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The advantages of benefiting from e-commerce on startups: A case study of the requirements and obstacles of application in Algeria

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Abstract---This study aims to shed light on the advantages and benefits of using and applying electronic commerce in emerging enterprises, by dividing the study into providing general concepts about electronic commerce, requirements for its application, and the most important characteristics of this trade compared to traditional trade. The most important elements that explain this concept with the transition to the digital and knowledge economy, Finally, the relationship between these two variables in terms of importance and benefits as well as obstacles. The study concluded that the application and generalization of electronic commerce in public and emerging institutions in particular is an urgent necessity that has been produced by the experiences of successful countries as well as the tremendous technological progress that makes the world a single village. It will work on the set of obstacles facing Algerian startups towards applying the basics of e-commerce.

Keywords---Startup Business, Electronic Marketing, Electronic Requirements, Algeria.

Introduction

Start-ups have recently become the main concern of a large number of young people seeking to innovate and create small and medium enterprises. Start-ups play an important role in economic development, especially in light of the fluctuations in oil prices. This requires the government to work on providing a suitable and nurturing environment that helps develop the fabric of these enterprises, on which the modern economy depends from both the legal and financial aspects.

Technology is one of the most important drivers of economic growth, and it has real effects, especially in the field of e-commerce, as it is a channel for distributing goods and services, making financial transfers, and transferring data using an electronic medium (the Internet). E-commerce allows individuals, companies, and emerging institutions to easily conduct their business without any restrictions related to time or geographical barriers. However, in order to benefit from the advantages, it is necessary to know the obstacles, confront them, and overcome them.

✍ **Problem of the study**

What are the most important advantages that e-commerce provides to emerging companies? And what are the most important requirements for the correct and effective application of e-commerce?

✍ **Study axes**

In order to solve the problem raised, the study was divided into:

- ✚ Axis One: General information about start-ups;
- ✚ The second axis: the nature of e-commerce;
- ✚ The third axis: The importance of e-marketing and the advantages of its application to emerging institutions.

Axis One: General information about start-ups

In recent years, countries, specialized researchers and those interested in emerging institutions have become increasingly interested, realizing the importance of the vital role they play in driving the global economy, which has clearly come to depend on this new type of institutions in the field of economy, business and entrepreneurship.

1- The concept of start-ups

The literal meaning of a startup, as an English term, is **Start-Up**, which consists of two words broken down into: **Start** Which means launch, and **Up** means growth, which when combining the meaning, means that this institution is a small project that started for a moment and its growth took off, also meaning young, innovative institutions in the modern technology sector, meaning that they are institutions with a technological character.¹

¹ Makhancha Amna, Startups in Algeria - Conceptual and Legal Framework -, Voice of Law Magazine, Volume 08, Issue 01, 2021, p. 770.

A startup is a newly established company that is founded by an entrepreneur or a group, with the aim of developing a distinctive product or service to launch in the market according to its nature. Traditional startups tend to have limited operations when founded and launched from an initial investment amount placed by the founders or one of their relatives. The startup is based on a scalable business, and grows very quickly and effectively compared to traditional small or medium-sized companies.²

2- The importance of emerging institutions

Start-ups are of great importance, making the markets highly competitive. We summarize the most important elements of importance in the following elements:³

- Contribute to providing job opportunities for community members;
- Increased production of goods and services: Start-ups make disproportionate contributions to growth in output and productivity;
- Opening new markets or completely transforming old ones by offering products with world-class quality and standards;
- Supporting large companies by providing intermediate products for the activities of large companies and contributing to achieving the import substitution policy by providing the requirements of the local market;
- Promote scientific research through the nature of these companies, as they often deal with high technology and knowledge-based services;
- Redistributing income through the ability to employ the savings of entrepreneurs instead of hoarding them or employing them in areas that do not create added value, in addition to attracting investors and foreign capital.

