“Factors affecting financial performance of E-commerce in Bangladesh: A case study on Daraz Bangladesh Limited”

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Submitted to
Md.Masud Rana
Associate Professor
And Head of Department
Business Administration

Submitted by
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Date: January 9th, 2024

Letter of Transmittal

January 9th ,2024

To,
Md.Masud Rana
Associate Professor
And Head of Department
Business Administration

Subject: **Submission of Internship Report**

Dear Sir:
I am presenting my internship report on "Factors Affecting Financial Performance of E-Commerce in Bangladesh: A Case Study on Daraz Bangladesh Ltd" with the utmost respect and sincerity. I've finished an internship at "Daraz Bangladesh Ltd, Headquarter, Banani" as part of my partial fulfillment of the requirements for the BBA degree. This paper was created under your direction as a part of completing the prerequisites for the BBA degree.

Being a crucial component of our academic work toward completing the BBA degree, this report has provided me with the chance to gain insight into both the general operations of the finance department and the revenue recognition method of an e-commerce company. I hope that this research offers some insight into the elements that influence Daraz Bangladesh Ltd.'s financial performance in our nation's e-commerce sector. I did my best to include all of my expertise into the report, communicate every detail that was accessible, and avoid needless over simplification. Irespectfully ask that you accept this report for your thoughtful review.

Sincerely,

_____

Muhammad Jobairul Islam
Business Administration
Sonargaon University,
147/I Green Road Panthapath,
Dhaka – 1205

CERTIFICATION

Muhammad Jobairul Islam, ID No. BBA 2101022039, is a student of the BBA program at Sonargaon University. He has successfully completed his study on "Factors affecting the financial performance of E-commerce in Bangladesh: A case study on Daraz Bangladesh Limited."

In my opinion, his report is worthy of consideration for forwarding the degree of Bachelor of Business Administration.

I wish him every success.

Signature of the Supervisor,

Md. Masud Rana
Associate Professor
Business Administration

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Executive Summary

E-commerce is rapidly becoming the predominant activity and aspect of life. It is crucial for businesses to understand the key terms aimed at enhancing customer experience. In the past, businesses focused on acquiring new consumers and retaining them. However, the current trend emphasizes acquiring new clients over retaining existing ones. The business environment has evolved, leading to a reversal in priorities, with factor analysis playing a pivotal role in developing corporate strategies and financial performance.

This research delves into the factors influencing the financial performance of Daraz Bangladesh Ltd. The study evaluates the significant impact of various factors on the company's financial performance. Specifically, it aims to empirically analyze the factors affecting e-commerce in Bangladesh. The study's results reveal a robust and positive association between product factors, payment factors, time-saving factors, administrative factors, psychological factors, and the financial performance of Daraz Bangladesh Ltd.

To conduct the data analysis, this study employs various testing methods, surveys, and collects secondary data from multiple departments. The findings highlight that the factors mentioned in the study significantly impact the financial performance, with the FMCG sector contributing more revenue than other sectors. The MFS transaction system enhances seller confidence in payments, leading to an increasing number of sellers and a diverse product availability, positively influencing financial performance.The study emphasizes the role of Hubs in gaining more customers and generating revenue. The availability of more Hubs in the country correlates with an increase in customers and revenue for Daraz. In conclusion, the study provides insights into ongoing developments, suggestions for improving future financial performance, and a constructive overall conclusion.

CHAPTER 1

1.0 BACKGROUND OF THE REPORT

This chapter is all set to describe the background of the report mainly by discussing the purpose of preparing the report, the objective of the report tries to fulfill, it's scopes and limitations. It also provides a list of the acronyms that were used frequently in the report.

1.1 Introduction

The economic expansion in Bangladesh is undergoing constant changes, making it unpredictable, yet it seems to be moving in the right direction. Over the past decade, there has been a noticeable improvement, with impressive GDP growth even amid global economic uncertainty. Currently, Bangladesh ranks as the third-fastest-growing major economy in Southeast Asia, boasting a GDP growth rate of approximately 6.7%. It has gained recognition as one of the most significant frontier markets for global investors.

The emergence of e-commerce in Bangladesh began a few years ago, and by 2013, it was already anticipated to become a substantial sector. The country's conducive environment for e-commerce, thanks to significant traffic, has garnered appreciation from the government. A significant 17.61% of Bangladeshis, approximately 2.14 billion people, engage in online shopping (Isfara, 2022). This phenomenal expansion has rapidly propelled the internet industry in the region, with online purchasing on the rise due to traffic congestion.

"Daraz," the largest internet marketplace in South Asia, serves millions of clients in Pakistan, Bangladesh, Sri Lanka, Nepal, and Burma. Daraz.com.bd stands out as the leading online retailer in Bangladesh, offering over 50 million items at competitive prices. Online shopping is gaining popularity in major cities like Dhaka, Chittagong, Khulna, and Sylhet, contributing to the continuous growth of Bangladesh's online buying environment.

To fulfill the degree requirements, I completed a mandatory 3-month internship program at Daraz Bangladesh Limited, South Asia's leading e-commerce platform. During my internship in the Finance-Procurement Department, I gained both theoretical knowledge and practical insights into the workings of finance in an e-commerce company. Hence, I have chosen to focus my internship report on "Factors Affecting Financial Performance of E-commerce in Bangladesh: A Case Study on Daraz Bangladesh Limited."

The internship program and the study have the following purposes:

• To have experience in the Corporate World.

• To assess how the situation in reality compares to the lessons learnt at Sonargaon University.

• To provide comprehensive field experience that enables direct computer interaction.

• To fulfill the requirement of the BBA Program.

I was assigned by my supervisor, Md Masud Rana to involve in this study. My supervisor has advised me to develop a thorough understanding of the "Factors affecting financial performance of E-commerce in Bangladesh: A case study on Daraz Bangladesh Limited".

1.2 Objectives of the Report

The objective of the report of this report is to find out the factors those are affecting financial performance of Daraz Bangladesh Ltd.

1.3 Scope of the Study

The study explores the rapidly evolving and dynamic industry in which Daraz operates, providing a detailed understanding of how different departments function and contribute to the company's financial performance. The study also analyzes the sources of income, operating expenses, and other financial factors that are critical to the success of any business.

