

Probing the E-commerce Market Readiness of Bangladesh

S M Feroj Mahmood*

ABSTRACT

This research is solely aimed at finding the consumer perspective on the existing e-commerce market of Bangladesh and thereby judge the market readiness to meet the consumer demand. Bangladesh being a developing country needs many infrastructures to develop to build a full proof environment for the E-commerce firms. But still, the organizations involved are trying to engage more and more consumers day by day. Though the extensive use of internet has already opened new windows for the online transaction of economic goods and also there are many improvisations required in several aspects of the industry. The purpose of online shopping is to divert people from traditional market to online market. If the organizations developed in online shopping are more engaged in consumer gaining and retention through extensive provisions of service then and only then the flower of e-commerce will bloom with the fragrance of billions.

Keywords: E-Commerce, Market Readiness, Online Shopping, Consumer, Online Transaction

1.0 INTRODUCTION

Bangladesh becoming a market worth 160 million+ with the world's 8th largest population and a staggering consumer spending of around USD 130 billion+ with a growth rate of 6% per annum. Where the consumer base is "young technologically adaptable and exhibits high engagement through the mobile internet." Proliferation of mobile internet users via smartphones and proactive participation in social networks indicated by the number of Facebook users reaching 10 million approximately, there is will significantly change in the consumption pattern of the consumer base with the introduction of e-commerce (Sabrina et al, 2016)

Electronic commerce refers to the online platform of the transaction. Bangladesh emerging from one of the least developed countries to one of the most promising emerging economies along with BRICs is being considered as a stage where e-commerce will reshape and revolutionize the existing system of trade and commerce, and will thus result in a social impact uplifting the economy of the country to some extent. With the growing number of internet users and technological advancements as affordable rate and platform for mobile internet usage, electronic banking, 3G internet and likes of such has already prompted new small and medium enterprises to adopt e-commerce based business design. This is resulting in the creation of an entirely new industrial sector in this developing economy.

*Senior Lecturer, Dept. of Business Administration, Notre Dame University Bangladesh

A portion of total demography is engaging in e-commerce on a relatively small scale. But given the resources and technological advancement embarking as the main driver of social change the potentiality of the e-commerce in Bangladesh is immense. The online market is still at the very primary stage and there are glaring discrepancies between customer demand and provided facilities, policies and overall transaction platform and means. Customers savor the perks of choosing between many alternatives from their personal computer, mobile or from anywhere as per their wish at any time. But the customers want information. Information about the quality, quantity, brand value and reliability measures offered by the business they are transacting with. The marketers must understand the market demands and provide innovative products continuously (Kristensen & Westlund 2004)

However, in the long run, these customers will be loyal and can be retained only when online businesses constantly satisfy them by providing detailed product information on websites, better customer service, quality and timely delivery of goods and importantly effective webs (Haque 2014). Global E-commerce giants like Amazon, Ali Baba, E-bay etc. has a satisfyingly high consumer retention rate. But the consumer retention rate of the e-commerce sites in Bangladesh is relatively quiet poor. E-commerce sites need better assessing the consumer perception to determine the imperative factors for consumer retention because gaining anew array of consumers are five times costly than retaining old consumers (Crego and Schiffrin 1995; Petrissans 1999).

The current e-commerce retailers are examining market penetration strategies focusing on consumer attitudes towards shopping online, website knowledge, perceived ease of use and reputation of the e-commerce sites (Saad and Paul 2014). In modern business understanding the consumer's cognizance's of the market is not enough to captivate the market, rather an empirical strategy should follow the consumer attitude and buying behavior to develop a winning formula for the business (Ramdhani, et al, 2012).

Economic theories suggest that e-commerce intensifies market competition due to consumer's ability to obtain diversified product and price information. "Research by four economists at the University of Chicago has found that the growth of online shopping has also affected industry structure in two areas that have seen significant growth in e-commerce, bookshops and travel agencies. Generally, larger firms are able to use economies of scale and offer lower prices. The lone exception to this pattern has been the very smallest category of a bookseller, shops with between one and four employees, which appear to have withstood the trend" (Subramani et al, 2001).

