



Full Length Research Article

WHAT EXTENT DO ALGERIAN IMPORT COMPANIES TRADING VIA E-MARKETPLACE TO IMPORT FROM CHINA

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ARTICLE INFO

Article History:

Received 22nd May, 2016
Received in revised form
19th June, 2016
Accepted 07th July, 2016
Published online 30th August, 2016

Key Words:

*E-marketplace,
Purchase activities.*

ABSTRACT

The purpose of the paper is to investigate the extent of Algerian import companies' trading via e-marketplace to import from China, since China is ranked number one in Algeria in terms of importation; then to study the reasons of this trading, since internet use in Algeria is still low comparing to other countries in the world. The paper is based on the analysis of 70 companies through survey methodology. Eight different purchase activities are identified, which can be classified in terms of pre-purchase activities and after-purchase activities; rather than companies' e-commerce transaction requirements. As a result, Algerian import companies have a partly use of e-marketplace when trading with Chinese companies, due to non-trust on e-commerce in Algeria; in the other hand, non-trust on trading via e-marketplace because of the emergence of screen companies. The study has been conducted on a sample of 70 significant Algerian import companies, which import from China. Future studies could apply the framework to other investigation for specific countries. The paper offers a survey about the use of e-marketplace from Algerian import companies when importing from china; this research is one of the earliest studies, since e-commerce in Algeria is still young.

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INTRODUCTION

Nowadays, internet has become indispensable in most of daily activities, for individuals as for companies. In order to facilitate business and shorten time of transaction some companies prefer trading via e-marketplace, especially when is the case in international trade. Since Algerian import from China is increasing year after year to rank number one from 2013; On the other hand, Algerian internet users is increasing with the development of internet infrastructure; then, what extent do Algerian import companies trading via e-marketplace to import from China? This paper focuses on investigating the extent of trading via e-marketplace, highlighting e-marketplace concept, companies' e-commerce transaction requirements, and purchase activities which is divided into pre-purchase activities and after-purchase activities. Therefore, this article's main goal is to investigate the extent of trading with Chinese companies via e-marketplace by Algerian import companies.

In addition, analyse whether these companies respond to e-commerce transaction requirement. After this introduction, section 2 represents a theory of e-marketplace, purchase activities, and e-commerce transaction requirements. Section 3 shows the method used to analyse the data collected from a sample of Algerian import companies, by showing sampling design and contribution of the study. Section 4 presents the study results and discussion and the last section brings conclusion and recommendations and future researches.

Literature Review

E-Marketplace

The major place for conducting electronic commerce transactions is the electronic market. According to Turban et al. (2010, p40) "e-marketplace is a virtual marketplace in which sellers and buyers meet and conduct different types of transactions." So, e-marketplace is defined as an online market, usually B2B (business to business), in which buyers and sellers exchange goods or services; the three types of e-marketplaces are private, public and consortia.

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E-marketplace functions

Bakos (1998, p8) stated that markets have three main functions, the same as that of a physical marketplace; however, computerized systems tend to make markets much more efficient by providing more updated information to buyers and sellers. These three functions are matching buyers and sellers (determination of products, search, price discovery); facilitating the exchange of information, goods, services, and payments associated with market transactions; and providing an infrastructure (legal, regulatory, discovery), that enables the efficient functioning of the market.

B2B business models

Laudon and Traver (2014, p74) listed the major business models utilized in the B2B arena, divided into net marketplace and private industrial network, as following:

