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E-commerce Consumer and Context in Bangladesh

Tanveer Faruq

Ph.D. Researcher, Faculty of Business Studies, Bangladesh University of Professionals,
Mirpur Cantonment, Dhaka, Bangladesh

Abstract:

Rapid urbanization, internet and mobile penetration increase and advancement of technology and ideas have shifted consumer desire towards e-commerce business models. As e-commerce evolves in Bangladesh, there is lack of understanding on the consumers and context of people who are using this platform. Hence, through secondary study this thesis tries to find out the e-commerce scenario in Bangladesh, then it moves towards a primary survey on consumers to generate more insights on the consumers and context in Bangladesh.

Keywords: E-Commerce, digital media, consumers, online

1. Introduction: E-Commerce - An Emerging Opportunity in Digital Media

E-commerce is a fast emerging platform in digital media, which is getting bigger every day (The Nielsen Company, 2014). Trend shows that, over the last decade power has shifted from retailers to consumers (LightCastle Partners, 2016). Consumers have also evolved to give rise to a digital sub-class who initially started using internet to have better visibility while purchasing.

E-commerce is considered as the business activities those are performed through internet. It may be full-fledged operation or a part there of (Azam, 2006). E-commerce activities may be exist either or in combination of the followings:

- Searching customers/producers/ sellers through internet.
- communication for business made through internet,
- Selecting products /services through internet.
- Placing the order through internet.
- Making payments through internet or any other means.
- Delivery of the required products through internet, couriers or other means.
- Sales service through internet or other mean.

E-commerce activities may be appeared in the following three forms (Azam, 2006):

- Business-to-Business (B2B) e-commerce: While transactions or communication through internet has been made among organization to organization.
- Business-to-Consumer (B2C) e-commerce: While transaction and or communication has been made between business organization and consumer.
- Business-to-Government (B2G) E- commerce: While Communication for business or transaction has been made between business organization and government. Huge potentials have been observed in B2G e-commerce since the government of developing country procures large volumes of product and services from business organization.

Besides these three categories, many people opine that there may be other types of e-commerce such as C2B, C2G and C2C. One important e-commerce, still untouched, is C2C e-commerce. In this environment, a customer can make e-commerce activities with other customers. One very popular portals, e-bay.com, supports this communication and transaction (Azam, 2006).

Kaymu Bangladesh, the largest e-commerce site conducted a survey in 2015. Reference to the survey it is seen that, e-commerce is currently a BDT 100 crore market with an annual sales growth rate of approx. 50%. Most of the clients are male (83%). Only 16% of respondents prefer to buy from the websites they are loyal to and 84% do more research before making final decision. Market is heavily dependent on cash on delivery (95%) showing inconvenience and lack of trust for transaction online. 25-34 years are the age group that accounts for highest number of users. Clothing and electronics are most preferred category of products for purchase by consumers.

Similar to above findings in the report E-commerce Evolution or Revolution (The Nielsen Company, 2014), e-commerce is a business getting bigger every day. Most of the respondents purchase clothing online and e-books, event tickets, sporting goods and toys are most emerging product categories. There are strong correlation rate of browse to buy for FMCG categories. Therefore, while these

categories are still in the early stages of online adaptation, these correlations signal great news for retailers. Millennial (age 21-34) are coveted demographic for marketers in any industry and e-commerce is no exception (The Nielsen Company, 2014) In the report, it is stated that among the respondents, millennial comprise more than half of respondents (53%) who plan to make an online purchase.

2. Driving Forces of E-commerce Market in Bangladesh

Driven by increasing income, technology adoptive consumer, literacy rate, effects of globalization, rise of middle income group and rapid urbanization e-commerce in Bangladesh is growing (LightCastle Partners, 2016). It is predicted that the buying culture of Bangladeshi citizen have the negative influence in the implementation decision of B2C e-commerce in Bangladesh while the e-infrastructure forces have the strong positive influence in implementing B2C e-commerce in Bangladesh (Azam, 2006). Azam 2016 suggests that there is strong positive effects on the implementation of B2C e-commerce in Bangladesh. Also the buying culture of the country has strong negative effect on the implementation of B2C e-commerce in Bangladesh.

Majority of the e-commerce business in Bangladesh fall s under C2C (consume to consumer transaction business model where consumer sells products to another consumer (LightCastle Partners, 2016). Growing number of B2C e-commerce site also operate in the country. B2B (business to business) transaction based businesses in Bangladesh are least prevalent form of e-commerce business in Bangladesh. However, there are initiatives (www.sindabad.com) to promote B2B aspect of e-commerce.