Due to intense use of technology the global boundaries are gradually vanishing in the case of e-transactions making everyone a potential customer. So measuring the readiness of e-commerce sector is imperative for a comparative analysis. This paper will be dedicated to finding ways to gain and retain customers by making a comprehensive study of customer and business perception on the overall market to measure market readiness. It will also propose a clear and precise market penetration strategy to the E-commerce SMEs over the country.

2.0 LITERATURE REVIEW

2.1 E-Commerce

E-Commerce signifies any business transaction procedure between two parties using a computer network such as the internet or social media sites (Buettner 2016). Being more precise, trade of goods and services through digital communication systems can be referred as E-commerce. And generally, the entire procedure is negotiated under specific policies and terms to satisfy both parties (Laisuzzaman, Imran, Nahid, Amin and Alim 2010).

The term also refers to downloading-uploading of software, online trade of stock or bonds. E-commerce has opened the door to many Asian countries for uplifting an economic revolution. This is essential for encouraging market competition and diffusion of internet technologies. A huge number of population will have a great impact on the overall market and e-governance (Waghmare 2012).

2.2 The Process Of E-Commerce

E-Commerce is usually done by these following steps:

1	Gaining customer attention	It is done by giving necessary logistics and information about the desired product to the potential customers.
2	Customer Interaction	Usually signifies the interaction between buyer and seller to negotiate the purchase terms.
3	Order Management	This phase involves the maintenance of orders and delivery logistics.
4	Enquiry Responding	The business responds to an inquiry by the customers in real time and this responsiveness serves as an important determinant of the whole business's thriving.

E-commerce is a mixture of three different systems, a web server for managing virtual storefront and transaction processing, a database for inventory management and logistics, and a dispatch system for delivery services (Woodford 2016)

2.3 E-Business

E-Business is the approach where technology and networked devices are utilized to facilitate achieving business goals enabling information exchanges and decision-making supports (Chen and Hossaple 2013). E-Business adoption has been determined as a vital issue in terms of E-business research (Shaw et al. 1997; Urbaczewski et al. 2002; Wareham et al. 2005). Terms such as E-Business readiness defines the compatibility of the organization to adapt to E-Business strategy and structure in terms of execution of business activities as well as

decision making and necessarily the compatibility of the firm to extract profit from the newly implemented or adopted E-Business system. And it also implies the acceptance of the e-business system to its customer base and potential customers focusing on E-Business success (Molla & Licker 2001; DeLone & McLean 2004).

2.4 Consumer to Consumer E-Commerce

Customer to customer e-commerce is an electronic commercial market where a customer can trade the products which are often used or second handed to another customer. These transactions are helped by the third party in most of the cases (Dan 2014).

In another way we can say “This is a business model where two individuals or consumers transact or conduct business with each other directly”.

Because of internet’s development, the uses of the customer to customer e-commerce is increased nowadays and it is an easy medium too. Here a buyer has the opportunity to buy a product with proper judgment from different sellers. A person can be both buyer and seller in this business model. As different buyers bid for a product the seller has the choice to get the perfect buyer or to select who will pay the proper price. Overall it is one of the most useful media to trade. But it has some securities issues too. That is why the business developers are developing this model day by day (Dan 2014).

2.5 Business to Consumer E-Commerce

“A business that sells online merchandise to individual consumers is categorized business to customer e-commerce.” Business to customer e-commerce is an electronic commercial market where a businessman or a company can trade the products with the customers (Techopedia)

Basically, it is an electronic market where a company can sell their products directly to the customers. As the transaction is between the customer and the business or the company it is called the business to customer e-commerce. The Amazon, Alibaba is the best example of business to customer e-commerce business model. This model is also increasing the development of the internet. And it is more trustworthy as customers are buying products from a renowned company where a person has to buy products from a stranger in the customer to customer e-commerce business model.

