



How 'e' is e-Commerce today?

PIAL ISLAM

If you build it, they will come." This mantra of the late 1990's e-Commerce 'boom' in the US seems to have caught on in Bangladesh lately. If, however, we looked closely at the US phenomenon, we would see that while it served a few players well back then, it failed to deliver on the promise for most of them.

Are we heading towards a similar set of predicaments here in Bangladesh? Or can we extract critical learnings from experiences of others and at least not make the same mistakes? To be sure, we will make our own mistakes, and that is not necessarily bad. My favorite film director, Woody Allen, once said, "if you're not failing every now and then, it's a sign you're not doing anything innovative." But the not-so-hidden message in that quote is that you avoid making the mistakes others made, and you learn from your own mistakes.

Let's look at what we know so far about the e-Commerce market in Bangladesh. Newspaper reports have quoted the Bangladesh Bank Governor saying we currently have a Tk200 crore e-Commerce market in Bangladesh. Our independent study of the e-Commerce market validates that claim to a large extent. However, this pi Strategy Consulting study finds that much of this e-Commerce activity is not necessarily what constitutes true e-Commerce transactions. Typically, an e-Commerce transaction, by definition, requires the actual transaction (where funds are transferred from the buyer to the seller) to take place electronically. Most of the transactions that are categorized as e-Commerce in Bangladesh involve cash-on-delivery, which, strictly speaking, cannot be considered an electronic transaction, even if other parts in the value chain, such as

product listing or marketing, is done electronically.

In order to get a bird's eye view of the demand side of our e-Commerce market, pi Strategy Consulting polled a few hundred people last month. The intent of this study was not to conduct an in-depth assessment of the market using statistically significant sample size or robust sampling techniques. Rather, the purpose of this study was to build, test and refine a series of hypotheses within a very short time. Subsequent stages of our study will delve deeper into various dimensions of the e-Commerce market. However, some interesting insights emerged even from this cursory look at the market.

About half of those polled have used e-Commerce at least once in the preceding three months. Of those who are e-Commerce users, over 80% are less than 30 years old, and more than half of them are female. Most of them are either young professionals (44%) or university students (33%). Over 90% of them are based in Dhaka. One-third of them earn Tk30,000 or more per month.

Most of the products sold through

e-Commerce in Bangladesh today are clothing and beauty products (34%). Other prevailing product categories include: books (12%), travel tickets (11%), airtime top-up (8%), and food delivery (6%). A majority of the e-Commerce users have spent between Tk500 and Tk3,000 over the previous three months. A small segment of them (just under 10%) spend nearly Tk10,000 per month. As indicated earlier, the overwhelming majority (over 80%) uses cash-on-delivery as a payment method.

The pi Strategy Consulting study points to a number of underlying issues related to e-Commerce in

Bangladesh. This market is still at a relatively early stage in development. It cannot be considered a mass market phenomenon just yet – it is largely Dhaka-centric and it caters to a small segment of the population. There's clearly an inherent barrier towards greater adoption – you need a computing device and internet access to use e-Commerce. Given the rapid growth of internet-enabled mobile phones, that situation is likely to change fast. The e-Commerce market has been growing very rapidly over the last couple of years, especially since it began with a low baseline. However, the most critical hurdle for growth remains trust with online payment mechanisms. And trust needs time to build.

So, what lessons can we draw from global experiences as well as early experiments at home? We should start by identifying a specific problem a large enough customer segment faces, and develop solutions to most effectively solve that problem. This is no different from any new product or service design. Nor should this be. A new e-Commerce portal or service is no different from any new business. Moreover, we should engage with that specific customer base closely and continu-