- Net marketplace: in which four business models are described. The first one, e-distributor which is a single-firm online version of retail and whole sale store; supply maintenance, repair, operation goods; indirect input; its revenue from sales of goods, like Grainger.com and Partstore.com. The second one, e-procurement which is a single firm creating digital markets where sellers and buyers transact for indirect input; its revenue from the fees for market making services; supply chain management, and fulfilment services, like Alibaba and Perfect commerce. The third business model, exchange which independently owned vertical digital marketplace from direct inputs; its revenue from the fees and commissions on transactions, like Oceanconnect and Chemconnect. The last business model in net marketplace, industry consortium in which industry owned vertical digital market open to select suppliers; its revenue from fees and commissions on transactions, like Exostar, Quadrem and Elemica.
- Private industrial network: in which two business models are described. The first one, single firm in which company owned network that coordinates supply chain with a limited set of partners; its revenue from the cost absorbed by network owner and recovered through production and distribution efficiencies, like Wal-Mart and Procter & Gamble. The second model, industry-wide in which industry owned network that sets standards, coordinates supply chain and logistics for the industry; its revenue from contributions from industry member firms and recovered through production and distribution efficiencies, fees for transactions and services, like 1SYNC and Agentrics.

Purchase Activities

Improvements to procurement have been attempted for decades, usually by using information technologies. The real opportunity for improvements lies in the use of e-procurement, the electronic acquisition of goods and services for organizations. The general e-procurement process in buyer view represents the purchase activities. Turban (2010, p164) stated the e-procurement process in two parts, pre-purchase activities and after-purchase activities.

Pre-purchase activities

In e-procurement process pre-purchase activities are split into five activities, the first to search for vendors and products by using internet to search e-catalogues, brochures, conventions, and exhibits. The second to research firms for financial stability and credit history, so to know which vendors are qualify to study the possibility of doing business. The third activity is selecting market mechanism by choosing whether select private or public e-marketplace even more auctions exchange or bartering. The fourth activity compare and negotiate, by comparing prices, financing, delivery, and quality in order to select the vendor. The last pre-purchase activity is making purchase arrangement by dealing a contract and arranging payment.

After-purchase activities

After making a purchase arrangement the buyers pass to the three after-purchase activities which are initiating purchase order fill in electronic form or trigger ready order; then arranging pickup or receive shipment where the buyers check shipping documents, billing, and quality of product; and finally making payments where the buyer approve the payment or arrange money transfer.

Methodology

The methodology of this research was a case study that quantitatively and qualitatively the data presented in this paper. The population was comprised of companies that import several products from China. Yin (2014) suggests that the case study structure is appropriate to research question involves conclusions regarding "how" or "why" a set of circumstances exists.

Sampling Design

The author identified 70 companies in Algeria that import several products from China. The studied companies offer many types of products, including clothing and textile, industrial machinery, alimentary products, electrical products, and other types. This study measured frequencies and percentages, as presented in following tables. The questionnaire survey technique was used to collect primary data; random probability sampling was employed. The author met with the each company in person to deliver a questionnaire. The field study was conducted from March to May 2016. Shmailan (Nov. 2015, pp 21-36) indicated that "sample sizes larger than 30 and less than 500 are appropriate for most research." Thus, 70 companies were selected as the sample size.

This study attempted to address research questions, described as follows:

- Do Algerian import companies respond to e-commerce transaction requirements?
- Do Algerian import companies use e-marketplace in all purchase activities to import from China?

- What are the reasons of Algerian import companies in trading via e-marketplace to import from China?

Contribution of the study

The results of this study will be used to help companies better understand e-commerce transaction requirements and e-marketplace purchase activities, in order to improve their trading via e-marketplaces. It will also be used to gain knowledge for companies’ owners to increase trust in Chinese companies and encourage trade via e-marketplaces. The findings of the study can also aid academic researchers regarding the further development of e-marketplace purchase activities.

RESULTS AND DISCUSSION

Companies’ description

This part aims to describe our sample in term of the companies’ size and age, and their sector of activity. The three different variables describe the sample capability, experience, and main importation activities’ sectors in Algeria.

Companies’ size: Most of the sample companies (57.14%) represents medium size, 35.72% are small size companies, where only 7.14% of the sample are large size companies.

Companies’ age: The majority of the sample are young founded companies, 42.85% were founded in the few 5 years ago; where 21.43% of them were founded 5 to 10 years ago. The remaining 35.72% represents the oldest companies’ sample, which were founded over 10 years ago.

Companies’ activities sector: The dominate activity sector of the sample companies is machinery and equipments with 46.43%; then, products designated for production with 25% and non alimentary products with 21.43%. The remaining 7.14% represents the alimentary products sector.