“The context of B2C e-commerce, Web sites services can be classified into three phases of marketing: pre, online, and after sales” (Ahl et al, 2004).“The pre-sales phase includes a company’s efforts to attract customers by advertising and introducing their products. In the second phase, purchase occurs that contains online order and payment. The after sales phase consist of customer service, delivery, and support that generate customer satisfaction by meeting their expectations” (Liu & Arnett 2000)

2.6 Website Attributes

The website can be defined as a group of interfaces so interconnected as to serve the purpose of usability, performance, and beauty to the users “to obtain their satisfaction in the competitive market of online and offline sales and information services”.

Website attributes are the features that are designed to serve the visitors and these are an essential bundle of aspects of a website. “Technology-oriented attributes are the structural properties of a site such as a hyperlink multimedia modalities, whereas user-oriented attributes are the qualitative experiences of users in relation to the structural properties of a site, for example, navigability and demonstrability”

Tangibility, reliability, responsiveness, assurance, and empathy are the five dimensions of service quality. (Parasurama, Zeithaml and Berry 1985, 1991; Pit, Watson and Kavan 1995). The judgment of service quality came from comparisons between what customers feel a service provider should offer and the actual service performance of the company (Zeithaml, Parasuraman and Malhotra 2000). This view was reinforced by Zeithaml et al. (2000); Parasuraman, Berry, and Zeithaml (1985) in their service quality study in different industries as a function of expectations-perception gap.

3.0 OBJECTIVE

3.1 Key Objective

To find the factors determining customer gaining and retention for the E-commerce SME's

3.2 Specific Objective

- To find consumer and business perception on e-commerce
- To determine the gaps between business compatibility and customer demands
- To propose specific market penetration strategy to the existing E-commerce SME's.

4.0 METHODOLOGY

4.1 Theoretical Framework

The proposed research is going to be undertaken to determine the crucial factors for attaining new consumer base as well as retaining them of electronic commerce sites by analyzing both consumer and business perception on the overall market. In the study, we will observe and analyze the market compatibility to meet the customer demands as well as the effect and role

of the government policies in determining the future of E-Commerce in Bangladesh. Customer perception of reliability, product quality, product information etc. and business perception on the potential market, consumer and customer base, government policies will be qualitatively and quantitatively scrutinized.

We will accumulate primary and secondary data to focus on the specific objectives of our research and to that regard, existing literature on the following subject matter has been already surveyed for document analysis. The subsequent findings from this analysis have also been recorded. Various journals, research papers by teachers and researchers, articles and websites have been observed carefully for this purpose.

4.2 Participants

For conducting this study, we will select e-commerce website users via a random selection process. On the other hand, owners and administrative officers of different e-commerce sites will also participate with us to allow us to fund our answers. Respondents will be selected randomly from those who will want to participate in this study.

4.3 Research Question and Data Collection

We will develop two types of a questionnaire for the research purpose. The business owners and administrative officers will be asked open-ended questions by arranging an in-depth interview. The whole interview will be digitally recorded prior noticing the interviewee of so. This will be done to get a clear concept of their impression on the market and consumers.

The customers will be surveyed by developing a questionnaire based on Likert 5 item scale, where 1= Strongly Agree and 5= Strongly Disagree.

4.4 Data Analysis

We will do a descriptive analysis of the interview of the business persons. Statistical parameters like correlation will be used to measure the relation between findings and variables. No specific independent variables or dependent variables were set as we prefer to undertake the research solely basing on the perspective of both business parties. We are not going to prove any specific hypothesis rather we are willing to devote the research to find the business readiness to provide exactly what the customer wants and propose some market penetration strategy.

