

AIUB Journal of Business and Economics

Volume 13, Number 1

ISSN 1683-8742

November 2016 pp. 163-178

Analyzing the Online Marketplaces of Bangladesh

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Abstract

The online marketplaces have not built up as a structured industry in Bangladesh. But there remains demand for such facilitated marketplaces in this era of busy schedules and severe traffic clogging in the roads. Hence online marketplaces have gained popularity and prosperity here despite their unstructured business frame and poor, inconsistent service. This study focuses on analyzing the Online Marketplaces of Bangladesh elaborately. The online marketplaces in Bangladesh consist of both local and multinational organizations, but there hardly exists proper customer service or rules/guidelines for service offering. A few marketplaces have sustained as trustworthy, dependable hubs for online shoppers, but most of these have mushroomed just capitalizing the easy set-up procedure of online marketplaces. Though online marketplace concept got introduced in Bangladesh in 2005, there has not been much development in the qualitative area for such marketplaces.

Keywords: Online Marketplace, Cash on Delivery (CoD), Transaction security, Online Advertisement, Success Parameters, Constraints.

1. Introduction

Online shopping has inherent appeal and benefit in it - literally business can have its page built to display specific business (goods and services) and buyers are just a click away. But online marketplace is still a relatively new phenomenon in Bangladesh. Though there have been many incremental technological developments that led to the secure, standardized, convenient online purchasing experience we enjoy today, online marketplaces are yet to harness the benefits out of these potential sources and reach to the full capacity that the country possesses.

Globally, this phenomenon has attained much success in various countries of the world. However, as a third world country, online shopping has been a bit too slow to enter the Bangladeshi markets. And as soon as it did, there was much buzz created by these sites. They provided an easy solution to buy, sell and exchange day-to-day products. Also, the catalogues that these websites showcase offer exclusive discounts, combo offers and lucky deals that attract different demographic segments. So, the mass population, especially the younger tech-savvy segment got immediately hooked to this convenient shopping platform and brought in overnight success for quite many online marketplaces.

But still, why have not the online marketplaces become the perfect substitutes of physical stores in Bangladesh, or even in this busy lifestyle, why online marketplaces are still not the first preferences of people for their regular shopping? This study intends to find out the answers of these obvious questions and analyze all the aspects of current online marketplaces of Bangladesh elaborately. Therefore, the study focuses on:

- Identifying the key features of online marketplaces of Bangladesh
- Determining the key success parameters of online marketplaces
- Discovering the constraints and focus areas
- Identifying the most effective advertising medium for online marketplaces, and
- Exploring the factors that are considered to provide an edge to the online marketplaces

The study used both primary and secondary data sources. Past studies have been the major source of secondary data. The secondary

sources of information were mostly journals, articles and other relevant reports. The primary data have been collected through interviews and structured questionnaire surveys. To understand the point-of-views of the different online marketplace players of Bangladesh, semi-structured questionnaires have been designed for the managers of these organizations. In this case, the primary sources of information included the management personnel from online marketplace companies- Kaymu, Daraz and Bagdoom.

The survey was conducted regarding “Online Shopping Behavior of buyers”. The target population was the individual internet users who have purchased any product from the online marketplaces at least once. Judgmental sampling technique was used in this survey because the complete sampling frame for the target population was not available. The sample size was 104. The survey questions were designed using online docs.google.com. The data obtained has been extracted from Google docs and analyzed using Microsoft excel and IBM SPSS Statistics 20.0.

The next sections cover the literature review, findings and analysis, and conclusion of the study subsequently.

2. Literature Review

Before exploring the Bangladeshi online marketplaces, the study had a quick look around the surroundings. In India, the neighboring giant market, roughly 60-65% of the total online-market sales are being generated by mobile devices and tablets, increased by 50% than the last year and also likely to continue upwards. On the mode of payment, almost 45% of online shoppers reportedly preferred cash on delivery mode of payment over credit cards (16%) and debit cards (21%). Only 10% opted for internet banking and a scanty 7% preferred cash cards, mobile wallets, and other such modes of payment, it said. Among the above age segments, 18-25 years of age group has been the fastest growing age segment online with user growth being contributed by both male and female segments (S P Jain School of Global Management, 2016; The ASSOCHAM, 2016). A survey revealed that 38% of regular shoppers are in 18-25 age group, 52% in 26-35, 8% in 36-45 and 2% in the age group of 45-60. Almost 65% of online shoppers are male as against 35% female (Times of India, 2016).