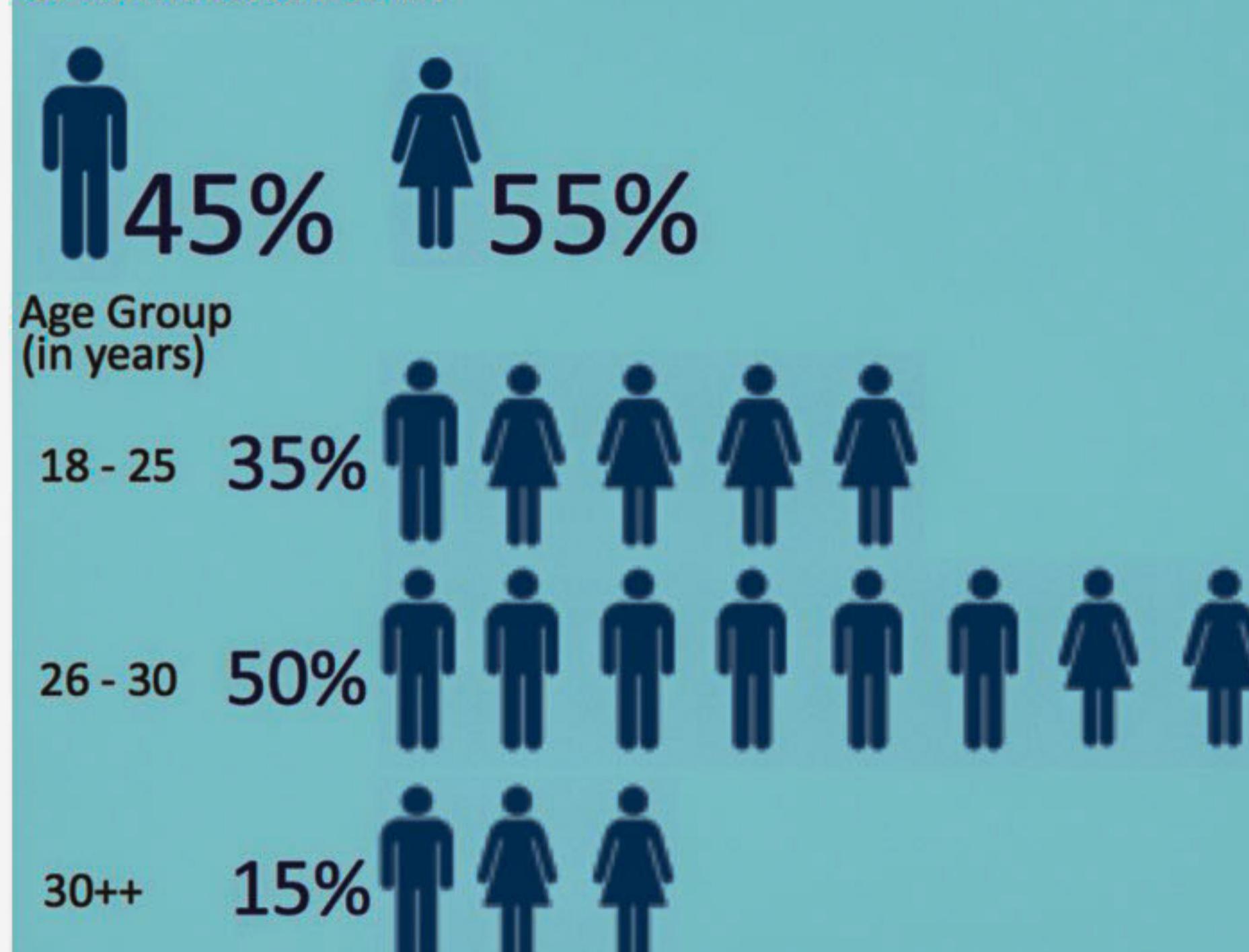
ously to co-create that solution. We may think we know what a customer wants. We can only be sure once we ask enough of them. And when we collaborate with them to co-design solutions, everyone wins. It's time we engage them to solve the trust problem with online payments and make e-Commerce truly electronic.

The mantra of the 1990's should perhaps be adapted to say "if you build it with the help of your customers, they will come".

The writer is Managing Partner at pi Strategy Consulting. He thanks Sudip Chowdhury and Syed Saleh Ahmed for their research contributions on this article.

WHO?