For e-commerce there is a positive correlation between lower prices products and high sales. This is attributed to the fact that currently Bangladeshi consumers are more prone to value buy via e-commerce sites. For high value item trend is still to have a physical feel of the product before purchasing. Therefore, there is a lot of opportunity for FMCG category to grow their business through e-commerce (LightCastle Partners, 2016).

Given the late introduction to latest technologies compared to developed countries, digital consumers of Bangladesh fall into “Browse first, Buy later” category (LightCastle Partners, 2016). 73% of the respondents have bought things online in the last 12 months. 28% of the respondents are frequent buyers, 43% are occasional buyers and rest are experimental buyers. Consumer demand for online grocery shopping is expected to establish with approx. 11.45% respondents having interest of online shopping (LightCastle Partners, 2016)

Consumer demographic of e-commerce in Bangladesh is primarily made up of youth with male consumer making up the majority 75% with more prevalent age group is 26-30 years old consisting of 50% of the consumer group (LightCastle Partners, 2016). Majority of the consumers are either young professionals (44%) or university students (33%) with one third of them having monthly income of BDT 30K+.

78% of the online shoppers are low cost item buyers. Average basket size for online shopping is below BDT 1,000 with higher concentration in lower price group. Bulk of the shopping takes place before and during cultural events like Pahela Boishakh, Bijoy Dibosh and major religious festivals (like Eid, Puja) in Bangladesh (LightCastle Partners, 2016). Interestingly during sales/discounts offered by stores only 11.33% of respondents increase their order size and/or frequency.

3. Research Methodology

The particular topic “E-commerce Consumer and Context in Bangladesh” is a marketing research subject. The major purposes of exploratory studies are for the identification of problems, the precise formulation of problems (including the identification of relevant variables), and the formulation of new alternative courses of action (Smith & Albaum, 2010). The primary objective of exploratory research is to provide insights into and understanding of, the problem confronting the researcher more accurately (Malhotra, 2016).

The initial phase of the research was focused on a secondary research. During the second part of the study, the research focused doing a primary survey on a selected target group. The target population for this research is, ‘male or female income earner of a household, born between 1st January 1981 to 1st January 2001, (15 years to 35years), living in Dhaka city and have access to internet.’

Multi Stage Stratified Random Sampling Technique been used for this study. The strata, which were used for selecting the samples, are following:

- Male-female ratio : 80 : 20
- Age: 80% above the age group of 20 years

As for selecting the sample size, research guidelines were reviewed and followed. A minimum of 500 respondents are to be interviewed if the research being problem identification in nature (Malhotra, 2016).Therefore, the primary survey for this research was conducted with a sample size of 503.

4. Findings from the Survey

Rapid urbanization, internet and mobile penetration increase and advancement of technology and ideas have shifted consumer desire towards e-commerce business models. From the primary survey, following are the major findings in terms of e-commerce consumers and context in Bangladesh:

4.1. Educational Status of Respondents

Among the respondents, 49% are graduated and above, 35% are undergraduates, 10% from higher secondary level, 4% secondary and only 2% below secondary.

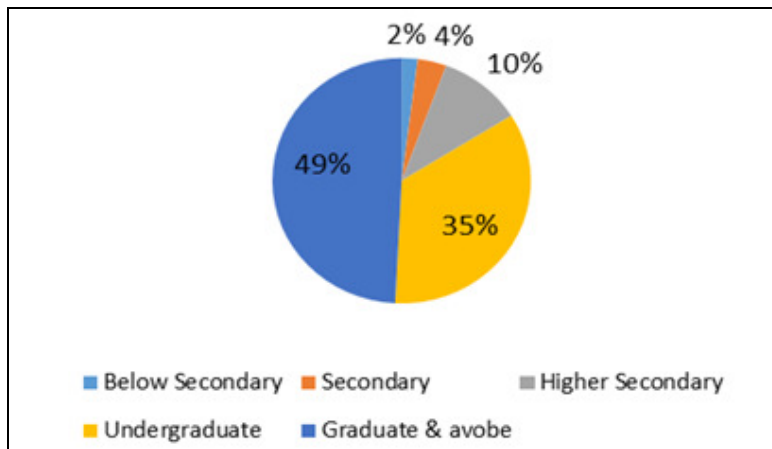


Figure 1: Education Status of Respondents

4.2. Gender of Respondents

The primary survey was done with 82% respondents being male and 18% female.