3- Startup life cycle

Start-ups are an important source of wealth and innovation, and create new positions for young people and holders of academic degrees and qualifications. At the same time, they are a result of the developments witnessed by the global economy, which has become based on creativity, knowledge and unconventional ideas. Several stages can be distinguished in the life of start-ups, which can be summarized as follows:

3-1- The first stage

It begins before the start-up is launched or embodied, where a person or a group of people present a set of creative and different ideas that may seem strange and have a kind of adventure. During this stage, the idea is researched and studied, which extends to studying the market and consumer trends, and ensuring its feasibility on the ground. At this stage, the project owners must find the

² Al-Ilmi Qawasmiyya, Salem Yaqoub, Emerging Institutions: A Reading of Concepts, Reality, Prospects and Challenges in Algeria and the Most Important Arab Experiences, Araa Journal of Economic and Administrative Studies, University Center, Aflou, Algeria, Volume 04, Issue 01, 2022, p. 99.

³ Samia Ben Ali, Start-ups in Algeria between Opportunities for Success and Threats of Failure, Al-Muntada Journal for Economic Studies and Research, Volume 06, Issue 02, 2022, pp. 611, 612.

necessary resources and resort to assistance that the state may provide through its institutions.⁴

3-2- The second stage

At this stage, the first generation of the product or service is launched, as it is unknown, and perhaps the most difficult thing that the entrepreneur can face at this stage is to find someone who will adopt the idea on the ground and finance it financially. Friends and family are often the first source that the entrepreneur resorts to for financing or from people who are willing to gamble with their money, especially since the risk in the beginning is very high. In this case, the product needs a lot of promotion and its price is high, and the media also begins to advertise the product.⁵

3-3-The third stage

At this stage, the product is at its peak and there is widespread enthusiasm. At this stage, activity can expand beyond its initial innovators, and negative pressure begins as the number of exhibitors for the product increases and failure begins, or other obstacles appear that can push the curve back;

3-4-The fourth stage

Although venture capitalists continue to finance the project, it continues to decline until it reaches a stage that can be called the valley of sadness or death, which leads to the project exiting the market if it is not addressed, especially since growth rates at this stage are very low;

3-5-The fifth stage

Here, the entrepreneur continues at this stage to make modifications to his product and launch improved versions, after which the startup begins to rise again thanks to the implemented strategies and the experience gained by the work team;

3-6-The sixth stage

This stage is called the high growth stage. In this stage, the product is finally developed and exits the trial and testing stage and is launched in the market. The startup company begins to grow continuously and take the upward curve, as it is likely that 20 % to 30 % of the target audience has adopted the new innovation, and the stage of economies of scale and achieving huge profits begins.⁶

⁴ Samhan Ben Laalam, Karima, Emerging Institutions in Algeria: Reality, Challenges and Opportunities for Takeoff, Digitization Journal of Media and Communication Studies, Volume 02, Issue 02, October 2022, p. 15.

⁵ Boualchaour Cherifa, The Role of Business Incubators in Supporting and Developing Start-ups: A Case Study of Algeria, Al-Bisharat Al-Iqtisadiyah Journal, Volume 04, Issue 02, p. 421.

⁶ Basouih, Mona and others, The Reality and Prospects of Start-ups in Algeria, Annals of the University of Bechar in Economic Sciences, Volume 07, Issue 03, 2020, pp. 408, 409.

4- Establishing a fund to finance emerging institutions

It was completed The official launch of the fund for financing institutions that have obtained the Startup Label, in October 2020 during the National Startup Conference. The fund relies on a financing mechanism based on investing in capital and not the various traditional financing mechanisms based on loans. It is financed through risks, with profit and loss sharing, without requiring project owners to provide in-kind guarantees that they do not originally have. The importance of this fund lies in the following:⁷

- ✓ Providing funding for start-ups, as funding is the most important obstacle for them;
- ✓ It spares project owners the need to resort to banks and the resulting bureaucratic burden, as this method has the flexibility required by emerging institutions;
- ✓ Project holders are allowed to benefit from the same financing mechanisms provided by developed countries;
- ✓ Encouraging the Algerian community abroad to return to invest in start-ups in Algeria.

The second axis: What is e-commerce?