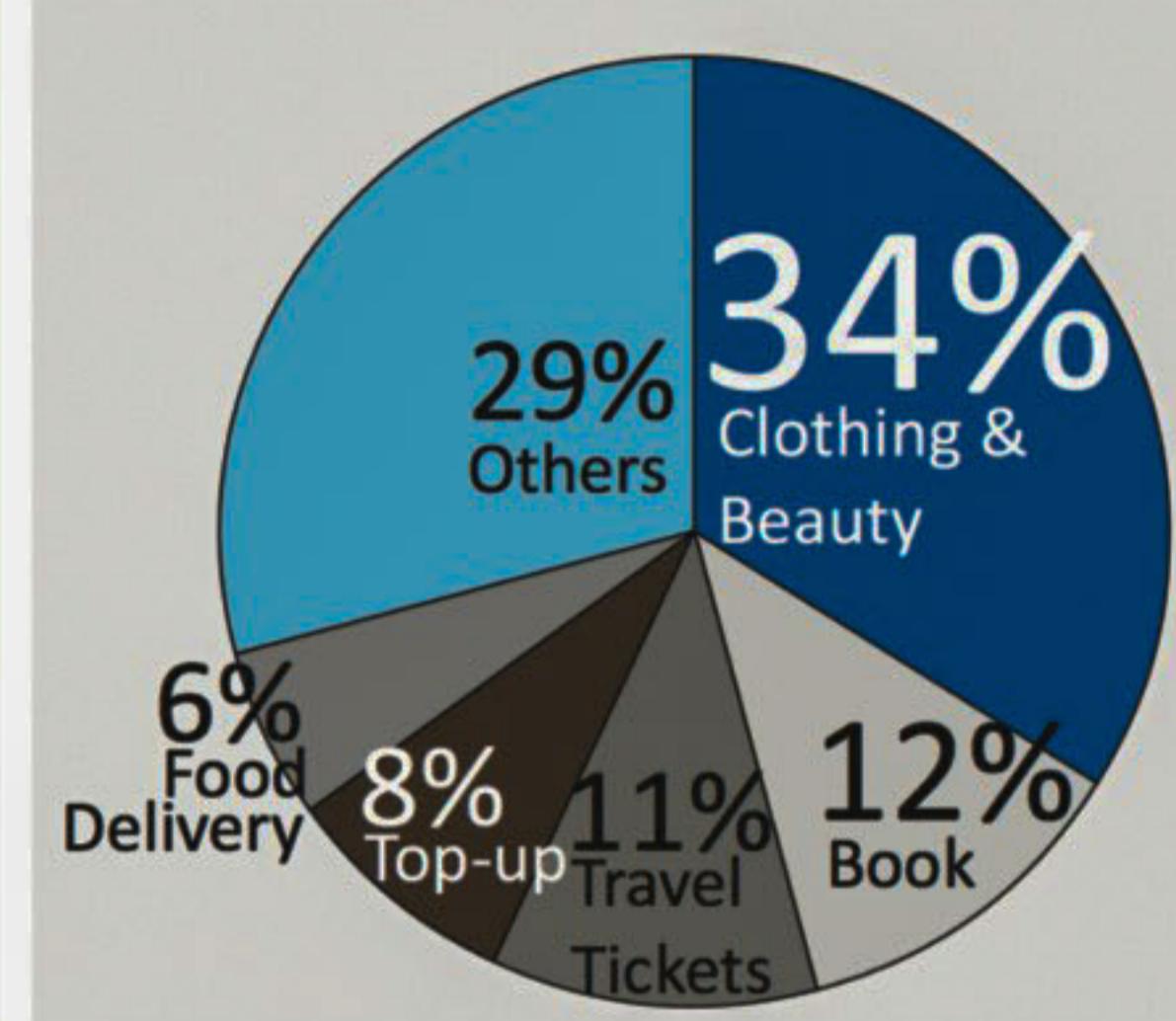
GENDER & AGE SPLIT



Source: pi STRATEGY CONSULTING Analysis

WHAT?

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e-Commerce - the in thing

FARHAN TARIQ

E-COMMERCE is becoming popular in Bangladesh. With better access, coverage and an ever-growing internet population, the prospect for e-Commerce is bright. There are also challenges. A discussion on the pros and cons of e-commerce in Bangladesh is a timely debate.

What is e-Commerce? e-Commerce is more than just purchasing and offering things over the Internet like through Bikroy and OLXbd. E-commerce is a wider term encompassing electronic trade of business; and information between computers of two or more organizations. The innovative objective of e-Commerce is to coordinate businesses and government agencies, with the capability to correspond with each other through any computer platform.