In Sri Lanka, the urbane SAARC counterpart, the online market industry is expected to grow at 60% for the next five years and be one of the fastest growing markets in Asia. At present, four million Sri Lankans have

online access. Some of the famous online shops are [Kaymu](#), Takas, Wow, [Laabai](#), [Kapruka](#), etc. Average internet penetration rate is 22%. The Sri Lankan online market is growing significantly where people are becoming more comfortable with purchasing goods online using credit cards, debit cards and cash on delivery, because it is convenient (Pathmalal, 2013).

Vietnam, with a booming online population, is an increasingly attractive location for businesses to expand to. The country's online market stands as a key example of an economy primed for growth in online businesses in general. In 2013, Vietnam's online population reached a total of 32.6 million users; this represents 35.6 percent of the total population. The majority of these current users tend to be quite young, with 73 percent under 35 years old. Of current online shoppers, 59 percent are women and 41 percent are men. According to recent surveys, 92 percent of internet users go online every day. Most importantly, in terms of online shopping, 61 percent of the country's internet users have bought at least one item online. 74% of shoppers still pay for their purchases in cash. Payments made by bank accounts and those made via intermediate payments on online sites account for 41% and 8% percent respectively (Lacey and Zaca, 2014).

Compared to other countries, Bangladesh is a late entrant in Online-market. Yet, this sector observed tremendous growth within a short time. Online-market can be the next major driver of Economic development but there are some issues that need to be addressed. Otherwise, this sector would never reach its full potential. Some of the major obstacles are: developing delivery channel to the customers; affordable and un-interrupted internet all over the country; improving the online transaction system; online fraudulence etc.

Major Players of Online Marketplaces in Bangladesh are Kaymu, Daraz, OLX, Ekhanei, Bikroy, ClickBD, Bagdoom, and Rokomari. Kaymu is an online marketplace where sellers sell their products to buyers through Kaymu website. Daraz.com.bd is a cutting edge online marketplace which offers a wide selection of products from renowned brands in Bangladesh with a promise of fast, safe and easy online shopping experience. OLX is an Indian online marketplace who is operating in Bangladesh since early 2013. OLX allows its users to post free advertisements to sell their products. Ekhanei (previously known as Cellbazaar) is a free online advertisement website. Ekhanei is venture of Grameenphone Limited which is providing a mobile based online buying and selling platform. Bikroy is another online marketplace which is also providing a platform for the Bangladeshi people

to buy and sell products for free. ClickBD is the first online marketplace in Bangladesh where anyone can buy or sell almost anything. The site started its journey in April 2005. By 2010 ClickBD became the top online marketplace in Bangladesh and received foreign investment from Business Angels based in Switzerland, UK, Belgium, and Germany. Bagdoom (previously named akhoni.com) is a platform for all the exclusive local and international brands. Bagdoom.com provides opportunities to both the buyers and sellers. This is a wonderful place to promote and sell all sorts of products. Rokomari.com was launched in January 19, 2012 as an online marketplace for bookstores.

Kumar and Dange (2012) proposed a model for online customer behavior. The FFF model takes into consideration internal and external factors affecting consumer buying behavior. It then proceeds to discuss various filtering elements customers will apply to make a selection of a store to purchase from and revised filtered buying behavior based on their final selection (Kumar and Dange, 2012). In a separate research Jamil, Ahmad and Imran (2012) identified some of the key factors that affect the purchasing behavior of Bangladeshi consumers who shop online. The top 5 factors identified by the authors were: User-friendly website, systems security, fast responsive customer service, promotion within organization, marketing activities by the online shop (Jamil, Ahmed and Imran, 2012).