As summarized in table 1, (companies’ description)

Table 1. Companies’ description

	Variable	Percentage
Size	Small	35.72%
	Medium	57.14%
	Large	7.14%
Age	Less 5	42.85%
	5-10	21.43%
	Over 10	35.72%
Activity sector	Alimentary products	7.14%
	Production products	25.00%
	Machinery & equipments	46.43%
	Non alimentary products	21.43%

Companies e-commerce transaction requirements

Depending on the goals of this work, the e-commerce transaction requirements were split into: (i) companies’ components, and (ii) companies’ partners. The two different requirements measure the sample capability in e-commerce.

Companies’ components

According to e-commerce transaction requirements companies should have the three following components: corporate website with e-commerce capability, corporate intranet, and IT (Information Technology)-literate employees. The majority of the sample companies respond to companies’ components requirements. As shows table 2, only the half of sample companies has a corporate website with e-commerce capability. Therefore, the majority with 60.71% of sample companies have corporate intranet; who represent the large size companies and a part of medium companies. Where the majority of the sample companies (71.43%) use information technology with literate employees. So, the sample of Algerian import companies respond to e-commerce in term of companies’ components.

Table 2. Companies’ components

	Variable	Percentage
Website	Yes	50.00%
	No	50.00%
Intranet	Yes	60.71%
	No	39.29%
IT-literate employees	Yes	71.43%
	No	28.57%

Companies’ partners

According to e-commerce transaction requirements companies should have the three following partners: banking institutions that offers transaction clearing services, national and international freight companies, and authentication authority. The results summarised in table 3 shows that the majority of the sample companies (more than 70%) have banking institutions partners that offers transaction clearing services, national and international freight companies, and authentication authority. So, the sample globally responds to e-commerce transaction partners.

Table 3. Companies’ partners

	Variable	Percentage
Banking institutions	Yes	78.57%
	No	21.43%
Freight companies	Yes	71.43%
	No	28.57%
Authentication authority	Yes	71.43%
	No	28.57%

From table 2 and table 3, the majority of the sample companies respond to e-commerce transaction requirements; so, the sample is representative and companies’ owners have enough information about e-commerce.

Companies purchase activities

Depending on the goals of this work, purchase activities in e-procurement were split into: (i) pre-purchase activities and (ii) after-purchase activities.

Pre-purchase activities

According to e-procurement process in buyer view, pre-purchase activities pass the five following steps: search for vendors and products, qualify vendors, select a market mechanism, compare and negotiate, and make a purchase arrangement.

Search for vendors

The first activity in e-procurement is commonly used by the sample companies. The majority sample companies frequently search for vendors and product to import from China. The 32.14% of them sometimes search for vendors because generally when they find the Chinese vendors, Algerian import companies prefer continue trading with the same companies; so, occasionally research for vendors, in case of changing activities or looking for new technologies or searching for similar products when finished. The remaining, rarely 14.28% use internet to search for vendors, case of companies clients or loyal who know what they need from whom; then, 7.14% never use internet to search for vendors or products because they use other ways, such as exhibitions and expositions in China.

Qualify vendors

After finding products and vendors, the majority of the sample companies frequently looks for qualify vendors who have financial stability and credit history. 32.14% of them sometimes do this activity via internet, because they prefer trustful ways such as exhibitions. However, the minority occasionally use internet to look for qualify vendors in case of necessity. The remaining with 10.71% rarely or never use internet to search qualifies vendors.

negotiate to select a vendor. 35.72% of them sometimes compare and negotiate via internet. Where only 3.57% occasionally compare and negotiate via internet, since they prefer face to face negotiation. Finally, 7.14% for each rarely and never use internet for treatment and negotiation. The same percentage including in the three first activities, that means at least 7% of the sample rarely or never use internet in their transaction activities.

