

E-commerce can be 10-20 times bigger in five years

Bjarke Mikkelsen, founder and CEO of Daraz Group, calls for shifting focus from discounts to enriching lives of customers

Daraz, one of the largest e-commerce companies in Bangladesh, has recently had its biggest promotion event 11.11. The platform posted Tk 190 crore in sales during the daylong campaign. On the occasion of its single largest promotion, we spoke to Bjarke Mikkelsen, founder and CEO of Daraz Group. He shares his vision and thoughts for Daraz in Bangladesh with Shahriar Rahman from The Daily Star.

DS: How did Single Day go in Bangladesh and other regions?

Mikkelsen: It was a very good day for us. We had a total of about 14 million shoppers that came to the platform on the date. It is by far the highest that we've ever had. At a group level, it is more than about 130 per cent higher compared to what we did last year on the same day.

In Bangladesh, we had about 5 million people coming to the platform and also almost doubling the number of orders. What excited me most was that we had 20,000 active sellers in Bangladesh who were selling on the platform on the day. Interestingly, out of them, 55 per cent actually joined during the pandemic.

DS: The pandemic accelerated the growth of the e-commerce industry in Bangladesh. How was Daraz able to fare during this period?

Mikkelsen: During the pandemic, understanding the need of the market, we initiated a seller stimulus programme. As we all know, during the lockdown, SMEs were suffering immensely. Our stimulus programme enabled these sellers to sell on Daraz commission-free for three months.

We provided all kinds of special support to those who were struggling in the market. There was a lot of handholding to make sure they could make the best out of the platform. So, for me, it was the biggest success that, out of our 20,000 active sellers, actually 55 per cent came during the pandemic. It just shows that our stimulus programme of trying to help

businesses through the pandemic actually worked right. I think this is just a proof that the digitalisation strategy of the Bangladesh government has started to bring about the desired impact.

DS: What are Daraz's key priorities in the coming days? What strategy would it follow as the market is slowly maturing in Bangladesh?

Mikkelsen: The core strategy is still the same: it is about growing our core e-commerce marketplace. In order to grow our core e-commerce marketplace, we need to bring more customers and more sellers onboard. We also have to make sure that they all have a good experience and that they trust the services that they receive.

When you see services like the dMart, the Daraz Mall or Digital Sheba, it is all part of that strategy. It is just about thinking in terms of user experiences instead of thinking in terms of categories. We made that shift a couple of years ago. This was actually one of the big learnings from Alibaba.

We agreed that we should not just think about our categories like electronics, fashion or home appliances. Instead, we should really think about user experiences. Some users prefer to go to mall and some prefer to go to the market. We need to be able to provide a solution for both of them. So, when you see these channels and these concepts on the platform, it is all part of our long-term marketplace strategy to create an integrated community on our app, but with different user experiences.

We also want to continue to drive logistics efficiencies and really build a cost-efficient ecosystem that can be scaled up. It is because we are still a loss-making business and we're not going to make any profits for probably at least another three to four years. In order to become profitable or break even, we need to continue to drive



Bjarke Mikkelsen

down the logistics cost and become more efficient.

We are also focusing a lot on digital payment. We are doing quite well in digital payments. More than 55 per cent of our sales during this campaign were digital payment. We will continue to integrate this digital ecosystem and allow customers to store credits on our platform which is going to be convenient, safe and efficient.

DS: In 2020, Daraz announced investment of Tk 200 crore in strategic infrastructure and logistics. How has it impacted business and operation?

Mikkelsen: We are still investing a lot in infrastructure and logistics. Part

of it is going into building the biggest fulfillment centre in Bangladesh. We are also building the biggest sortation centre. We spent most of our time, energy and capital in the last couple of years so that we can scale up this business because e-commerce is far from being mature. We think that e-commerce can be 10-20 times bigger over the next five years. That is why, we have invested in building a foundation that can allow that scalability.

A good portion of the investment is going into salaries. In Bangladesh, we employ 8,000 people. Of them, 5,000 are managing the logistics side, 2,000 warehouse operators, and about 1,000 work in our Dhaka headquarters.

DS: How big is the e-commerce industry of Bangladesh right now?