1- The concept of e-commerce

The concept of e-commerce refers to marketing products over the international Internet and downloading electronic programs without going to the store or to the company. Moreover, e-commerce includes communications between different companies at the local or international level, which facilitates the process of trade exchange and increases its volume.⁸

E-commerce is also defined as the use of information technology to enhance communications and transactions with all stakeholders of a company such as customers, suppliers, government agencies, financial institutions, managers, employees and the public.⁹

From the above, we conclude that e-commerce is a technology of change, which relies in its commercial style on the company's ability to market its products, services or ideas through convincing mechanisms that market to several categories that embody satisfaction and fulfill needs and desires.

2- The importance of e-commerce

⁷ Baouni Leila, intervention entitled: Mechanisms for supporting and accompanying start-ups in Algeria, National Forum Start-ups as a Key Player in Sustainable Development, March 10, 2022, University of Algiers 01, Ben Youssef Ben Khedda, p. 21.

⁸ Abdelkader Braish, Mohamed Zidane, The Role of Banks in Developing E-Commerce, International Conference on E-Commerce, Faculty of Economics and Management Sciences, University of Kasdi Merbah, Ouargla, March 6-7, 2004, p. 12.

⁹ Fouad Al-Sheikh, Mohammed Salman Awad, Perceived Obstacles to Adopting E-Commerce Applications in Jordanian Companies, Jordanian Journal of Business Administration, Volume 01, Issue 01, University of Jordan Press, Jordan, 2005, p. 03.

The importance of e-commerce is based on the following points:¹⁰

- ✚ It is considered an effective means of concluding deals between dealers through direct electronic communication between them, thus eliminating the need for paper documents and the expenses that they entail, and it also saves general and administrative expenses, communication expenses, and others.
- ✚ It is a unique and unprecedented way to reach all the world's markets at the same time with the lowest costs, as it helps sellers overcome distance barriers and reach distant, diverse and multiple markets, and it also helps buyers overcome time barriers and deal with suppliers.
- ✚ It leads to the exchange of benefits between the dealers, sellers and buyers, and it also works to rationalize the decisions taken by each of them, as it is characterized by the flow of information between them at the appropriate time and in a coordinated and accurate manner.
- ✚ It contributes to simplifying and organizing project operations and achieving their objectives by eliminating delays in issuing administrative decisions, preventing errors and reducing costs.
- ✚ It helps companies follow modern computer-aided manufacturing systems in terms of determining the sequence of operations on product parts, control and monitoring operations, and planning the needs of materials, manufacturing resources, and the specified time.

3- E-commerce requirements

In order for online commerce to become available in any society, the appropriate environment must be available for it, as well as the necessary requirements to achieve it. The most important conditions required for the establishment of e-commerce can be highlighted in the following elements:¹¹

3-1- Electronic infrastructure: This includes the infrastructure that supports e-commerce and conducting commercial transactions over the Internet. The most prominent components of this infrastructure are the information and communications technology sector.

3-2- Legislation and regulations for e-commerce: This includes legislation, laws and rules that are compatible with the nature of commerce over the Internet. This legislation represents the legal and regulatory framework that ensures the continuation of e-commerce and the protection of the rights of the parties dealing in it.

3-3- Availability of human resources: This aspect represents one of the components of the success of e-commerce in any society. These human resources include specialists in the information technology sector, communication networks, the Internet, and application programs related to online commerce.

¹⁰ Ramadan Ali Al-Sayed Marouf, E-commerce in Japan and the extent to which Egypt benefits from it, Jazirat Al-Ward Library, Cairo, Egypt, second edition 2012, p. 13.

¹¹ Khadija Obaid, The Role of the Digital Economy in Restructuring International Trade in Light of the Challenges of Sustainable Development - A Case Study of Southeast Asian Countries - Master's Thesis in Economic Sciences, Specialization: International Economics and Sustainable Development, Ferhat Abbas University, Setif, 2013/2014, p. 41.

3-4- Electronic readiness: It can be added as a fourth condition due to its importance in establishing electronic commerce, as it means a society that is capable and has the desire to use and practice commerce via the Internet .