In retrospect, we can relate this information with Kumar and Dange's FFF Model. Here, security concern is included in the filtering elements process. And most of the other affecting factors will help the customer in the filtering buying motives process. However, Jamil, Ahmad and Imran don't talk about the different external and internal factors that can play a role in shaping the consumers' decision to purchase. As per the FFF diagram, these factors come into play even before the filtering process starts. On the other hand, Azad and Hasan (2011) identified the external factors as the key challenges for the growth of online-market in Bangladesh. They identify political turmoil, lack of education, culture and tradition, lack of internet coverage, banking policies as the main challenges, and also go on to discuss lack of marketing and lack of diversity in payment methods as obstacles that are needed to be dealt with. They set the tone for upcoming online-market sites by asking to 'Build a business, not a website' Azad and Hasan (2011).

3. Findings and Analysis

3.1. Key Features of Online Marketplaces of Bangladesh

The key features of online marketplaces of Bangladesh are as follows:

Demographics

Age, gender, income, financial status, profession/occupation, family structure and ICT familiarity are found as the critical factors for preference towards shopping from online marketplaces. In the early years of online marketplaces, buying online was an intellectual activity strictly dominated by “techies” and semi-technology literate individuals. These individuals were mostly made up of 20 to 42-year-old males and were professional people. This demographic was more comfortable and in tune with Internet’s capabilities.

Technology

The total number of Internet subscribers has reached 61.288 million at the end of March, 2016 which was 44.625 million at the end of March 2015 in Bangladesh (Bangladesh Telecommunication Regulatory Commission, 2016).

In addition, nowadays Smartphones have become widely available in Bangladesh and people are now switching from feature phones to smart phones, because they are no longer incredibly expensive device, in fact these have come down to a very much affordable range. The number of Smartphone users in Bangladesh has increased by 3.1 million to 8.2 million in 2015 (Husain, 2016).

Product Assortment and Services

Offering product and services is very important for motivating customers’ intention to purchase through online. Fabrics, electronics, leather goods, books and other publication, fashions are the most common items for online shopping. Online grocery is also gaining momentum in cases where proper packaging and delivery can be made effectively. One major criteria which is critical to the success of any online marketplace is that, buyers tend to bear this belief in their mind that online marketplaces are the more modern versions of

physical, traditional stores and thus they would encompass greater variety and variations of products, and online marketplaces have to be catering to these expectations and consistent in meeting these.

Marketing Activities

Some of the main marketing strategies of Bangladesh's Online Marketplaces are:

- *Online Advertisement*

Since the users of online marketplaces are undoubtedly the ones who are perceptibly active in online, giving ads on other websites is one of the main strategy to grab maximum attention for the online marketplaces (*Facebook, YouTube, Website, Portal and Search Engines, Blogs/Write-ups*).

- *Celebrity Endorsement*

Online Marketplaces often engage celebrities of different media platforms who act as their brand spokesperson.

- *Collaboration*

Online marketplaces team up with strategic partners with whom they can enjoy synergetic and reciprocal association. Kaymu, one of the leading online shopping communities in Bangladesh, has signed an agreement with Prothom Alo Digital (a concern of Mediastar Limited) to feature 'Prothoma' Store at Kaymu.com.bd. By giving Kaymu users all across Bangladesh access to such a great assortment of books on the Prothoma e-store, both companies have ventured into uncharted territory.

- *Targeting Festivals/ Occasions*

Online marketplaces arrange various sorts of bundle offers, combo packages, discount, sales, etc. during major festivals, such as Eid, Puja, Pohela Baisakhi, etc. These campaigns are mainly targeted to create new customer base and also to retain existing clientele through occasional lucrative propositions.

Payments Structure

In global platform, payment through cards (debit or credit cards) is the most popular and widely practiced payment system for online marketplaces. But in Bangladesh, Credit/debit Card concept is yet to be well-established. Also, customers get comfort in Cash on Delivery system where they receive the products and only after that, pay for the goods. A few of the online marketplaces are using third party provided online payment systems but those are quite slow, primordially designed and not so customer-friendly. Also, these systems are not fool-proof for financial frauds and may fall vulnerable in terms of financial risk.

Delivery System

There are multiple delivery systems present for the online marketplaces in Bangladesh. Some online marketplaces have their own delivery service, while some choose to hire external third party delivery service agencies to execute this service. Again, some online marketplace, like Kaymu lets its sellers to arrange their own product delivery to customers at their own supervision.