Purchase arrangement

The majority of sample companies sometimes make a purchase arrangement via internet. Only 21.43% of them frequently arrange payment and have a contact. Where an important percentage 28.57% never make a purchase arrangement via internet, and 10.71% rarely complete the purchase arrangement with internet. So as summarised in table 4, only 21.43% of the sample companies frequently use internet for all pre-purchase activities; where 32.14% of them sometimes use internet for all pre-purchase activities. Globally, more than 53% of sample companies have a positive perception regarding pre-purchase e-procurement process.

After-purchase activities

According to e-procurement process in buyer view, after-purchase activities pass the three following steps: initiate a purchase order, arrange and pickup or receive shipment, and make payments.

Purchase order

Since no company chose the answer “never”, so all sample companies use internet to initiate purchase orders with

Table 4. Pre-purchase activities

Variable	Percentage				
	Frequently	Sometimes	Occasionally	Rarely	Never
Search for vendors	35.72%	32.14%	10.71%	14.28%	7.14%
Qualify vendors	39.28%	32.14%	7.14%	10.71%	10.71%
Market mechanism	35.72%	32.14%	10.71%	14.28%	7.14%
Treatment and negotiation	46.42%	35.72%	3.57%	7.14%	7.14%
Purchase arrangement	21.43%	39.28%	00.00%	10.71%	28.57%

Table 5. After-purchase activities

Variable	Percentage				
	Frequently	Sometimes	Occasionally	Rarely	Never
purchase order	25.00%	46.42%	10.71%	17.85%	00.00%
Pick-up/ shipment	60.71%	25.00%	00.00%	7.14%	7.14%
payment	00.00%	7.14%	3.57%	10.71%	78.57%

Market mechanism

The majority of the sample companies frequently select a market mechanism, where 32.14% sometimes select a market mechanism. 10.71% occasionally select whether private or public e-marketplace. The remaining sample companies do not make difference between private, public, auction or exchange e-marketplace, so they rarely or never select market mechanism.

Treatment and negotiation

Most of sample companies 46.42% frequently use internet to compare price, financing, delivery and quality and then

different extent. The majority sometimes with 46.42%, then frequently with 25% initiate purchase order via internet; these Algerian import companies trust in Chinese companies because either they are clients or they know these Chinese companies from importer friends. The remaining sample companies occasionally or rarely use internet to initiate purchase orders.

Pickup and shipment

The big majority of the sample companies with 60.71% frequently arrange a pickup or receive shipment via internet. 25% of them sometimes and the remaining 7.14% of the

sample companies represents companies who rarely or never use internet for pre-purchase activities.

Payment

The big majority of sample companies with 78.57% never use e-marketplace to approve payment or arrange a money transfer; when 10.71% of them rarely and 3.57% occasionally. Only 7.14% of them sometimes use internet to approve payment. This is due to the lack of trust in e-commerce. So as summarised in table 5, the majority of the sample companies have a partial use of after-purchase activities; they sometimes initiate purchase order, frequently arrange a pickup or receive shipment, however never make payment via internet.

Conclusion

The research contained in this paper represents the extent of trading via e-marketplace as Algerian importation from China and the numbers of Algerian internet users have grown since 2000. The study then examined the behaviour of import companies from several sectors of activity to discuss the reasons behind the partial use of e-marketplaces for purchase activities when trading. The study surveyed 70 companies which import several types of products from China. Results demonstrate the partial use of e-marketplace; the majority of which is focused on pre-purchase activities from searching for vendors and products, qualify vendors, selecting market mechanism, comparing and negotiating, to making purchase arrangement; rather than almost after-purchase activities from initiating purchase order to arranging pickup or receiving shipment.

The Algerian import companies have most of e-commerce transaction requirements and Chinese e-marketplace has an active e-procurement process; however Algerian import companies do not use e-marketplace for payment approve or money transfer as a result of the lack of trust in electronic commerce, rather than the bad internet service offered in Algeria despite the development of internet infrastructure. In conclusion, the results of the present study indicate the conscience of Algerian import companies on the necessity of having e-commerce transaction components and partners, which in turn enhances the use of e-marketplaces. Thus, in order to increase trust in e-marketplace usage by Algerian companies, the Algerian government should focus on internet infrastructure development rather than e-payment system.

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