A question arises if the proliferation and growth e-commerce organizations is an air pocket or the tip of the iceberg. Ever since private Internet Service Providers (ISP) propelled Internet in Bangladesh, the infrastructural improvement in the segment of telecom has helped spread the Internet to get organized around the country. The expanding number of users of Internet makes more chances of e-Commerce getting a strong foot hold. Around 100 million individuals use mobile services and 15 or 20 percent individuals access versatile online Banking Services. According to Bangladesh Bank, around 1 million versatile clients access the mobile banking benefits. Over 100 crore transactions are made through mobile banking accounts.

Digging a bit deeper gives more insight to e-Commerce's future prospect and its impacts on our local economy as well as the e-Commerce stakeholders. The Government of Bangladesh has taken initiatives with a vision towards "Digital Bangladesh" to redefine our internet technology and broadband network. ISPs that offer broadband connections are presently needed to give no less than 1 Mbps.

The vast majority of the e-Commerce businesses within Bangladesh is of C2C (Consumer to Consumer). Some B2B (Business to Business) and B2C (Business to Consumers) have shown exponential growth prospects in recent years. Starting with the most popular, and first of its kind, Clickbd is an online commercial center where anybody can offer or purchase anything. The site has a solid and developing group of clients who exchange an extensive variety of things. Second in the queue is Bikroy.com, a site where Consumers can purchase and offer practically everything. They deliberately audit all ads that are, to verify that the quality conforms to Bikroy.com norms. On the other hand, OLX is the upcoming free online classifieds. On OLX users can post ads with pictures with less hassle. Unlike other portals, it shows consumers ads on their long range interpersonal social networking profile (Facebook, Myspace). With a mission to create online market and increasing sales of their merchants and create wonderful buying experience for their



consumers, Akhoni.com was established. It is the leading Business to Consumer (B2C) e-commerce site. It is an online retail that empowers anybody from anywhere in Bangladesh and from far and wide to buy diverse things/items through our web. To buy on the web, anybody can use debit card, credit card, mobile payments or even pay money when accepting conveyance.

Other than the above portals there are many portals which are busy serving niche markets. Recent development of superior mobile technologies gave birth to M-Commerce. Since 2008, there has been a substantial hike in mobile connection. There are now 44.6 million mobile connections in Bangladesh from six national mobile service providers. Through the introduction of CellBazaar, a versatile business sector space where the buyers and sellers can exchange the products and services they sell or buy, people are entering the field of e-Commerce via mobile handsets. The vendors can offer or purchase items by utilizing basic SMS.

There are two key expense segments that e-Commerce organizations will need to oversee with a specific end goal to expand net margin and accomplish growth. First is the customer procuring expenses. These arise as the stock quality is higher than the expense of gaining another client. Therefore, rehash utilization is critical to profitability. Client securing expenses will decrease as the business merges and financially weaker players miss out to bigger players.

Second is delivery costs. These costs arise as e-Commerce organizations must take care of the expense of conveying products to purchasers. This will keep on putting a strain on margin and also capital necessities in the short-to-medium term as e-business look to build their conveyance arms. On the other hand, in the medium-to-long term, investment in logistics will prove to be fruitful as it encourages ecommerce organizations to secure new clients and in addition hold

secured established one. Other than these, security issue& data theft, connective coverage and speed, price of bandwidths, lack of education, fragile economy, power shortage, unavailable internet facility, improper standardization of Bengali software, discontinuous human resource, and most importantly absence of proper copy right laws, together put an adverse effect on the growth of e-Commerce.

The e-Commerce showcase in Bangladesh is not for the timid or those searching for an ROI in a short time span. It is additionally not without its challenges. Notwithstanding, for the main three or four organizations and their financial specialists that figure how to ride out the following 3-4 years, there are products of the soil to be a result of the possibly extensive and beneficial oligopoly that could be built in the impending years. Best thing is that, e-Commerce encourages competition and scope for expansion and exploiting a growing market. The pitfall of this competition is it also has the potential of becoming consolidated with few e-Commerce firms dominating an industry.