1.4 Report preview

Firstly, the introduction part, of this report talks about the background of the report, purpose, objectives, scopes and limitations of the study, then, it provides a review on the relevant theoretical and empirical literatures about E-commerce and some factors affecting E-commerce. Further, it discusses about the methodology of the research: the research question, the data collection process, and portfolio composition. Then the report provides a brief discussion of some factors those affect the financial performance of Daraz Bangladesh Ltd. After that in the analysis and the findings section data are analyzed and interpretations are made. Finally, based on the analysis, the report summarizes the findings and some recommendations are made and draws a conclusion.

1.5 Limitations of the Study

During the preparation of this report, I encountered several limitations that may have affected the accuracy and comprehensiveness of the findings. Some of these limitations are:

1. Due to organizational policies, some internal data was not accessible, which limited the depth of analysis.
2. Respondents used in the survey may not be representative of the entire population, and larger sample sizes may produce different results.
3. The E-commerce industry in Bangladesh is a rapidly evolving and growing sector, and therefore, the findings of this report may not be fully accurate due to the rapid and unstable changes that occur within the industry.
4. Insufficient availability of reports on the current state of E-commerce financial reporting in Bangladesh made it challenging to obtain adequate information.
5. A lack of knowledge and experience in data collection, processing, analyzing, integrating, and presenting posed a significant limitation for obtaining accurate information. As a student researcher, I did not have prior experience in this field.
6. Time limitations were also a constraint in conducting a thorough and comprehensive research project, which made it difficult to gather all the necessary information.
7. Most of the data for this research was collected from the individuals working inside the company. As a result, some data may have been biased or inaccurate due to individual perspectives or interests.
8. The busy working environment of the office sometimes hindered the data collection process, making it challenging to obtain all the necessary information.
9. Limited availability of reports on the current state of E-commerce in Bangladesh further impacted the scope and depth of the research project.

CHAPTER 2:

2.0 REVIEW of LITERATURE

This chapter will provide the review of literatures on related topics and papers done by other authors as well as provide some insight on the various tools and technics that would be used on the study.

2.1 E-Commerce

Neger, M., & Uddin, B. (2020) mentioned in his paper that despite significant obstacles and growing competition daily, the e-commerce sector in Bangladesh is expanding quickly. The competition involves both domestic and international businesses.

By offering a variety of products in a simple manner, online retailers guarantee the benefits of their customers. The transaction used to be challenging, but e-commerce has made it simpler than ever. (Lim & Dubinsky, 2004; Prasad & Aryasri, 2009). Monsuwe, Dallaert, and Ruyter (2004) compared both offline and online shopping and found that online purchasing is more convenient and easier than offline shopping, which required more time and effort. In addition, online shopping gives customers access to additional product and service-related information, which they can use to evaluate other companies' offerings in terms of both price and quality.

Hossain, N. (2000) said in his paper that despite being a developing nation, several sectors of the Bangladeshi business community have adopted technology with moderate success. Mobile phones and the facsimile in the 1980s and 1990s respectively popularized modern technology among the general public. Further becoming commonplace business tools are personal computers and the Internet. These encouraging signs are favorable for Bangladesh's e-commerce potential.2.2 Factors Affecting E-commerce

Neger, M., & Uddin, B. (2020) said in his paper that People in Bangladesh are drawn to e-commerce sites for a variety of reasons. Recognized as two crucial elements of web-based buying are perceived utility (PU) and perceived ease of use (PEU). Convenience, trust, price, security, normative belief, and online design are among the elements that go into PU and PEU. were examined, and it was discovered that convenience, trust, price, and normative belief significantly correlate with the intention to purchase online, however security and web design have no significantly correlate with the intention to shop online (Khan and Ali, 2012). Exchange and business have spread so much in the twenty-first century that multichannel shopping has developed and now occurs globally. (Johnson et al, 2001).

Payment Factor: Everywhere in the world, consumers can conduct financial transactions electronically with the help of an e-payment system. It enables the user to make payments online whenever and wherever they choose for both domestic and international trade. (Weir, Anderson,

& Jack, 2006). The M-payment system, a particular type of E-payment system, enables mobile users to conduct international transactions via mobile devices and communication technology when an internet connection is necessary. (Dahlberg, Mallat, Ondrus, & Zmijewska, 2006).

Product Factor: Everything that tries to attract attention and tries to gratify the requirements, wants, or desires of the consumer can be considered a product, including goods, services, people, places, ideas, information, and organizations. The term "good quality of the product" refers to a product that is free of flaws and defects and can be recognized by eight key criteria, including product performance, product features, reliability of the product, confirmation of the product, durability of the product, serviceability, aesthetics, and perception of the product's quality (Tjiptono, 2008). A product can only be said to be of high quality if it can satisfy the demands and desires of its customers (Kotler & Amstrong, 2008). Mashao and Sukdeo (2018) claim that most consumers base their purchasing decisions on information about a product's pricing, quality, features, and performance. Product quality has the potential to influence consumers' decision to buy by forming businesses' reputation. (Pan & Zinkhan, 2006).

Time Saving Factor: Consumers don't need to wait in huge lines at these stores and can complete transactions quickly, as seen by the time saved. Fast transactions and services allow customers to save time (Schaupp & Bèlanger, 2005). Morganosky and Cude (2000) found that time savings and convenience are the main factors that determine whether you buy for groceries online. Customers are expected to spend more money at stores where less time is needed. The most crucial factors for online purchasing are convenience, quick delivery, and time savings; on the other hand, branding isn't a major consideration. (Kloppers, 2014). Online shoppers are more impacted by time savings, security, and website design. (Ganapathi, 2015).