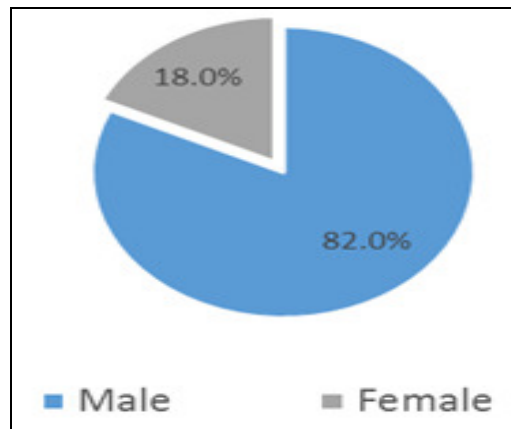


Figure 2: Gender of Respondents

4.3. Age of Respondents

The survey includes a diverse age group of respondents. 38% respondents were between 21 years to 25 years, 36% were between 26 years to 30 years. Above 31 year were 18% respondents and below 20 years were only 8% respondents.

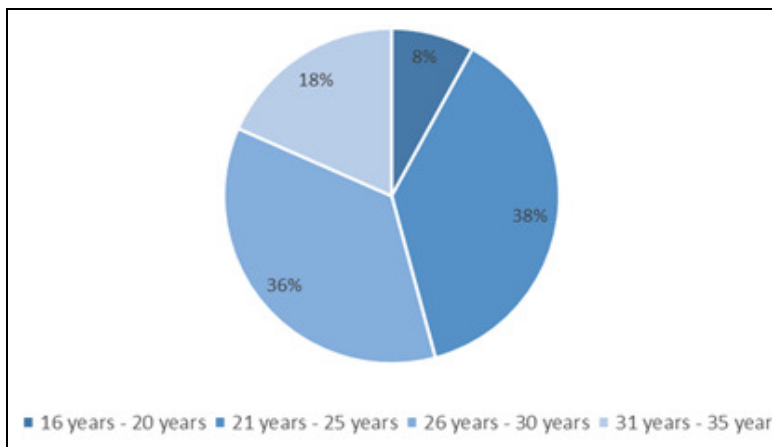


Figure 3: Age distribution of respondents

4.4. Online Shopping by Respondents

The trend of online shopping is a new but rising concept for the users of Bangladesh. The e-commerce sector is on the verge of it boom and has developed over a very short time. Although 62.4% of the respondents have never shopped online, the other 37.6% are among the early adaptors of the industry.

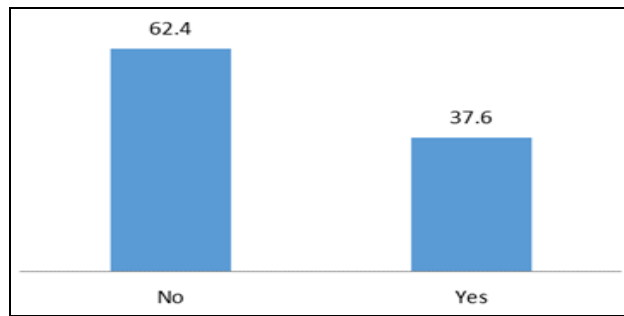


Figure 4: Online shopping by respondents

4.5. Recent Time to Shop Online

Among the 37.6% of respondents (184 out of 503 respondents), who has shopped online once or more in their lives were asked about their shopping frequency. 22.8% have shopped online within last week or the last 2 weeks. 25.5% shopped within the last one month and the remaining 51.6% has shopped more than a month ago.

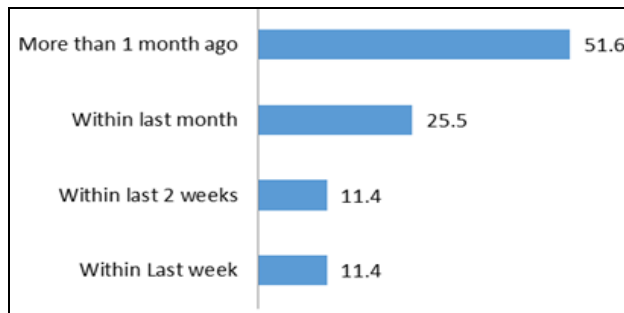


Figure 5: Recent online shopping time

4.6. Frequency of Purchasing Products Online

Majority of the respondents, 63% shops online monthly. 17.8% shops once in every 2 months, 13.7% once a week, 4.8% two or three times a week and 0.7% made other comments about their online purchasing behavior.