Mikkelsen: We were looking at the numbers a couple of days ago about the e-commerce market size. In Bangladesh, it is probably between 1.5 per cent and 2 per cent of the total retail market. In Indonesia, it is more than 20 per cent and is expected to grow up to 35 per cent by 2025. If we are only less than 2 per cent, then there is a lot that can be done.

We are now starting to see integration of e-commerce services as a part and parcel in people's lives. We are also trying to break free from the idea that e-commerce is about cheap products. It is not about discounts or vouchers. E-commerce is about services and helping people so that they can have an easier life and can have meaningful digital engagement. It is about having an experience that you can share.

DS: The recent fiasco in the e-commerce industry has led to a lack of confidence in e-commerce among the mass people. What is your opinion?

Mikkelsen: Ups and downs are normal in any businesses. Unfortunately, what happened here was not normal. But I always believe in market correction. There might be lack of confidence now, but in the long term, people will eventually see that e-commerce is not about unrealistic discounts or a fraudulent scheme.

Everyone now knows that those kinds of business are not sustainable. E-commerce is and should always be about services. This noise in the market is sort of a catalyst of the fact that we need to shift the focus from discounts to enriching the lives of customers through the digital ecosystem of e-commerce platforms.

DS: In order to bring more transparency and accountability to the e-commerce industry, the government has introduced several regulations. What's your thoughts about them?

Mikkelsen: I think regulation is good and it is really good that the government is focused on this now. I think we are all a bit late and should have had these discussions five years ago. But what makes me very optimistic is that the discussion is happening with the private sector.

I think the government also needs to recognise that e-commerce is still at its infancy in Bangladesh. There's a misconception because we are showing good numbers, but it must be kept in mind that e-commerce operates in a business model that will only make money when it is operated in a very large scale. It will take years for us to get there. So, whatever regulation is put in place, it needs to recognise that and allow us to scale up.

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GLOBAL BUSINESS

From crab balls to cars, Biden's hometown feels inflation pinch

AFP, Wilmington

A pizzeria in President Joe Biden's hometown, Wilmington, recently took sparkling water off the menu because it got so pricey managers figured no one would buy it.

At the car dealership that Biden's presidential motorcade occasionally passes when he comes to town, sales people have had trouble keeping new vehicles in stock, while prices for their used models have climbed ever higher in recent months.

"Each day is a new day. We're not really sure what's going to happen in the business or in the economy when we wake up in the morning," said Jim Ursomarso, vice president of Union Park Automotive.

The wave of inflation that's swept the United States this year as Covid-19 vaccines have helped businesses reopen and consumers spend has spared no part of the country -- not even Wilmington, the city that has provided a backdrop for much of Biden's political career.

Voters in the Mid-Atlantic city gave Biden seven times more votes than his predecessor Donald Trump in last year's election, but business owners now fret as prices rise and public approval in his administration falls.

"Here in Delaware, he's loved. But as time has gone by, we have been lacking the reciprocation," said Serena Kelley Jefferson, co-owner of Serena's Soulfood, whose mother cooked for Biden, and who recently took crab balls off her menu because they became too costly to serve profitably.

Inflation was predicted to increase as the US economy recovered in 2021, but a Wednesday report from the Labour Department showing the consumer price index last month experienced its biggest year-on-year gain in more than three decades was an unwelcome surprise.

This year's initial price spikes were most severe for products like used cars and airplane tickets.

The latest data, however, showed them extending into groceries and gasoline, with ripple effects across



Gianni Esposito (C), whose eponymous pizza parlour has received Biden repeatedly, including on the day he began his latest presidential campaign in 2019, speaks to an employee as another serves pizza at Gianni's Pizza in Wilmington, Delaware on November 12.

AFP/FILE

the economy.

Nonetheless failed to meet her expectations.

The US inflation rate has been muted for years, and the latest price increases are driven by a mix of factors that might not have occurred without the pandemic.

Supply chains are snarled worldwide thanks to the disruptions caused by Covid-19, while energy costs have risen after global oil prices briefly went negative in 2020.

In the United States, American consumers are flush with cash and spending it with the help of three rounds of stimulus checks and an expanded government social safety net that both Trump and Biden approved.