Price Factor: The amount of money charged for goods or services or the value that consumers must fork over in exchange for obtaining, acquiring, or using goods or services can be used to represent price (Kotler & Armstrong, 2012). The marketing mix's components all typically contribute to costs, but price only increases an organization's revenue over time. Among the product, price, place, and promotion, Satit, Tat, Rasli, Chin, and Sukati (2012) contend that price is the only factor that typically has a greater impact on customers' purchasing decisions. In order to draw customers, businesses temporarily provide their goods and services at a low price that is competitive, as well as at a discounted rate. Munusamy and Hoo (2008) discovered that pricing

strategy has a substantial impact on consumer purchasing intentions. While deciding which products to buy, consumers give the pricing careful thought. Most buyers decide which products to buy based on price (Kusumawati, Oswari, Utomo, & Kumar, 2014). Andreti, Zhafira, Akmal, and Kumar (2013) assert that convenience stores' prices, which have a significant influence on customers, are the main reason why most customers visit them and make purchases.

Psychological Factor: Psychological considerations frequently serve as an individual's motivators. The psychological component is made up of four main components: attitudes or beliefs, motivation, perception, and learning. According to Smith and Rupp (2003), customers make judgments about their purchases and are primarily impacted by perception, attitudes, motivation, personality, and emotion. These factors are also very important in determining their online purchasing behavior.

CHAPTER 3:

3.0 ORGANIZATIONAL OVERVIEW

This Chapter contains a brief description about Daraz Bangladesh LTD and ideas about IFRS 15.

3.1 E-Commerce Industry in Bangladesh

E-commerce arrived in Bangladesh a few years ago and was expected to be a large sector by 2013. Due to significant traffic, Bangladesh is a good place to do e-commerce, and the government is appreciating the module. About 2.14 billion Bangladeshis, 17.61% of the population, buy things online (Isfara, 2022). Due to this market's tremendous growth, the internet business is booming rapidly. Due to traffic congestion, online shopping is booming in our region. Web-based purchasing enables sophisticated mechanical devices such as the web, mobile phone, mixed card, EMI, bKash, Rocket etc. to purchase and sell items from various merchants. It primarily leverages a web browser to enable direct seller-to-buyer transactions. E-commerce is referred to as e-shop, e-web-store, online store, virtual store, online marketplace, online storefront, etc. (Ahmed,2016)

Websites are replacing physical storefronts for major brands. The majority of business owners, especially in e-commerce, conduct operations online (Facebook commerce). Online retailers provide special discounts on their products and services. Shopping online is convenient. Customers place orders online and receive deliveries at their homes. As more businesses move online, the distinction between "traditional" and "digital" commerce will erode. (Mohiuddin, 2014)

The e-Commerce industry is flourishing due to being the most convenient alternative to traditional shopping and its success enables individuals to improve the technical infrastructure for the generation. Social media is being integrated into B2B business models by intermediaries as e-commerce becomes a viable field enterprise. Today, in Bangladesh, e-commerce is the finest method for determining the feasibility of a business. (Ahmed, 2016)

The expansion of the Internet is a result of online companies buying and selling products. There exist platforms for B2B, B2C, and C2C e-commerce. However, Bangladeshi purchasers choose B2C. In urban and rural areas, online purchasing is prevalent. Now, Facebook sites offer products. In addition, they use Amazon.com, eBay.co.uk, and Alibaba.com to shop. The E-commerce Association of Bangladesh believes that 800 eCommerce websites and 9,000 Facebook pages produce 10-billion-taka worth of sales yearly. Due to their lack of computer literacy, people do not shop online.

3.2 Overview of Daraz

The Rocket Internet Group created Daraz Bangladesh (The Future Startup Dossier: Daraz Bangladesh - Future Startup, 2021). It began operations in 2015 in Bangladesh. Daraz Group joined Alibaba Group in May of this year, the business said in 2018, Chinese E-commerce giant Alibaba acquired Bangladeshi E-commerce site Daraz Group (Alibaba-Owned Daraz Acquires Bangladeshi Food Tech Startup HungryNaki,n.d). This deal comes nearly two years after Alibaba purchased Lazada Group, which was also a Rocket Internet Group-owned business in Southeast Asia. Among other enterprises, Alibaba Group owns Redmart in Singapore, Paytm in India, and Tokopedia in Indonesia. Daraz has risen to the top of this economic sector due to its quick growth. Daraz Bangladesh employs a combination of youthful, passionate, and entrepreneurial people. Innovating internet ideas in a quickly changing Bangladeshi market excites the duo. Daraz is now focused on increasing its commercial activities in Bangladesh.

Bangladesh is a growing nation with a promising future in economic development ahead of it. There are several opportunities to put our money to work for you. However, the world continues to move forward, and Bangladesh seems pleased with its existing situation, regardless of the circumstances. On the other hand, an ocean-wide change appears to be on its way as businesses prepare to relocate their activities to the internet, increasing their output. As a result, the vast majority of the company's business divisions benefit from this development.

Furthermore, in response to the opportunities for development and change that websites present, a new aspect is known as "online business" has emerged in response to these opportunities. As has been true for many decades, the rise in popularity of online commerce and electronic trade is not just a result of another notion being more widely accepted.

It was only a few years ago that the concept of E-commerce was first presented, and now it is available to people worldwide. Because of globalization and the ongoing development of our country, E-commerce is getting access to a whole new market in which to operate. Daraz Bangladesh is an online-based marketplace that operates on the internet. People may purchase a range of commodities from this location, including apparel for men, women, and children, sports and gaming equipment, and home and interior supplies, amongst other things.

Customers of Daraz have the option of having their shopping experience delivered straight to their doorstep. This company's reach extends to embracing the most recent technological advances, fashion trends, and commodities.

Daraz is a medium for sellers and buyers where the vendors get to display their products and buyers get the opportunity to get everything at once. It is an online B2C kind of offering and this business model seems to have taken a positive view from the customers‟ side. Daraz aims to broaden its consumer base even more by adding additional retailers to the marketplace. It is a platform where customers can simply locate sellers and select from a wide range of goods.

There are eleven broad categories of products available at Daraz now and these are:

1. Fashion products
2. Phones & Tablets
3. Sports & Travel
4. TV, Audio & Camera
5. Computing and Gaming
6. Home & Living
7. Baby, Kids and Toys
8. Beauty & Health
9. Appliances
10. Grocery shop

To satisfy consumer desire, these categories are continuously changed. Also, the addition of the food products in the middle of 2017 has been quite successful in the Bangladeshi market. Daraz always aims to provide the best customer service and to make the system as convenient as possible. Customers can select their chosen payment method from a variety of options, for instance, Bkash payments, card payments, etc. Dara also offers clients a cash back option for returns made within 7 days of purchase.