5.0 ANALYSIS AND INTERPRETATION

Correlations			
		Through which device do u use internet	E-commerce is more comfortable than regular shopping
	Pearson Correlation	1	0.111
Through which device do u use internet			
	Sig. (2-tailed)		0.36
	N	70	70
E-commerce is more comfortable than regular shopping	Pearson Correlation	0.111	1
	Sig. (2-tailed)	0.36	
	N	70	70

Here, the Pearson Correlation of both variable is .111. So both of the variables are slightly correlated. The result indicates that there is significant relationship between the devices through which consumer's purchase or surf e-commerce sites with the overall comfortability of e-commerce

Descriptive Statistics			
	Mean	Std. Deviation	N
Product Description on website matches the actual product	3.0714	0.96791	70
Organization involved in E-commerce are reliable	2.4429	0.84503	70

Here, the mean of the first variable is 3.0714 which means its position is Neutral and this variable's Standard Deviation is 0.96791. The mean of the second variable is 2.4429 which means its position is also in between Agree and Neutral but closely to Neural and this variable's Standard Deviation is 0.84503.

Correlations			
		Product Description on website matches the actual product	Organization involved in E-commerce are reliable
Product Description on website matches the actual product	Pearson Correlation	1	0.156
	Sig. (2-tailed)		0.198
	N	70	70
Organization involved in E-commerce are reliable	Pearson Correlation	0.156	1
	Sig. (2-tailed)	0.198	
	N	70	70

Here, the Pearson Correlation of both variable is 0.156. So both of the variables are slightly correlated. Product Description provided on the websites are closely associated with the consumer's ability to rely on the e-commerce firms.

Descriptive Statistics			
	Mean	Std. Deviation	N
Organization involved in E-commerce are reliable	2.4429	0.84503	70
The e-commerce sites are likely to change or refund in case of any defect in the product	2.8714	1.06215	70

Here, the mean of the first variable is 2.4429 which means its position is in between Agree and Neutral but closely to Agree and this variable's Standard Deviation is 0.84503. The mean of the second variable is 2.8714 which means its position is also in between Agree and Neutral but closely to Neutral and this variable's Standard Deviation is 1.06215.

Correlations			
		Organization involved in E-commerce are reliable	The e-commerce sites are likely to change or refund in case of any defect in the product
Organization involved in E-commerce are reliable	Pearson Correlation	1	0.113
	Sig. (2-tailed)		0.353
	N	70	70
The e-commerce sites are likely to change or refund in case of any defect in the product	Pearson Correlation	0.113	1
	Sig. (2-tailed)	0.353	
	N	70	70

Here, the Pearson Correlation of both variable is 0.113. So both of the variables are slightly correlated. Refunding or changing the product in case of any defect or inconvenience will prompt the consumer to rely more on e-commerce organizations.

Descriptive Statistics			
	Mean	Std. Deviation	N
The online transaction system is safe and secure	2.6571	0.97632	70
Organization involved in E-commerce are reliable	2.4429	0.84503	70

Here, the mean of the first variable 2.6571 which means its position is in between Agree and Neutral but closely to Neutral and this variable's Standard Deviation is 0.97632. The mean of the second variable is 2.4429 which means its position is also in between Agree and Neutral but closely to Agree and this variable's Standard Deviation is 0.84503.

Correlations			
		The online transaction system is safe and secure	Organization involved in E-commerce are reliable
The online transaction system is safe and secure	Pearson Correlation	1	-0.024
	Sig. (2-tailed)		0.843
	N	70	70
Organization involved in E-commerce are reliable	Pearson Correlation	-0.024	1
	Sig. (2-tailed)	0.843	
	Sum of Squares and Cross-products	-1.371	49.271
	Covariance	-0.02	0.714
	N	70	70

Here, the Pearson Correlation of both variable is -0.024. So both of the variables are negatively correlated. The online transaction system is a major obstacle in the e-commerce industry. There are no standardized methods to pay online and this is creating a negative impact on the overall industry.

Descriptive Statistics			
	Mean	Std. Deviation	N
The online transaction system is easy	2.229	0.88746	70
The E-commerce organizations are capable to deliver the product on time	2.4	0.80578	70

Here, the mean of the first variable is 2.2288 which means its position is in between Agree and Neutral but closely to Agree and this variable's Standard Deviation is 0.88746. The mean of the second variable is 2.4000 which means its position is also in between Agree and Neutral but closely to Neutral and this variable's Standard Deviation is 0.80578.