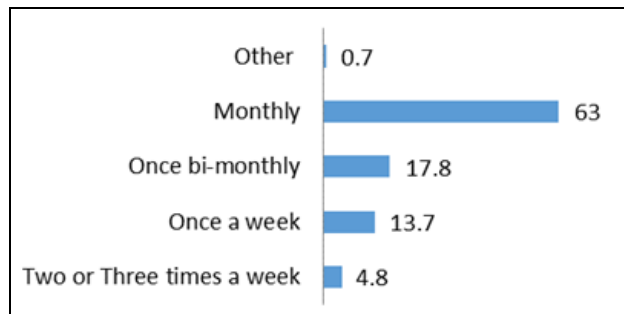


Figure 6: Frequency of purchasing products online

4.7. Preference of Online Shopping Website

The respondents were asked if they prefer a particular site or random sites while making online purchase. 42.4% of the total respondents who shop online prefer a particular site and 57.6% prefers to explore from random sites.

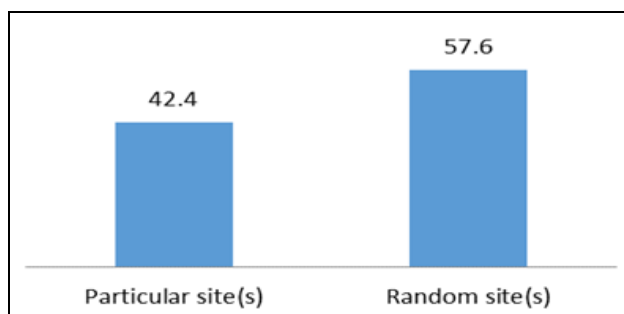


Figure 7: Preference of online shopping

4.8. Reason to Buy from Particular Site

While making online purchases, 42.4% the respondents said that they prefer to buy usually from a particular site. They were further asked the reason for their preference. Most respondents, 40.1% prefer it because the seller maintains their quality, 32.1% prefers because the seller always shows proper information. In addition, the rest 21.2% and 6.6% said that they trust the seller and the seller knows their likings and dislikings respectively.



Figure 8: Reason to buy from particular site

4.9. Habit of Searching Online

With the aim to learn about the online searching habit of the consumers before making online purchases they were asked about how often they search online. 40.9% of the respondents search sometimes, 18.8% does it usually and a mentionable 37.1% searches always before purchasing online. Only 3.2% of the respondents said that they never search before online shopping.

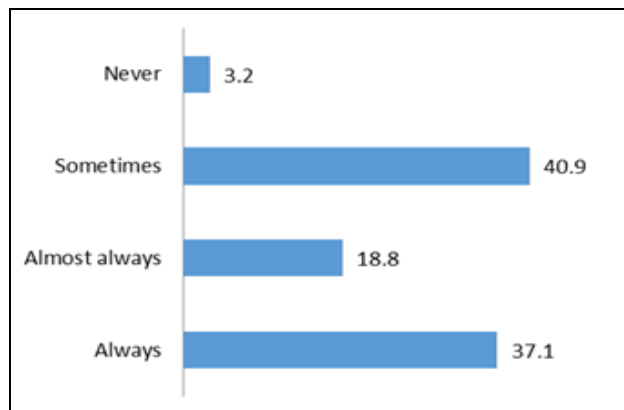


Figure 9: Consumers' habit of searching online

4.10. Key Triggers for Shopping Online

People shop online for certain reasons. Key attributed they look for are, Better price (53.4%), Faster delivery (57.9%) and Easy Return (52.2%).

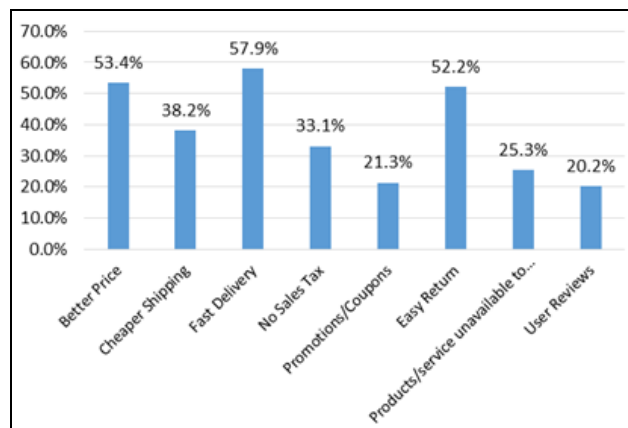


Figure 10: Key triggers for shopping online

4.11. Effect of Online Purchase on Traditional Purchase

Online shopping has brought an era in the consumer behavior of buying things. The respondents were asked if they think their traditional purchase behavior, which is by visiting a shopping out let, been affected by online shopping. 10.4% of the respondents think their traditional shopping has reduced a lot because of online shopping, 55.5% says it has somewhat reduced and 34.1% thinks it has not reduced at all.