Daraz is a marketplace that connects vendors and customers, enabling sellers to advertise their goods and customers to make all of their purchases in one easy spot. It is a business-to-consumer (B2C) service, and the clients appear pleased with the strategy. Daraz wants to attract more companies to its platform and grow its clientele.

Vision

The vision of Daraz Bangladesh Limited is to empower small and medium-sized businesses in Bangladesh by providing them with a platform to connect with millions of customers and to grow their business. The business strives to be the top e-commerce platform in Bangladesh by providing a huge selection of goods and services, top-notch customer support, and cutting-edge solutions to fulfill the changing needs of its clients. By stimulating innovation, fostering job possibilities, and boosting digital literacy, Daraz Bangladesh Limited also hopes to help Bangladesh's digital economy expand.

Mission:

Daraz's mission is to expand across Bangladesh, get the greatest possible market share in the Ecommerce business, and make all of its customers' demands easily accessible. Daraz also aspires to identify the most successful merchants in the country and feature their products on the Daraz website.

Objective:

Several objectives must be completed to achieve the mission and vision. Daraz Bangladesh aspires to reach its full potential by concentrating on several objectives.

- Ensuring a positive customer experience while expanding the business through strong partnerships with merchants.
- Enhancing the customer experience by effectively and efficiently fulfilling orders.
- Investing in excellent recruitment, training, retention, and coaching of employees and providing significant resources to the business.
- Emphasizing quality and excellence in service.
- Encouraging creative diversity and sharing of ideas.
- Fostering a culture of learning based on leadership, teamwork, accountability, and cooperation.

Core Business Model of Daraz

Daraz has a diverse business model that caters to its varied business needs, where it sometimes owns the products and at other times does not. Based on the business requirements, Daraz sources its products through different business models. In general, Daraz operates through three primary business models - Marketplace, Retail, Consignment and Cross-border.

Marketplace Model:

Under the marketplace model, Daraz acts as an intermediary between the buyers and sellers. Daraz provides a platform for sellers to showcase their products on the Daraz website, and buyers can purchase these products directly from the sellers. In this model, Daraz earns a commission on each sale made through its platform. The sellers are responsible for the inventory, pricing, and delivery of the products.

Retail Model:

Under the retail model, Daraz owns the products it sells on its platform. In this model, Daraz purchases products from suppliers or manufacturers and sells them directly to the customers. Daraz sets the prices, manages the inventory, and is responsible for the delivery of the products. The revenue in this model comes from the difference between the purchase price and the selling price of the products.

Consignment Model:

Under the consignment model, Daraz partners with suppliers or manufacturers to sell their products on the Daraz platform. In this model, the suppliers or manufacturers retain ownership of the products, and Daraz is responsible for the marketing, selling, and delivery of the products. The revenue in this model comes from the commission on the sale of the products. Daraz stores these products in its own warehouses.

Cross-Border Model:

Daraz's cross-border business model allows it to source products from China and provide its customers with access to a diverse range of products. This model also helps Daraz to increase its revenue by offering more products to its customers and expanding its product range.

Categories and Products of Daraz

Being the number one E-commerce marketplace, Daraz boasts of having everything that customers need. Currently, we have more than 50 million assortments and 1000+ categories. Daraz has the most complex category tree, which goes up to 9 levels. However, for the sake of simplicity, we can segregate those categories in top 5 industries

1. Fashion (FS)
2. Electronics (EL)
3. Fast Moving Consumer Goods (FMCG)
4. General Merchandising (GM)
5. Digital (DG)

Future Prospects:

Daraz has recently announced its ambitious plans to invest BDT 2000 crore by 2024 to establish logistics infrastructure and hubs that would help expand its footprint to all 492 sub-districts in Bangladesh. Currently, the company has already established its delivery services in all 64 districts of the country. However, with the expansion plans, the company aims to build logistical infrastructure and local hubs across Bangladesh to tackle some of the limitations that have been hindering the growth of E-commerce in the country.

The lack of proper infrastructure, especially in the delivery system, has been a major hurdle for E-commerce companies in Bangladesh, which has negatively affected the consumer experience and the growth of the industry. With the new investment, Daraz hopes to address some of these limitations and surpass its competitors in the market. The company's strategic plan to establish logistics infrastructure and local hubs across the country would enable it to reach more customers, provide faster and reliable delivery services, and improve the overall consumer experience.

CHAPTER: 4

4.0 METHODOLOGY

This chapter includes the procedure for gathering data and samples, defining the models and statistical tests employed in the study, as well as an explanation of the study's tested hypothesis.

4.1 Research Design

The research is quantitative in nature and based on secondary data collected from the annual reports of the respective sectors and the watchlist maintained by the Daraz Bangladesh Ltd chosen as sample population. I've taken the data of 36 months for finding out if the FMCG sector is more effective than the other sectors, if the seller payments tendency influence the financial performance or not. The research utilizes T-tests in testing the desired hypothesis and fulfilling its objective.

4.2 Data collection and sources

All the data used in the report are secondary in nature. Journals were reviewed for secondary information gathering. These publications may be accessed in the section including the literature review and references. Due to the lack of company-specific information, it was necessary to rely on online sources and internal information to analyze this study.

Primary Data: Questionnaire surveys were utilized to collect primary data. I obtained information from 50 respondents and utilized it to conclude the Customer Satisfaction level. Because of the time constraint, I collected data online from the employees and some customers. Consequently, I used Google Surveys to collect my data. Before sending out this Google survey form, I outlined my surveys to the participants to minimize any misconceptions.

Secondary Data: Internal data, journal articles, and internet sites were explored for secondary data like Sectoral Contribution to Revenue, Sellers payment tendency, Customer Preferred Payment Methods, Numbers of Hubs or overall expansion etc taken from the internal data which is strictly prohibited to publish. Due to time constraints, I had to count on internet platforms to collect information.