Axis Three: The Importance of E-Marketing and the Advantages of its Application to Startups

1- Advantages of relying on e-commerce in emerging institutions

E-commerce provides many advantages to emerging institutions, which made many countries realize the importance of relying on it, because it responds to the variables of this era, such as flexibility and speed in transactions and individual targeting of consumers at the lowest costs. We mention some of them in the following points:

1-1- Facilitating the completion of commercial transactions

E-commerce allows startups to communicate directly with consumers, satisfy them and fulfill their desires with complete transparency and at competitive prices, as it reduces costs in commercial transactions.

1-2- Reducing costs

Institutions are characterized by low investment volume because they rely heavily on self-financing and loans, which allows them to create a virtual online store instead of creating a traditional store that costs more, so that the producer can communicate with the consumer examining the Internet pages without an intermediary.

1-3- Increase business efficiency and effectiveness

Achieving a high level of efficiency in producing and marketing its products requires a large and rapid flow of information, as well as nine emerging institutions to seize the opportunities available in their surroundings and avoid potential obstacles. E-commerce allows obtaining data, then processing it and saving it in the form of data that can be used later in the market.

1-4- Access and development of global markets

Startups can reach huge global markets thanks to the world of technology and the Internet and reach customers who are difficult to reach in the traditional way.¹²

1-5- Enhancing the brand's presence among competitors

Competitors are present in any commercial and economic project, and to obtain the largest share of the market and customers, electronic marketing must be used to prove the presence of the brand among competitors, and exploit the competitive advantages of the emerging institution and the weaknesses of competitors;

1-6-Building Reputation

Building reputation: Constant presence on the platforms used by the public, whether on social media and the website, or through emails sent to them

¹² Mashhad Salma, The Role of E-Commerce in Small and Medium Enterprises, Sawt Al-Qanoon Journal, Volume 08, Issue 02, 2022, pp. 285, 286.

constantly, contributes to building a brand specific to the startup and building a good reputation for it in the field and environment in which it operates.¹³

2- The most important changes that e-commerce brings about on emerging institutions

With the growth of e-commerce, there have been changes for companies and emerging institutions in several elements, including:¹⁴

- ❖ The disappearance of marketing departments in the traditional sense, to be replaced by computer programs;
- ❖ Overlapping roles between suppliers, manufacturers and vendors;
- ❖ The role of the traditional sales person has disappeared and has been replaced by websites;
- ❖ The emergence of virtual stores does not require an increase in stores, but rather goods can be viewed electronically, thus changing the way of shopping;
- ❖ Low staff and need for large buildings (low labor volume);
- ❖ Handling many types of goods;
- ❖ Disappearance of company warehouses so that orders are directed to production centers for delivery;
- ❖ The trend of moving Internet services to homes enhances the role of Internet commerce and the ability of customers to access online stores;
- ❖ The race to own the Internet means that companies' success has become dependent on keeping up with the rapid changes in financial markets, technology, the Internet and customer trends;
- ❖ Customer-centric operations and smart dealing with them to meet their requirements .

3- Obstacles to the adoption of e-commerce in Algerian start-ups

We summarize the most important reasons for not adopting e-commerce in Algerian start-ups in the following points:¹⁵

- Lack of trained and qualified human cadres in the field of information technology and e-commerce applications, as the human element represents a fundamental pillar in harnessing information technology to develop e-commerce. The latter requires trained workers in several fields such as website development, programming skills in languages, experts in databases and operating systems, in addition to specialists in designing e-commerce websites, electronic payment systems, and others;
- Lack of business expertise and technical assistance in Algeria needed to transform businesses into e-businesses;

¹³ Baya and Qanuni, E-marketing and its role in developing start-ups, *Journal of Economic Growth and Entrepreneurship*, Volume 04, Issue 03, 2021, p. 45.

¹⁴ Kadouri Asmaa, *Innovation Strategies and Their Impact on Strengthening the Competitiveness of Exporting Companies - Case Study: Sidal Group in Algeria*, Master's Thesis in Commercial Sciences, Specialization: International Trade and Management, Abdelhamid Ibn Badis University, Mostaganem, 2015/2016, p. 177.

¹⁵ Boualfoul Haroun, E-commerce as a tool to activate Algerian small and medium enterprises, *Journal of Law and Human Sciences - Economic Studies* -, Ziane Achour University, Djelfa, Volume 03, Issue 01, 2009, pp. 123, 124.