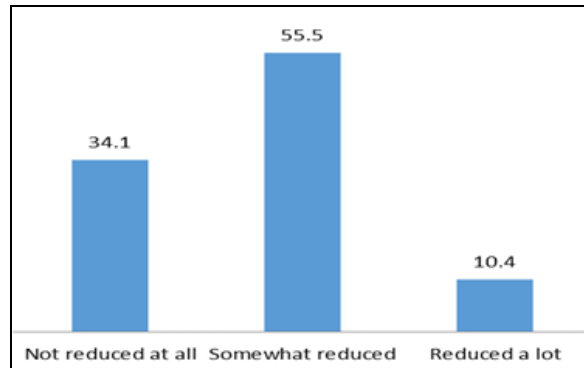


Figure 11: Online purchase effect on traditional purchase behavior

4.12. Average Basket Size

Average basket size for online shopping is the average amount of money a single spends on each online shopping transaction in his regular life. The average basket size is different for different people and the question was set to learn the practice of consumers regarding online shopping in terms of money. The responses are quite well distributed through different range of amounts. 15% spends less than BDT.1000, 28% spends BDT. 1001 to 2000, 22% spends 2001 to 3000, 17% spends 3001 to 4000 and 18% spends BDT 4000 or above.

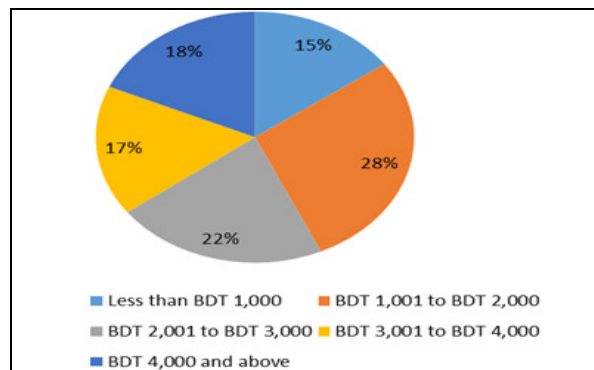


Figure 12: Average basket size for online shopping

4.13. Preferred Mode of Online Payment

With the fast development and advancement of internet and e-commerce in Bangladesh, the payment methods have always been a challenge for both the sellers and buyers. The non-cash methods had its negative consequences in the past still has a long way to earn consumer trust. 75.3% prefers cash on delivery, which eradicated the risk of on cash method of payment. Although 12.1% respondents said they prefer credit card, 7.1% said debit card and 5.5 said mobile banking.

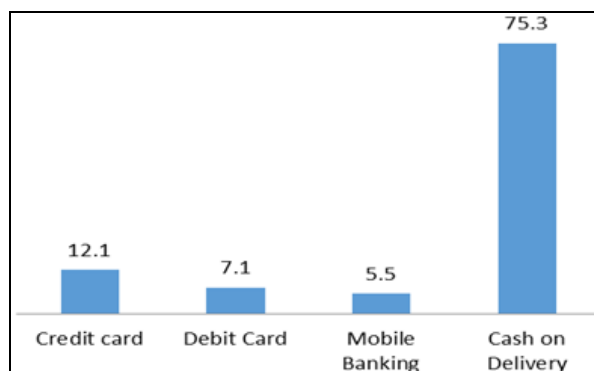


Figure 13: Preferred mode of online payment

5. Analysis on Consumer Footprint in E-commerce

E-commerce space is still evolving in the market, however, at a rapid pace of more than 50% growth every year. Therefore, it is important for the FMCG sector to catch the wave early on to adopt and invent new opportunities in this space.