The delivery cost differs among online marketplaces. Often the marketplaces offer free delivery if the purchase crosses a certain threshold, or they fix a certain delivery amount for different zones of the city. There exists customer dissatisfaction regarding delivery system of the online marketplaces. If a buyer purchases several products, which may belong to different sellers, in that case the customers have to pay delivery fee to every seller separately and things get delivered at different times, which is another problematic concern.

Seller On-boarding and Maintenance Mechanism

By focusing on obtaining quality sellers, marketplaces ensure buyers get quality products and adequate services from trustworthy, consistent sellers and get competitive deals and remain satisfied. The sellers get encouraged to come on-board with online marketplace mainly for – exposure, brand building, less cost & hassle, sales analytics etc.

3.2. Success Parameters of Online Marketplaces of Bangladesh

Competitive Price

The vast majority of online marketplaces can offer prices that are much lower than what customers will find at physical stores. There are a few reasons behind this; the first is because many people use the Internet to find cheaper items. Online marketplaces understand this and to attract buyers, they conveniently reduce their profit margin to get more customers and thus, create loyal customer pool. Other reasons are: lower set-up cost, lesser utility bill, fewer salesperson, almost zero decoration fee etc.

Convenience

Shopping via online marketplace is convenient. Buyers do not need to get out of home, remain stuck in never-ending traffic to reach a commodity store. Rather, anyone can easily visit online marketplaces' website, find all the products required and buy it without getting out of the comfort of home. Shopping online allows customers to buy things without hurting their schedule. With ever-increasing gas prices, shopping online saves buyers the cost of fuel and time as well.

Variety

The online marketplaces provide sellers with unlimited shelf space, so they are more likely to offer a wider variety of products than they would in brick-and-mortar stores.

Discreet Shopping

Physical stores often make it difficult to buy certain items. For example, buying personal items without getting a few awkward stares is nearly impossible. There are many instances of this, and sometimes buyers might feel embarrassed for no reason. Shopping online gives buyers privacy because they would not have people looking at them while they shop.

3.3. Key Constraints of Online Marketplaces of Bangladesh

Delivery systems faults, primeval online payment facilities, personal privacy concern and unstructured personal customer services etc. are the central

concerning issues regarding online marketplaces. High delivery costs and products delivery delaying are other important inhibitions of online shopping. Online payment systems are not trustworthy and personal privacy related information can be lost while paying through online with a debit or credit card. One more important inhibition of online shopping is the lack of online customer services. Consumers do not get personal customer services while shopping online. In case of any improper service, customers find it hard to communicate with the sellers and thus, even minor issue triggers to high impact dissatisfactory consequences.

Transaction security and consumers' data safety are principal concerns of online customers purchasing products or services online. In a country like Bangladesh with very low online security measures and even lower rate of proper investigation and mitigation of such occurrences, identity theft is a burning threat for online transactions. When paying for goods online, it can be very easy for someone to intercept sensitive information such as a credit card number, address, phone number or account number.

If the vendor/seller is fraudulent, they often accept payment and either refuse to send goods or send wrong or defective products. Trying to rectify an incorrect order with a vendor through in online marketplaces can be a major hassle. Some (Kaymu, Ajkerdeal, Daraz, Kinenin) online marketplaces are vigilant and careful about this issue and make regular calls to buyers post-delivery to ensure product quality and proper handover of goods. But this is not an established practice as of today and customers have been harassed by dishonest and fake sellers and consequently, have been severely discouraged for further purchase through online marketplaces.

The biggest lacking in customer service are insufficient knowledge and inconsistency among agents, and the inability of websites to deliver answers. Some businesses have troubleshooting guides and FAQ pages on their websites, but companies are increasingly trying to help customers solve their own issues.

3.4. Marketing Effectiveness

As observation of effectiveness of different advertising mediums, the study found that the most effective advertising mediums are word of mouth, peer reference and Google search results. On the other hand, advertisements in newspapers and push SMS are less effective. Facebook was deemed one of the less effective advertising medium for online marketplaces.

Apart from marketing activities, it was also found that while selling products online, discounts attract customers the most. 86.5% of total respondents would be attracted to discount offers, 47.1% would be attracted towards bundle/combo offers, 36.5% would be attracted towards flash sales and 21.2% would be attracted towards membership card offers.