Correlations			
		The online transaction system is easy	The E-commerce organizations are capable to deliver the product on time
The online transaction system is easy	Pearson Correlation	1	0.073
	Sig. (2-tailed)		0.548
	N	70	70
The E-commerce organizations are capable to deliver the product on time	Pearson Correlation	0.073	1
	Sig. (2-tailed)	0.548	
	N	70	70

Here, the Pearson Correlation of both variable is 0.073. So both of the variables are slightly correlated. Transaction system provides a better option for the organizations to deliver the products on time. A viable online transaction system would have helped the firms to deliver products on time without the hassle of payment.

Descriptive Statistics			
	Mean	Std. Deviation	N
Websites need to be upgraded to attract more consumers	1.886	0.9409	70
Web attributes(Web design, color etc.) drives us more towards online shopping	2.514	0.94398	70

Here, the mean of the first variable is 1.8857 which means its position is in between Strongly Agree and Agree but closely to Agree and this variable's Standard Deviation is 0.94090. The mean of thesecond variable is 2.5143 which means its position is also in between Agree and Neutral but closely to Neural and this variable's Standard Deviation is 0.94398.

Correlations			
		Websites need to be upgraded to attract more consumers	Web attributes(Web design, color etc.) drives us more towards online shopping
Websites need to be upgraded to attract more consumers	Pearson Correlation	1	0.1
	Sig. (2-tailed)		0.411
	N	70	70
Web attributes(Web design, color etc.) drives us more towards online shopping	Pearson Correlation	0.1	1
	Sig. (2-tailed)	0.411	
	N	70	70

Here, the Pearson Correlation of both variable is 0.100. So both of the variables are slightly correlated. This relationship establishes a common fact that websites of our local e-commerce sites need to be upgraded to more and more customers.

6.0 FINDINGS

Most of the respondents were mobile internet users. This indicates the e-commerce sites need to concentrate more towards developing mobile sites and apps to increase the overall accessibility of the e-commerce sector. In this aspect website attributes is also a major aspect of determining how much or how will the consumers be driven more towards the sector through elegant visualization of the sites.

Products are available online but not many of them. There need to be inventories of almost every category of a single product line. The transaction system is also perceived average and not secured by the consumers which prompt consumers and sellers to adjust in cash on adelivery system that delays the overall delivery system and raises legal issues as therisk of fraud or other dangers.

Though most of the respondents agreed that e-commerce is more comfortable than traditional shopping but these following impediments are affecting the overall sector performance of the 3-commerce industry of Bangladesh.

7.0 CONCLUSION

E-commerce is a booming industry in Bangladesh. Though consumers are highly interested to digitalize their traditional way of purchasing goods various obstacle are hindering them to engage actively in that sector.

The marketers need to understand more carefully what the consumer's want and analyzing empirical data for understanding customer needs can aid to this problem. There needs to be a viable online transaction system for safe and secure exchange online. The websites need to be developed and the customers need to the assurance of refunding or changing the product needs to be paid more attention. E-commerce firms should provide each and every facility what their consumer want. They should make their websites more accessible. They have to sell product at a reasonable price so that everyone can buy it. Other developments also needed for improve. Finding part will help to know what should actually do for consumers.

E-commerce sites of Bangladesh have a great future but if and only if we together can provide the industry the favorite tools for meeting the consumer demands given the government develops business-friendly rules for the e-commerce sites.