5.1. Nascent Footprint of E-commerce

It is promising to see in the study that, 37.6% have done their shopping online. Reference to Mahmud, 2015, it was found that 31% of respondents were using e-commerce. However, this research further probed into recent time of using e-commerce and frequency of purchase through e-commerce. It is seen that, most of the users used e-commerce more than a month ago (51.6%) and within last month (25.5%). Only 22.8% people have done shopping online within last 2 weeks. In terms of frequency of purchase, 63% respondents do their e-commerce shopping on a monthly frequency. 17.8% respondents purchase once in bi-monthly and 13.7% respondents buy products once a week. Only 4.8% respondents are purchasing two or three times a week. Therefore, there is a lot of opportunity for e-commerce to increase the regular purchase and frequency of purchase by the consumers.

Further, looking a developed market like USA, it is seen that, 78% respondents buy online. Therefore, e-commerce penetration and intensity of usage in Bangladesh is still low and there is opportunity for the industry to grow significantly with rising income and advancement of technology.

5.2. Low Loyalty for Choosing Platform for Online Purchase

Most of the online shoppers are found not to be loyal (57.6%) to any particular site. This high percentage of shopping from random shops show lack of customer satisfaction for consumers to repeat purchase. It was also found in Mahmud, 2012 that 68% have not been loyal to the site that they shopped from.

Little things can make a big difference for online shopping. When it comes to growing the online shopper base for consumable categories, knowing what drives behavior is vital (Nielsen, 2015). This thesis tried to explore further on the triggers, which could lead consumers to purchase from a particular site. It was found that 40% respondents wanted quality products, 32% wanted proper information and 21% wanted to purchase from a trusted seller. It is interesting to see that, only 6.6% consumers would buy products as per their preference. Therefore, it would be important for e-commerce platform to design their strategy in a way so that quality, product information and commitment to consumers are fulfilled.

5.3. People Search Online Before Shopping Online

Tendency of people to search online were found to be significantly higher. Only 3.2% respondents mentioned that they never search online. 37% respondents search online always and 18.8% respondents search online usually. If we look at global online shoppers (The Nielsen Company, 2014) 71% like to read online reviews prior to purchasing a product online. Therefore, having the contents, which will guide online shoppers in their path to purchase, is extremely important for e-commerce platforms and well as for FMCG industries trying to explore the e-commerce.

5.4. Key Triggers for More Online Purchases

Responses from the study show which are the key trigger, which can lead to more online purchases. It is seen that, better price (53.4%), fast delivery (57.9%) and easy return (52.2%) are the key features, which can lead to more purchase online. Cheaper shipping (38%) can also be considered as a key trigger for online purchases.

Reference to Surveying the Digital Future 2015 report, it is interesting to find that, better price, cheaper shipping and fast delivery are the most important features that could lead internet purchasers to buy more online in USA. Therefore, the challenges and opportunity for a developed and under developed country to trigger more online purchases are almost similar. Since USA is a more mature market in this case, learning and sharing experiences from the market will be extremely helpful.

5.5. Impact of Online Purchase on Retail Purchase

In context of Bangladesh, it is seen that, 10.4% respondents said that their traditional purchase behavior decreased significantly because of online purchase and 55.5% mentioned that it is somewhat reduced. For 34% online purchase has not reduced their traditional purchasing behavior. Once again, this is extremely close tendency compared to a developed market like USA.

Reference to Surveying the Digital Future 2015 Report (Lebo, 2015), 54% users who buy online said that their internet purchasing reduces their retail purchasing somewhat and 10% responded that traditional purchase reduces a lot. 36% online shoppers of USA said their online buying has had no effect on their traditional in store retail purchasing.

There is a decreasing trend seen in not reduced at all for a market like USA. Therefore, it will be important to observe if going forward Bangladesh has a similar trend or not.

5.6. Well Dispersed Average Basket Size

Average basket size of Bangladeshi consumers is well distributed from low to high. 15% respondents spend less than BDT 1,000/-, 28% spend BDT 1001 to BDT 2000, 22% spend BDT 2001 to BDT 3,000, 17% spend BDT 3,001 to BDT 4,000 and 18% respondents spend BDT 4,000 and above. In the research by Lightcastle Partners suggest that, digital consumers spend, on an average BDT 1,000 to BDT 10,000 per visit. Therefore, there is opportunity for not only high end products but also for low cost FMCG products to reach consumers through e-commerce space.

6. Conclusion

With the evolution of digital media, e-commerce is growing rapidly in the market as an alternate to traditional channels. Finding and analysis shows that there is still low loyalty of consumers to a particular shop. Also there are triggers which can help consumers shift their preference towards e-commerce.

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