs.

5\ (SWOT) E-commerce Analysis in Egypt

(SWOT) analysis, stands for (Strengths- Weaknesses- Opportunities & Threats), will help to identify strengths, spot opportunities and counter competition on organized businesses. The SWOT method believes that all the factors that affect a business divided into 4 categories:

- Strengths: factors business is currently good at.
- Weaknesses: factors business currently struggles with.
- Opportunities: factors opportunities in the market that the business could exploit with its existing resources or skills.
- Threats: Market forces, such as a competitor or change in local laws, which could threaten the business.

In the other hand, strengths and Weaknesses are internal to a business. Opportunities and threats are external factors. Listing all these factors will

help to figure out a strategy to play up our strengths, counter our weaknesses and beat your competition. If we applied this analysis on electronic commerce in Egypt, it shows the following

5\1 Strengths

-Boundary Less:

Egypt has approximately 15.2 million e-shoppers, (the highest in the region), and places Egypt's total market size in terms of retail sales as the third largest in the Middle East, following the United Arab Emirates and Saudi Arabia*¹⁹.

-Time Saving:

E-commerce saves time and transportations. Because there is no need to go anywhere physically. For example in Egypt, Many Nubian entrepreneurs communicated with their customers and received orders through mobile phone messaging. Some took photos of their products and sent them to their customers using WhatsApp. None of them had ever bought or sold their products through an online website. Mobiles can be used anywhere any time as there is no time constraints.

-Price / Product Comparison:

Egypt has e-marketplaces helps consumers to compare prices and products efficiently. Price comparison sites Yaoota, Jumia and Souq.com, large enough for more diversity in terms of e-retailers and the types of goods and services they offer. Many of Egypt's current offline national brands and retailers have the opportunity to establish an online presence.

-Cost Effective:

E-commerce offers potential benefits to enterprises in the form of enhanced participation in international value chains, increased market access and reach, and improved internal and market efficiency, as well as lower transaction costs. For consumers, online shopping helps comparisons of prices and features of a wider range of products without wasting time and money.

-Improved Customers Interaction:

¹⁹ UNCTAD, "Information Economy Report 2015 – Unlocking the Potential of E-commerce for Developing Countries", United Nations publication, Sales No. E.15.II.D.1. New York.

Quick feedback and comment forms are main features of e-commerce. Consumers can use e-mails and chatting programs for support.

-Physical Company Setup:

E-commerce companies can be operate without large buildings and facilities; it all depends on electronic facilities. As micro and small enterprises (MSEs), like handicrafts producers to market their products online. Therefore, this will improve the exposure of Egyptian products to regional and international markets.

5/2 Weaknesses

-Security:

Security matters confuses customers, especially about payment's process. Egypt try to make transitions towards more widespread use of e-payments. Egypt issued financial regulations and removed constraints restricting e-payments. Further initiatives aimed at switching government payments to electronic channels. Factors such as cultural preference for payments in cash makes resistance to change ways of doing business by using e-payments.

-No idea about quality and physical condition of the product:

Online products cannot touched. The majority of Egyptian companies working in the field of electronic commerce are emerging companies; therefore, there is consumer fear and lack of credibility.

-Expensive shipping cost:

Shipping cost could be expensive in rural areas in governorate outside of Cairo. Egypt's main e-commerce retailers, such as Jumia and Souq.com, manage their logistics primarily by working with regional and international logistics companies such as Aramex, FedEx. Deliver e-commerce products to remote areas, this comes at delivery costs that are high for rural residents. Bringing the logistics costs down will be important for e-commerce to expand in rural areas. While many logistics services geared toward larger e-commerce companies, small businesses face higher logistics, shipping.

5/3 Opportunities

- Global Expansion:

Daily number of internet users is increasing. People feel more comfortable to shop online. Egypt's consumer market has huge untapped potential. Developing Arabic language content would help accelerate the process. Egypt, with its 30 million Internet users in 2015/2016, has the largest prospective online shoppers in the Arab world. Egypt's geographical location at the crossroads of Africa, the Middle East, the Mediterranean and Europe makes it an attractive regional hub ripe for e-commerce growth*²⁰.

- Wide Business Growth:

Egypt has gained recognition as one of the top global destinations for contact center and business process outsourcing (BPO) services, offering low-cost, quality services. Large young talent pool of skilled, university-educated workers who are multilingual and well trained in ICT and business skills. Egypt is an important player in IT exports, reached US\$ 1.87 billion in 2017, local manufacturing industry for electronics and home appliances is also growing. Local production and services industries could potentially benefit from the e-commerce marketing*²¹.

- Advertising:

Electronic marketing is now a measure of the success of companies and institutions, through Electronic marketing, any business can spread globally easily. Electronic marketing cannot be compared to traditional marketing. With the simplest means, you can reach thousands of target customers. Egypt's market creates opportunities for potential advantage that Egyptian business could subsequently leverage in other Arabic-speaking countries.

²⁰ MCIT (2015). Egypt's ICT 2020 strategy. Cairo: MCIT. http://www.mcit.gov.eg/ICT_Strategy.

²¹ Ibid.

5\4 Threats

- Competitors:

Transition in to online sales is not easy, particularly for micro and small enterprises (MSEs). Even big electronic companies wrestle with this challenge. Foreign competitors, gaining greater market shares from e-commerce compared to local firms.

- Changes in Environment, Law and Regulations:

Consumer protection is important, so in Egypt online purchases incorporated in the consumer protection law. The Government has drafted an article in the consumer protection law concerning long-distance selling, which will provide consumer protections for e-commerce and online shopping. While Egypt's e-signature Law passed in 2004, the adoption of e-signature in Egypt is limited despite its legality by law. There is need for greater understanding of the legal and regulatory adaptations that would help Egypt's industries to grow through new technologies, such as internet of things (IOT) and 3D printing, including with regard to intellectual property. Egypt currently does not have a specific policy or treatment of taxation on e-commerce.

- Privacy Concerns:

Many consumers avoid buying online, and the most important reason may be the fear of insecurity in payment and privacy. Where customer's personal information may exposed and sale to other companies or obtained through various piracy operations.

- Fraud:

One form of online fraud is non-delivery of goods and services or deliver defective products or services. These forms have become widespread through computer services and financial services.

6/Conclusion

Adoption of e-commerce and ICT in developing countries is different from developed countries. Egyptian markets and micro and small enterprises fall behind with the adoption of e-commerce due to many barriers. Ministry of communications and information, and the Egyptian government, are trying to reduce and overcome these barriers, through several projects and plans. Including updates of the infrastructure of communication and information networks, spreading electronic payments culture and emphasizing the electronic financial coverage. Making laws and regulations, which regulates electronic commerce, payments and consumer protection against fraud. On the other hand, Egypt has made good progress in communications and electronic commerce, through increasing the number of Internet subscribers and the volume of transactions in e-commerce activities. By using (SWOT) Analysis on E-commerce in Egypt, it is clear that the elements of power and opportunity overcome the elements of weaknesses and threats, which predicts a good future for e-commerce in Egypt, if the obstacles that facing e-commerce in Egypt are solved.

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