CHAPTER 5:

5.0 FINANCIAL PERFORMANCE INDICATORS OF DARAZ BANGLADESH LTD

5.1 Product Factor

Products of Daraz

Being the number one E-commerce marketplace, Daraz boasts of having everything that customers need. Currently, we have more than 50 million assortments and 1000+ categories. Daraz has the most complex category tree, which goes up to 9 levels. However, for the sake of simplicity, we can segregate those categories in top 5 industries

1. Fashion
2. Electronics
3. FMCG
4. General Merchandising
5. Digital

We can deep dive and get a category tree like this:

Industry	Categories
DG	Digital Goods
	Special Digital Products
Electronics	Cameras
	Computers & Laptops
	Home Appliances
	Mobiles & Tablets
	TV, Audio / Video, Gaming & Wearables
Fashion.	Bags and Travel
	Fashion
	Watches Sunglasses Jewellery
FMCG	Groceries
	Health & Beauty
	Medicine
	Mother & Baby
	Pet Supplies
Lifestyle	Bedding & Bath
	Furniture & Décor
	Kitchen & Dining
	Laundry & Cleaning
	Media, Music & Books
	Motors
	Sports & Outdoors

Now a days the orders from the FMCG sectors are increasing, the demand of the product of the FMCG are growing rapidly due to the reasonable price and discounts, this sector is affecting the financial performance more than the other category products.

5.2 Payment Factor

Seller Payment Tendency

The second most important thing that I learned in Daraz that I learned in Daraz is the cash payment of the vendors. Seller payment is the most important thing is an organization. There are currently 100,000 (Hoq S, 2021) active sellers in Bangladesh where regular seller payment has to be made without any delay. The other important thing about seller payment is that based on the payment, the sellers get reimbursed and gets new product live in Daraz after the payment. In terms of selecting two parts, one is marketplace seller payment, and another one is retail seller payment. In terms of marketplace seller payment, Daraz pays the seller every 7 days. When the statement closes after seven days, a seller receives the payment after the next working day.

Customers preferred payment method

Payment methods can be divided into two types, cash on delivery and prepayment. The preferred payment method for a customer depends on the creditworthiness of the e-commerce platform to the customer. Usually, customers choose cash on delivery on the first couple of orders as trust has not been fully developed. However, the trend has reflected that customers shift to prepayment method once they start to trust the site.

From the business viewpoint, cash payment is not preferable as it involves incurring additional cost associated to moving the cash around. Prepayment method saves business cost and ensure better possibility of gross revenue to net revenue conversion.

5.3 Time Saving Factor

Daraz Operations

The largest E-commerce store Daraz as a complex operating procedure. Daraz has operations in all major cities in Bangladesh. The most important part of this operation is customer delivery. Collection and product collection are the second most priority of the organization. To manage this complex operation Daraz divides its operation into five main sections

1. First Mile Operations: First mile operations are the operation that is dedicated only to the sellers. This operation mainly consists of collecting products from the seller. For example, if a seller wants to sell a product he has to send the product to the warehouse. This operational part has two parts Seller Pickup and Seller Drop-off.

2. Last Mile Operations: This part of the operations mainly deals with customer delivery. This is the most crucial part of the operations, and Daraz has to deliver the products to the customer's doorstep. This part also has two parts

• Daraz Own Delivery(DEX)

• Daraz 3PL delivery

• Delivery through collection points(CP)

Daraz has 500+ delivery points nationwide.

3. Sorting Operations: This part starts from First Mile and Ends at the last mile. At this point, the automated system of Daraz decides which way a product should take to reach its final destination. To get into detail sorting starts form line haul operations. This line haul operation starts from the truck service that is provided by the transport department. Central line hole operation in different districts accumulates the product from different line haul truck services and is sent to the central shorting center of Dhaka which is in Tejgaon. After sorting the products in Tejgaon it is handed over to last mile central ops where it gets distributed in the central last mile distribution center of major districts.

4. Warehouse Operations:

The warehouse is the biggest onsite service of Daraz. Through this warehouse, Daraz both fulfills retail and consignment products. As we have already discussed, the retail products are owned by Daraz, but the consignment is the products that are not owned by Daraz. In warehouse, Daraz has its fulfillment team where it manages all kinds of products in the warehouse

5. Seller Own Fleet Operations:

Apart from all of these, Daraz has the sellers' own fleet operations. Through the seller's own fleet operation, Daraz fulfills bulky products which don't need sorting services. There is a special portal for special seller requirements where the bulky products go directly from the vendor to the customer. Products like Furniture, Home appliances, and Fresh Perishable Products from directly sold to customers.

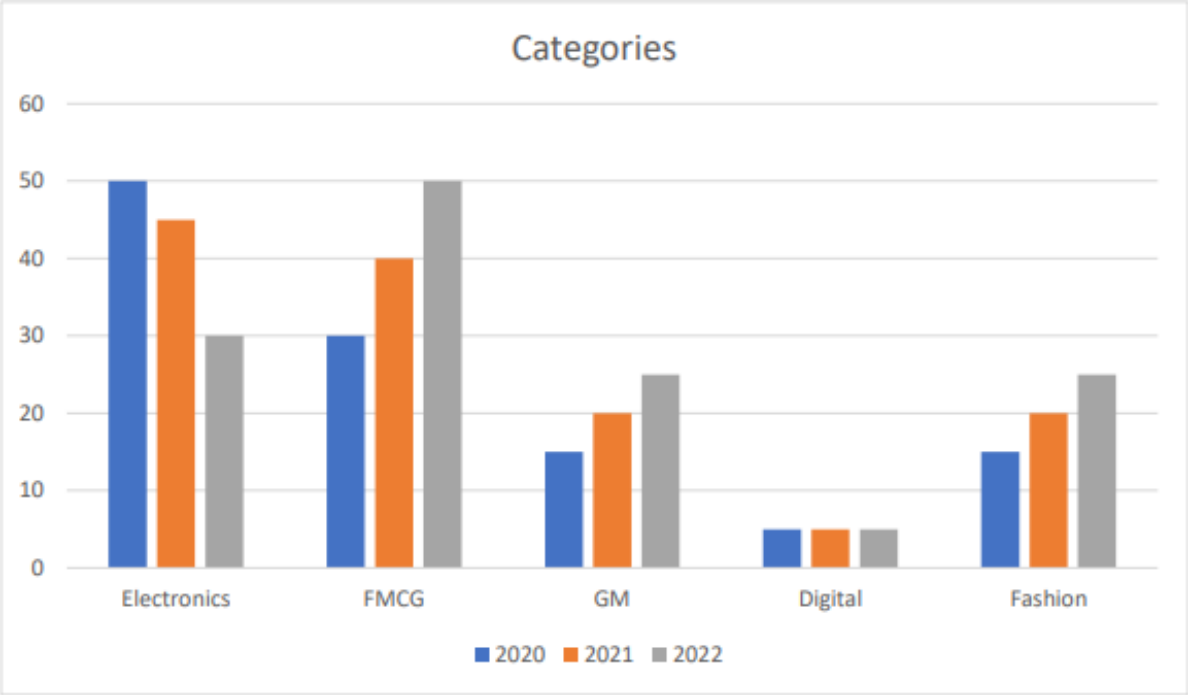
CHAPTER 6:

6.0 ANALYSIS OF DATA

This chapter consist of the data collection, explains the hypothesis development in the study and shows some graphs which is collected from the internal financial report of Daraz Bangladesh Ltd.

6.1 Product Factor:

Sectoral Contribution to Revenue



Analysis: In terms of product customer behavior is significantly shifting. Customer nowadays is placing more orders for fashion and FMCG (Hoq S, 2021) item then electronics data indicates that there is a customer behavior shift in the overall economy. From a revenue recognition perspective (Kharpal, 2019) it is also beneficial for E-commerce to deal with fashion items. In terms of electronics, there is a cash dependency among the customers so there is a high risk of current assets like cash. however, it is seen that the trend and fashion is opposite. the customer tried to buy through prepayment when it comes to fashion and FMCG items.

6.2 Payment factor:

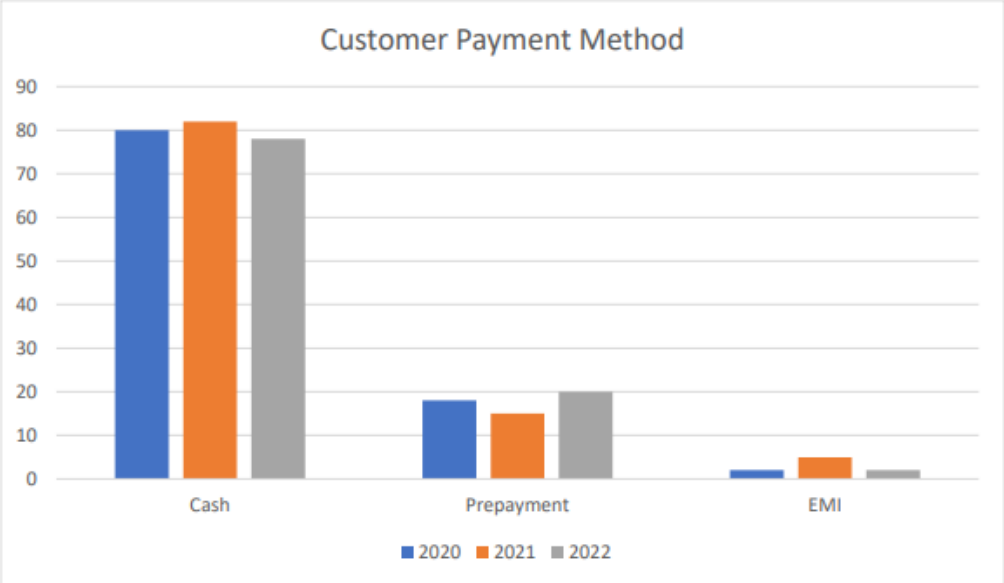
Seller Payment Tendency



Analysis: The company prohibits payments to vendors through cash payment method. As in, Daraz will transmit the payment to the vendor on their bank account or mobile banking platform even if the consumer pays cash to Daraz. This is because using cash is risky and there is no accountability. However, bank transfer or mobile banking transfer leaves an audit trail (Rahman, 2021) so that every transaction can be tracked and maintained.

However, the bank is the most dependable in terms of bank and mobile banking services. Bank transactions, however, move more slowly than mobile banking apps. So, if you see that draft then there is an increased tendency among the seller to use mobile banking services to get their payment fast. Even though there is additional transactional cost but most small seller prefers mobile banking service over two banking services. Using banks helps search to identify contracts very easily. There is no scope for misunderstanding and missed audit trail.

6.3 Customer Preferred Payment Methods



Analysis: Through this analysis, we can see that customer behavior regarding online payment is slowly improving. However, currently, 78% of the customer are using cash on delivery. However, the organization is working on reducing the cash on delivery to prepayment or EMI to eliminate higher transactional cost associated to cash transaction along with the huge risk of maintaining a cash reserve in the local offices. The organization is trying to slowly shift customer behavior to pre-payment methods like banks and mobile banking services. The chart indicates that prepayment

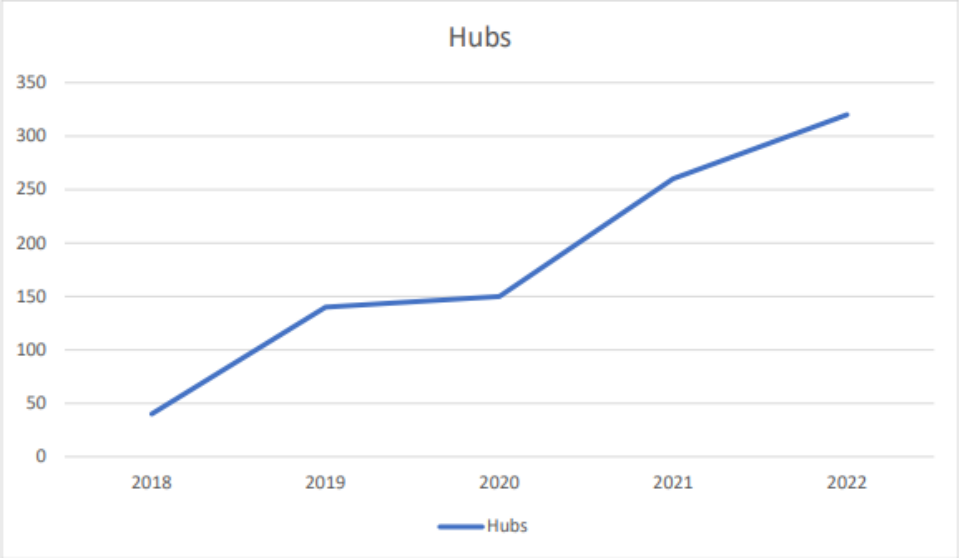
is slowly improving in 2021 and 2022 from 14% to 18%.