REFERENCES

- Ahn, T., Ryu, S., Han, I., (2004). "The Impact Of The Online And Offline Features On The User Acceptance Of Internet Shopping Malls", *Electronic Commerce Research and Applications* 3, pp. 405–420
- Chen, L., Holsapple, C. W., (2013). "Journal of Electronic Commerce Research", Volume 14, No 3.
- Crego, E. T., Jr., and Schiffrin, P. D., (1995), "Customer-Centered Reengineering: Remapping for Total Customer Value", Irwin, Burr Ridge, IL.
- Dan, C., (2014), "Consumer-To-Consumer (C2C) Electronic Commerce: The Recent Picture", (<http://article.sapub.org/10.5923.j.ijnc.20140402.01.html>)
- Delone, W. H. and Mclean E. R., (2004), "Measuring e-commerce success: Applying the DeLone & McLean information systems success model," *International Journal of Electronic Commerce*, Vol. 9, No. 1:31-47.
- "E-Commerce Security", www.upu.int/security/en/ecommerce_security_en.pdf. Retrieved on 17. 8. 2016
- Haque, M.E.,(2014). "Online Shopping usability and customer expectation- A study on online shopping service in Bangladesh",
- Huang M.H., July 2003, "Designing Website Attributes to Induce Experiential Encounters", *Computers in Human Behavior*, vol. 19, pp.425-442, doi: 10.1016/S0747-5632(02)00080-8.

Kristensen, K., & Westlund, A. H. (2004). "Accountable Business Performance Measurement for Sustainable Business Excellence". *Journal of Total Quality Management*, 15 (5-6), 629-643.

Lee, S.W., and Koubek, R.J., (2010). "Understanding User Preferences Based on Usability and Aesthetics Before and After Actual Use", *Interacting with Computers*, doi:10.1016/j.intcom.2010.05.002.

Liu, C., Arnett K.P., (2000). "Exploring the factors associated with Web site success in the context of electronic commerce", *Information and Management* 38, pp. 23–33.

Md. Laisuzzaman, I., Imran N., Nahid, A. A., Md. Amin, Z., Md. Alim, A., (2010), "The Framework For Implementing E-Commerce: The Role of Bank and Telecom in Bangladesh", *Journal of telecommunications*, Vol. 1, Issue 1, February 2010.

Molla, A. and P. S. Licker, "E-commerce systems success: An attempt to extend and respecify the DeLone and McLean model of IS success," *Journal of Electronic Commerce Research*, Vol. 2, No. 4:131-141, 2001.

Parasuraman, A., Berry, L.L. & Zeithaml, V.A. (1985). „A conceptual model of service quality and its implications for future research“, *Journal of Marketing*, 49, 41-50.

Pit, L.F., Watson, R.T. & Kavan, C.B. (1995), "Service quality: a measure of information system effectiveness", *MIS Quarterly*, 173-187

Saad, A. & Paul, J. J. T., (2014). Consumers' attitude towards online shopping: Factors influencing employees of crazy domains to shop online. *Journal of Management and Marketing Research*, 14, 1-11.

Subramani, Mani, and Eric Walden. "The impact of e-commerce announcements on the market value of firms." *Information Systems Research* 12.2 (2001): 135-154.

Sabrina, A., Choudhury, K. M., Nahid, H. S. M., Hasan, R (2016). "E-COMMERCE: The Adventure Begins in Bangladesh".

Shaw, M. J., Gardner, D. M., and Thomas, H., "Research Opportunities in Electronic Commerce", *Decision Support Systems*, Vol. 21, No. 3:149-156, 1997.

Techopedia, <https://www.techopedia.com/definition/1424/business-to-consumer-b2c>

Urbaczewski, A., Jessup, L. M., and Wheeler, B., "Electronic commerce research: A taxonomy and synthesis," *Journal of Organizational Computing and Electronic Commerce*, Vol. 12, No. 4:263-305, 2002.

Wareham, J., Zheng J. G., and Straub D., "Critical themes in electronic commerce research: a meta-analysis," *Journal of Information Technology*, Vol. 20, No. 1:1-19, 2005.

G. T. Waghmare, (2012). "E-commerce; A Business Review and Future Prospects in Indian Business", *Internet Marketing in India: Indian Streams Research Journal*, vol. 2, no. IV, pp. 1-4