- The limited volume of e-commerce, whether between commercial companies themselves, between their local suppliers, or even between them and consumers;
- Weak national investments in the Internet and digital services, which increases the monopoly of the few institutions operating in Algeria, and thus prices remain high due to the lack of competition. Also, the business and investment climate in Algeria, according to the World Bank's estimate, is at the bottom of the countries in the Middle East and North Africa region.
- Legislation and laws related to regulating e-commerce constitute one of the most important infrastructures for the establishment and growth of e-commerce. One of the applied studies on the availability of an electronic readiness environment in countries indicated that all Arab countries are still in a dangerous stage in the field of the legal and legislative environment for e-commerce.
- The ICT industry is a key driver of e-commerce growth and expansion, and Algeria suffers from a significant weakness in the production of ICT-related goods and services;
- The Algerian banking system is experiencing a significant lag in terms of new information technology.

In addition to the above-mentioned obstacles, there are other obstacles that hinder emerging institutions, which can be summarized in the following points:¹⁶

- **Administrative obstacles:** One of the most prominent obstacles to the creation of start-ups is bureaucracy when carrying out the establishment procedures. For example, in Algeria, establishing an institution takes about a month, while in the United States of America it takes 24 hours.
- **Marketing obstacles:** The lack of capabilities for emerging institutions makes them refrain from developing and growing, and thus not following up, as capabilities are represented in money, information for research, investigation and experience, and it is considered the main reason for the failure of emerging institutions in Algeria, as products are built or services are provided without knowing how to market them and modify them to suit the consumer ;
- **Technical obstacles:** Start-ups depend on the group spirit, as they do not bear the expenses of qualified workers and are just an idea that has not yet graduated, which is a reason for blocking a good vision of the various market and technical aspects of developing the product or service with what the customer wants ;
- **Financial obstacles:** The start-up needs to finance market studies to develop its idea and to test the product or service requires money, and the lack of it limits the capabilities of the innovator. After establishing a good and new business model with a guarantee of marketing the products or services.

Conclusion

¹⁶ Hussein Youssef, my friend Ismail, A field study of the reality of establishing start-ups in Algeria, Annals of Bechar University, Volume 08, Issue 01, 2021, p. 76.

Despite the many difficulties that hinder the benefit of e-commerce and e-marketing, especially in developing countries, there is great hope in overcoming these obstacles and catching up with developed countries in this field, which will not be achieved except by developing and formulating short- and medium-term strategies. Therefore, more attention should be paid to the information and communication technology sector in general. From here, we also find that emerging institutions and companies must finally abandon their traditional administrative patterns and adopt modern methods that rely on information and communication technology and benefit from its applications such as e-marketing and e-commerce, all in order to achieve the most important goals that emerging companies and institutions seek to achieve, which is to prove existence, survival and continuity, as well as adapt to economic transformations and thus qualify for integration into the global economy.

✍ **Study results**

The study reached a set of results, which we summarize in the following points:

- ✚ Adopting e-commerce in startups saves many costs such as front-ends, store design, inventory management, etc.;
- ✚ E-commerce enables you to overcome geographical barriers and take your startup project to the global level;
- ✚ Ease of displaying the best-selling products, as this feature allows online store owners to display their goods to customers, which makes it easy for the customer to find the best-selling products with ease and convenience;
- ✚ E-commerce provides the opportunity for all projects and commercial activities to compete with famous global companies and brands without the need for an unlimited marketing budget.

✍ **Study suggestions**

In order to achieve the study's objective and improve the reality of e-commerce and thus benefit emerging institutions from this improvement, there are a set of suggestions and measures that will provide this, which we summarize as follows:

- ✚ Enacting laws and information systems that facilitate the spread of e-commerce businesses, by developing a legal framework that enhances confidence in the network economy by protecting consumers and securing communications from piracy and other things;
- ✚ Increase investment in human resources in the field of information and communication technology;
- ✚ Providing digital infrastructure and deploying communications services at the lowest cost;
- ✚ Benefit from the experiences of successful countries in the field of e-commerce by developing electronic payment systems and providing cyber security;

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