

# Racing down the virtual aisles

## New online portals may help boost Lebanon's e-commerce

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The Lebanese are still reticent to shop online

Online shopping in Lebanon bears the burden of slow internet, slow delivery speeds, and a lack of overall coordination on the online front. Repeated delays have plagued the passing of a law on e-signatures, which would make online transactions more secure. Shoppers in Lebanon have little faith in making purchases online. Only 1.44 percent of Lebanon's internet users — who constitute around 60 percent of the population — shop online, according to a 2012 Ipsos poll. Compared to twice that in the United Arab Emirates and 6.65 percent in Kuwait, the market for online shopping in Lebanon is still immature.

Despite these barriers, a small but growing segment of the Lebanese population is beginning to enter the world of online shopping. In 2012 online purchases in Lebanon reached \$200 million, according to MasterCard and Visa data compiled by Bank Audi. This was a 40 percent increase from the year before. "Even though e-commerce is still considered in its infancy compared to other countries, we are pleased to notice that there is a drive and readiness from Lebanese consumers in general and young crowds in particular, encouraging businesses to tap more and more into this electronic market," says Randa Bdeir, group head of electronic banking and card services at Bank Audi. As consumer interest in online shopping blooms, investment in e-commerce is also on the rise. Roughly half of the major banks in Lebanon are making significant investments in e-commerce, according to Visa Lebanon country manager Ramzi Sabboury. Bank Audi launched eMall at the end of June, a platform which enables Lebanese merchants and artisans to set up an online store. They already have 125 registered merchants and hundreds more applications, according to Bdeir. Banks' investment in e-commerce platforms would create a push to encourage stores to enter the online market and help diversify the range of products available.

But boosting the number of online shoppers is not just a matter of investment. Online stores need to adapt to the burgeoning market to recognize what sells and what doesn't. According to Carla al-Rayes, chairman general manager at online payment gateway NetCommerce, many Lebanese stores that have gone online have had a limited life span. "We have experienced a lot of Lebanese merchants that have experienced Lebanese e-commerce and then dropped out," she says. "They opened a shop online, invested in technologies, and they don't sell. They don't sell for many reasons. One, they don't have the right products at the right price. Two, they're not innovative. They put their catalogue up online but they don't have sales every day."



Trust remains an issue for Lebanese online shoppers

### What online shoppers want

The Lebanese pioneers of online shopping are receptive to unique items and unique deals. According to Karim Saikali, founder of BuyLebanese.com, as well as e-consultancy and online marketing company E-comLebanon.com: "in order to be able to sell something online, you have to offer something which is really unique in terms of pricing, in terms of product. You need to offer an added value service to your consumers." Saikali says that group-buying sites have done very well in Lebanon for this reason. Group-buying sites give buyers access to deals provided they are purchased in large groups — of 20 or 30 — which makes it possible for the seller to give a significant discount. The group-buying model offers deals for high-quality goods and services that wouldn't normally be found offline.

A concept similarly tailored to online spending is flash sales, wherein shoppers have access to items and services at large discounts for a limited window of time, pushing them into speedy purchases. One such platform is Jordanian-based MarkaVIP. Established in 2010, it is now among the top online sellers in four regional countries surveyed by Ipsos in 2012, and well-known in Lebanon. According to Eddy Farhat, the company's chief strategy officer, Lebanon is MarkaVIP's most important revenue

stream after Saudi Arabia and the UAE. So much so that they have their own warehouse and drivers in the country to deliver their products — a service they have not yet made available in every country in the region. “Lebanese consumers are highly fashion-aware, and brand-aware,” says Farhat. “And the growth is healthy. The repeat purchasing behavior in Lebanon is interesting. Customers who like MarkaVIP are really loyal and they keep coming back.”

Flash sales offer unique prices to customers that are not readily available offline. Flash sales with a high-end flair have also been adopted by Lebanon-based Mistile. According to its chairman and CEO Fadi Dabbagh, having an online-only platform enables the company to keep overhead costs minimal, which creates better deals for the consumer. Dabbagh explains that Lebanese people “are quite knowledgeable when it comes to fashion and they always like to have the latest models. They really jump on it once they see an item they know that is the latest trend and discounted online — it’s a good catch for them.”