But businesses haven't been able to keep up, since many people who could work have decided not to. Meanwhile, the global semiconductor shortage has slowed down production across a range of industries, including the auto

sector, driving prices higher.

The increases may well hamper Biden's push for an expansion of the country's social services costing \$1.85 trillion over 10 years.

Following the latest inflation report, Joe Manchin, a centrist senator whose vote is crucial to getting the bill through Congress, warned, "the threat posed by record inflation to the American people is not 'transitory' and is instead getting worse."

"As he filled up his car with gasoline that was upwards of a dollar more expensive per-gallon than it was a year ago, Phil Johnson said inflation wasn't affecting his life."

Biden "inherited a lot of this when he took office in January," the 32-year-old worker in the financial sector said.

"The stimulus checks won't last forever and inflation can't stay at six percent."

Need for new planes steady despite pandemic: Airbus

AFP, Dubai

The pandemic will have no long-term impact on the need for new aircraft, according to a market outlook released Saturday by European plane maker Airbus, which foresees greener fleets emitting less CO2.

There would be demand for 39,020 new passenger and freighter aircraft by 2040, bringing the global fleet to 46,720, the company said, releasing its outlook ahead of the Dubai Airshow's opening on Sunday.

The forecast is not far off the 39,210 planes Airbus estimated in its 20-year market forecast issued in September 2019 -- before a Covid-induced downturn which will still leave airlines with close to \$52 billion in losses this year.

While Airbus has returned to profit and delivered 460 aircraft in the first 10 months of the year, its American rival Boeing is still losing money and has supplied just 268 planes.

Yao Boeijing projects new deliveries in the industry to total 43,610 by 2040, or roughly the same as the 43,315 forecast by aviation data firm Cirium.

Global air traffic has started to bounce back from the worst of its pandemic decline, though in October it was still around half

the level before the global health crisis idled aircraft.

"Our industry is extremely resilient, the only thing is that we've lost two years of traffic because of the pandemic," Christian Scherer, chief commercial officer and head of Airbus International, told reporters in Dubai.

The market is only expected to return to pre-pandemic levels between 2023 and 2025. Domestic air travel is doing better -- which benefits Airbus and its A320 family of narrow-body aircraft.

"While having lost nearly two years of growth over the Covid period, passenger traffic has demonstrated its resilience and is set to reconnect to an annual growth of 3.9 percent per year," Airbus said in the statement.

The middle classes, who are the likeliest to fly, will grow in number by two billion people to 63 percent of the world's population."

Growth would be fastest in Asia, with China's domestic market becoming the largest.

Close to 40 percent of the industry's new planes would be for replacement, according to Airbus, which sees demand shifting "from fleet growth to the accelerated retirement of older, less fuel-efficient aircraft."

China regulator proposes cybersecurity review for some companies

REUTERS, Beijing

China's cyberspace regulator on Sunday proposed requiring companies pursuing share listings in Hong Kong to apply for cybersecurity inspections if they handle data that concerns national security.

Large internet platforms planning to set up headquarters, operating or research centres abroad should also submit a report to regulators, the Cyberspace Administration of China said in the draft rules.

The document, published on the regulator's WeChat account website, calls for requiring public comment on internet platforms formulating privacy policies or making amending rules that could significantly affect user rights and interests.

Firms with more than 100 million daily active users would need to have changes reviewed by third-party agencies and obtain government approval.

Companies that provide instant messaging services should, unless they have

justifiable reasons, stop restricting users from accessing other or transferring files to other Internet platforms, the regulator said.

The proposals, open to public review until December 13, come as Beijing tightens its oversight over its technology sector with rules on how they should handle the vast troves of data they control, treat users and interact with rivals.

China, which has recently passed laws on data security and personal information protection, is looking to set up governance rules for how firms use algorithms. It has also urged firms to stop a long-used "walled gardens" practice that prevents rivals' links and services from being shared on their platforms.

The agency in July proposed that companies with data for more than 1 million users should undergo a security review before listing shares overseas, just days after suspending the initial public offering of ride-hailing giant Didi Chuxing over alleged data violations.