3.5. Product Types

According to 104 respondents, they are most likely to buy books from an online media. They are also willing to buy food and accessories online (Table 1). They are unlikely to buy furniture and vehicles online. House is the least unlikely to be bought online by the respondents.

Table 1: Type of Products People Prefer to Buy from Online Marketplaces

Product Type	Mean	SD
Books	1.0192	1.00466
Food items	0.9135	1.02503
Clothing and fashion Accessories	0.5769	1.06755
Cosmetics	0.3173	1.30915
Home Appliances (e.g. TV, AC, Refrigerator, Blender etc.)	0.1731	1.09227
Showpieces	-0.1346	1.07989
Mobile Phones	-0.3654	1.23899
Furniture	-0.7500	1.04973
Vehicle (Cycle, Bike, Car etc.)	-0.8365	1.02503
House (Purchase or for Hire)	-1.1442	0.93910

These findings show that people are willing to buy low involvement products such as books and accessories. But for high involvement products such as houses, furniture and vehicles, people prefer brick-and-mortar stores to online platforms.

3.6. Payment Methods

The preferred payment method was selected through a multiple selection question. 64.4% of the respondents preferred CoD (cash on delivery) as their payment method. Only 14% were willing to pay through debit card and 8.7% were willing to pay through credit card (Table 2). This points to a lack of trust in the online payment methods through credit and debit cards, and also through bKash and other payment methods. 68.3% respondents said that they would prefer purchasing goods through website while 17.3% preferred mobile app.

Table 2: Preferred Mode of Payment while Buying from Online Marketplaces

Preferred mode of Payment	Percentage (%)
Debit Card	14.4%
Credit Card	8.7%
Cash on Delivery (CoD)	64.4%
Bkash	6.7%
Online (Bank) Transfer	2.9%
Bank Deposit	2.9%

3.7. Factors Contributing to Competitive Advantages of the Online Marketplaces

Some of the factors that are considered to provide an edge to the online marketplaces were listed and respondents were asked to rate these factors according to their importance. It was found that well organized website, easy search option in websites, easy payments and return policies are the most sought after factors by online shoppers.

Table 3: Factors Contributing to Competitive Advantages of the Online Marketplaces

Features	Mean	SD
Well organized website	3.6442	.60609
Easy search option in the website	3.6346	.60832
Easy payment	3.6250	.57770
Refund and return if goods are not liked	3.5192	.69646
Low Delivery Cost	3.3077	.89309

Customer Contact Center	3.2692	.95765
Courteous Deliverymen	3.2404	.91900
Same price as the product's market price	3.1827	1.01220
Discounts and deals on products	3.0865	1.00591
Website has to be well-known	3.0096	1.09274
Smartphone App of websites	2.7885	1.11192
Product Customization	2.6250	1.22425

4. Conclusion

Based on the analysis and findings of the study, it can be concluded that, there exists immense enthusiasm, interest and excitement among buyers regarding online marketplaces. But unfortunately, the online marketplaces are quite unstructured in Bangladesh. Even then, the marketplaces are experiencing growth and seeing boost in sales. This proves the vast possibility and potential of online marketplaces in Bangladesh. The study also found that, the most successful online marketplaces in Bangladesh are franchise of multinational or foreign companies (Kaymu, Daraz, Olx), and these are also the companies which are running with somewhat structured management and established operational team. Local online marketplaces are still in mushrooming phase, they simply work as middle-platform, no investment or inventory of their own. A few of the online marketplaces also got acquired by other ones and few got re-launched and in both of these cases, names and logos got changed. This is a huge hindrance for creating loyal customer pool. Also, this indicates the instability and lack of proper structure for online marketplaces.

Also, the online marketplaces need to invest effort and thought for improving payment and delivery options and maintain product inventory and consistent quality to earn customer loyalty. Trust building and targeted marketing are other critical factors for online marketplaces, because conventional buyers still feel comfort in testing and feeling the physical products. So, the online marketplaces have to be vigilant, dedicated and advanced in ensuring customer satisfaction. Thus, further researches can be done focusing the issues of ensuring long-term, sustainable and thriving online marketplaces in Bangladesh.

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