The bulk of online purchases in Lebanon are made in retail, booking travel arrangements, and services. According to Bank Audi 24 percent of spending is made in retail, 36 percent in travel and entertainment, and 40 percent in services. This distribution is likely to change as the market matures and new shoppers start buying online.

### Trust issues

It has not always been easy to convince shoppers in Lebanon to make purchases online, and this is cited as a massive barrier to online shopping. According to the MasterCard Online Shopping Behaviour Study 2012, 49.5 percent of Lebanese respondents felt that payments made online were not secure. “The key element today preventing people from buying is the trust element,” according to MarkaVIP’s Farhat. Louise Doumet, co-founder of Lebanon’s online platform for designers Lebelik, has also cited trust as an issue. “They don’t trust the system because they’re not used to buying online. They have this thing that if they use a credit card online their heart will stop and their bank account will go dry. And then they’ll have to sell their house because they’ll be over-indebted.” While she notes that this trend is gradually starting to diminish, it is still the dominant sentiment in the shy Lebanese market.

John Abou Jaoude, co-founder of ShopinLeb, an online platform for merchants, explains that while some customers are buying with credit cards without a problem, others are very reluctant and even at times confused with the process of buying online. He claims that 30 to 40 percent of the customers from ShopinLeb merchants are calling the stores to help them through the procedure of buying online. “The customer in Lebanon doesn’t know the procedure of online shopping. Many of the customers are calling us saying ‘I want this item,’” Abou Jaoude explains. “This is a good thing. They are trying to buy online.”

Bank Audi’s Bdeir sees trust as an issue that will dissipate with time. “Just like what happened in America and Europe, it becomes so practical to buy online where the practicality of buying things online overrules the trust. It takes time,” she says.

### The learning curve

Shoppers in Lebanon are slowly becoming more used to buying online, as they gain their first e-commerce experiences. “The tough part is to get them to buy once,” says Lebelik’s Doumet, “Because once they buy once, our rate of recurring customers is very high.” MarkaVIP’s Farhat says that there is still a big job to be done in educating customers about the security of online shopping websites. “It’s not a system where you have 20, 30 MarkaVIPs. We are still pioneers in the region,” he says. “You always have this first experience. Any customer that has a negative experience on any of our competitors may opt not to buy again. We have a responsibility. Whenever a customer

has a negative experience, they will be more reluctant to trust in other companies.”

One method stores have used to ease customers into the system is the payment-on-delivery model. ShopinLeb’s Abou Jaoude says that 35 to 40 percent of their merchants’ customers pay for their online purchases on delivery, and these are generally the people who have the least trust and struggle the most with the system. Lebelik has also incorporated a payment-on-delivery option. “This has helped us a lot,” says Doumet, referring to the increase in online purchases that this brought the company. While MarkaVIP has the payment-on-delivery option, they are trying to orient customers toward paying with a credit card online. “Some customers used to pay cash-on-delivery, after a few experiences they started to pay online,” says Farhat. “Sometimes people need just a bit more incentive,” he adds. “We tried to reinforce the online payment by hosting events only on credit card.”

Farhat found that a key element to building consumer trust in Lebanon had to do with operating their own fleet in Lebanon — with MarkaVIP trucks that came to buyers’ doors. “It enhanced the trust with the customers a lot to deal with MarkaVIP the whole way through. Even our drivers know the customers. Getting closer, and maintaining the contact all the way through was very beneficial for us in Lebanon,” he says. With their fleet of trucks and warehouse in the country, MarkaVIP customers were more likely to trust online payment and shop again from the platform.

With trust an important barrier to online shopping, the consumer market in Lebanon still has a long way to go before it reaches maturity. But the Lebanese pioneers of online shopping have shown that they are willing to relinquish their credit card information if they see an added value to buying online.



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