However, EMI dependency is also improving in the last two years. Banks always want to encourage customers to buy through EMI to ensure constant cash inflow and promote customers' purchasing. Daraz is partnering up with different banks and influencing customers to use payment methods like EMI and debit/credit cards to encourage customers to make purchase. Transactional cost of EMI is a bit higher than cash payment, however, overall cost is lower than cash on delivery. In terms of the revenue recognition system, using banking transaction method ensures proper accountability of the stakeholders.

Now a days Daraz is becoming successful in increasing the prepayment method transaction from its customers and as a result the possibility of the loss is decreasing day by day.

6.4 Time Saving factor:

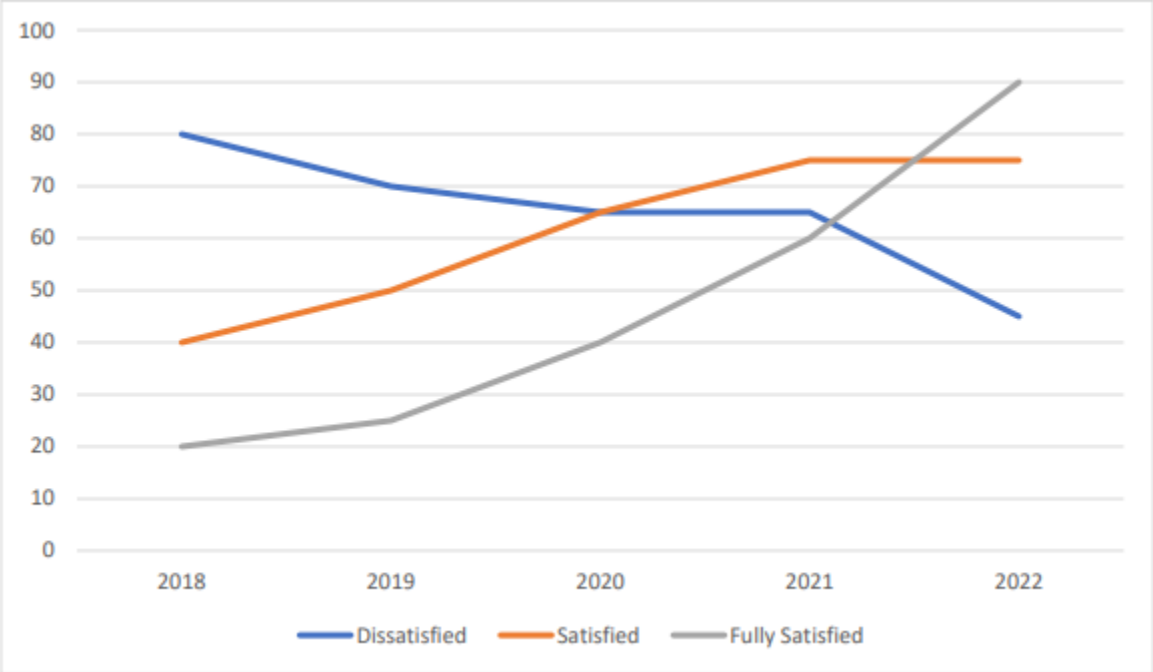
Overall Expansion:



In terms of location expansion, Daraz is highly growing. though it saw a slight decline in the pandemic days in 2020. however, when the pandemic slow down it expanded its hub expansion exponentially. currently, Daraz has 320 hubs all around the country and plans to reach 400 by the end of this year. this expansion of hubs creates more confidence among the buyer base. this buyer base is the main driver for the organization. more buyer means more people are buying from the concentrated location. (Kharpal, 2019) Daraz cluster customer helps the organization to reduce its operating cost. Creating more hubs will increase the cost of logistics of the company but in the longer term, the overall operating expense against a single customer will significantly go down.

6.5 Price and Psychological factor:

Customer Satisfaction:



From the survey I got answers from overall 50 customers and employees, I have seen that overall customer satisfaction among fully satisfied customers has been exponentially increasing. However, in the early days of the organization the customer dissatisfaction rate (Fazlyev, 2018) was really high. The 50 customers that I have taken are all more than five years old customers of the organization. This helped me to analyze how the dissatisfaction level is decreasing and the success rate is increasing. If the organization can reach a success rate of 96% then the overall cost of logistics will be even lower than what it is now. This indicates that the cost of logistics will be balanced out and we'll reach a static level when the volume will increase. I understand that the only way of doing business of this sort where the Commission rate is significantly low volume is the only thing that can make the business profitable.

CHAPTER 7:

7.0 FINDINGS, RECOMMENDATIONS AND CONCLUSION

7.1 Findings

To maintain its position at the top of the internet market in Bangladesh, Daraz uses many online marketing techniques to achieve success. Determining and sustaining an effective plan for interacting with a diverse variety of consumers may be a difficult undertaking to do successfully. Daraz's online marketing and payment process automation might be significantly enhanced in a variety of ways. It is vital to establish innovative ways that are suited to satisfy the specific needs of this country to go forward. Therefore, a significant lot of concentration is necessary to identify the attributes that consumers want. The following conclusions were reached as a consequence of this investigation:

1. In the Data Analysis section, it is shown in the first topic that the product factor has a great impact on the financial performance. The customers of Daraz Bangladesh are ordering more from FMCG category more than the other categories which is contributing in generating more revenue. The other categories like Fashion, GM, Electronics and Digital goods are also increasing now a days but comparatively lower.

2. Payment factor also influence the financial performance which is shown in the second topic of the data analysis section. From the Seller payment tendency, I have run a t-test, and it is interpreted that sellers prefer the MFS payment method over the Bank transaction method. Day by day the seller is increasing because of the easy payment system and for that reason Daraz is availing more products from different category which is increasing the sales and that’s how generating more revenue. And from the Customer payment method it is interpreted that Daraz is focusing now a days to increase the prepayment system due to confirm the beneficial transaction.

3. Time saving factor is also an important factor to influence on the financial performance. The more Hubs will be available in the country the more customers will be gained and revenue will be generated.

4. Customer Satisfaction is dependent on the Price factor and psychological factor both the factors are inter-related. When the company gives several discount vouchers on the market price, the

customers become attracted psychologically. From the survey question it is interpreted that the customer satisfaction level is growing which will have an impact on the financial performance.

7.2 Recommendation

The largest provider of e-commerce services in Bangladesh is Daraz Bangladesh. When it began operating in Bangladesh, they have been getting better every single day. Yet, it has the potential to be much more and better than it is right now. In compiling this report, I noticed a number of issues with the work being done by the Traffic Operations department. Therefore, I want to mention some recommendations which can apply to Finance Department as well as to other departments of Daraz Bangladesh Limited. Those are in the below –

1. The business must guarantee product quality. Even if they have fewer sellers but higher-quality products, customers will stick with them longer and are less likely to migrate to rival e-commerce sites. The corporation ought to put more of an emphasis on subcategories like fashion, general merchandise, electronic products, and digital goods.

2. To prevent exhaustion and time waste, all designs and plans should be predetermined, with only minor deviations from the original plan. The company should focus more on fast delivery system to hold the customers trust.

3. Daraz should update its data internally to the company to facilitate the delivery of reports and analysis. An aligned data set should always be provided by all databases, reducing the likelihood of mistakes.

4. Daraz Bangladesh relies on a third-party logistics team for distribution in some locations, particularly those outside of the core district location where mistakes can occur due to a lack of oversight. To assure proper delivery, minimize product loss, and lessen reliance on third parties, Daraz needs to increase the size of its own fleet and encourage clients to prepay.

5. To offer consumers timely and effective support, the customer care team needs to be increased, and more integrated software needs to be deployed. The company should not forget about the expense.

6. Pricing should be as low as possible while yet retaining the expected level of product quality. Customers will abandon Daraz if the identical product is offered elsewhere for less money. Customers will also lose trust if the product's quality falls short of the asking price. High levels of client satisfaction will result in more streamlined total income.

7. Customers in Bangladesh are still in the learning process; they are still unsure of many various procedures that take place on an e-commerce platform. Also, the fact that value for money is still crucial knowledge is yet to be understood by the mass customer base. Many people don't even consider that the lower the price, the lower the quality.

8. The expectation from an employee should be specific & not more than needed. They should only focus on the points that are possible to deliver. Hire more workforce to ease the pressure from existing employees and prepare proper policies for employees that make it easier to work.

7.3 Conclusion

In closing, I would like to convey the idea that Daraz Bangladesh Ltd. still has a wonderful opportunity to grow and get the largest market share. To get to where it is now, the company had to overcome several obstacles from the start. It evolved into a massive corporation today from a tiny unit. To further this industry's development, businesses in the e-commerce sector should focus on providing high-quality goods and services. The Bangladesh government should also be considerable and cooperative to help businesses flourish. Operating in a dynamic environment is easier than it seems since Daraz Bangladesh Ltd. is a decentralized organization and everyone inside the firm upholds its key values. Every department puts in a lot of effort, and thanks to an effective team and cutting-edge technology infrastructure, Daraz Bangladesh has become the leader in the Bangladesh e-commerce market. The variables that affect financial performance also require some adjusting. The business will forecast its plans and projections based on this strategy. It is necessary for business growth. The sound conveys the importance of the organization's need for a smooth financial procedure. By Hassan in 2021 In this paper, I've done my best to introduce Daraz Bangladesh Limited, its structure, its business procedures, and how many elements such as product category, payment system, hubs, and customer happiness affect the business's ability to

develop by affecting its financial performance. I discovered what an E-commerce business's operations and tasks are while working with my team. The unique skills I've picked up here will undoubtedly be useful to me in the future. Finance in e-commerce is a relatively new but sometimes misunderstood notion particularly since many people only associate the word "Finance" with payment handling. But because it is so broad, it also includes topics like seller performance, payment quality assurance, campaign budget management, and long-term financial planning. Working for this department offers its advantages, despite being a relatively recent addition to the corporate world. Also, I learned about the operations of each category and department. My practical expertise has grown as a result of the department's activities, which have also given me incredible experiences. I can definitely apply all these insights I've gained throughout the course of my three months of employment for the rest of my career.

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APPENDIX

I, Muhammad Jobairul Islam, am conducting this survey for the partial fulfillment of my BBA Degree. I am declaring that the information collected from this survey will not be disclosed for any other purposes.

1) What is your preferred payment method while shopping in Daraz?

a) Cash on Delivery (COD)

b) Card Payment

c) Mobile Wallet Payment

2) Which types of product do you like to buy from Daraz the most of the time?

a) Electronics

b) Lifestyle

c) Digital

d) FMCG

e) Fashion

3) How do you feel the pricing of the Fashion Category is?

a) Very competitive

b) Average

c) Expensive

4) Do you feel the Electronics Industry has all the right Assortments?

a) Yes

b) No

5) Does low Average Order Value Plays as an important factor for FMCG Industry?

a) Yes

b) No

6) The chances of shopping your further necessary products from Daraz is:

a) High

b) Medium

c) Low

7) Which type of delivery method do like the most-

a) Home delivery

b) Pick up from the hubs

8) Do you feel like Daraz has necessary number of Hubs all across the country?

a) Yes

b) No

9) Do you think Daraz provide you the best service in reasonable price?

a) Yes

b) No

10) If you are a seller which will be the preferred payment method?

a) Bank

b) Mobile Wallet

c) Cash