

S-COMMERCE LANDSCAPE - BANGLADESH

FINAL REPORT

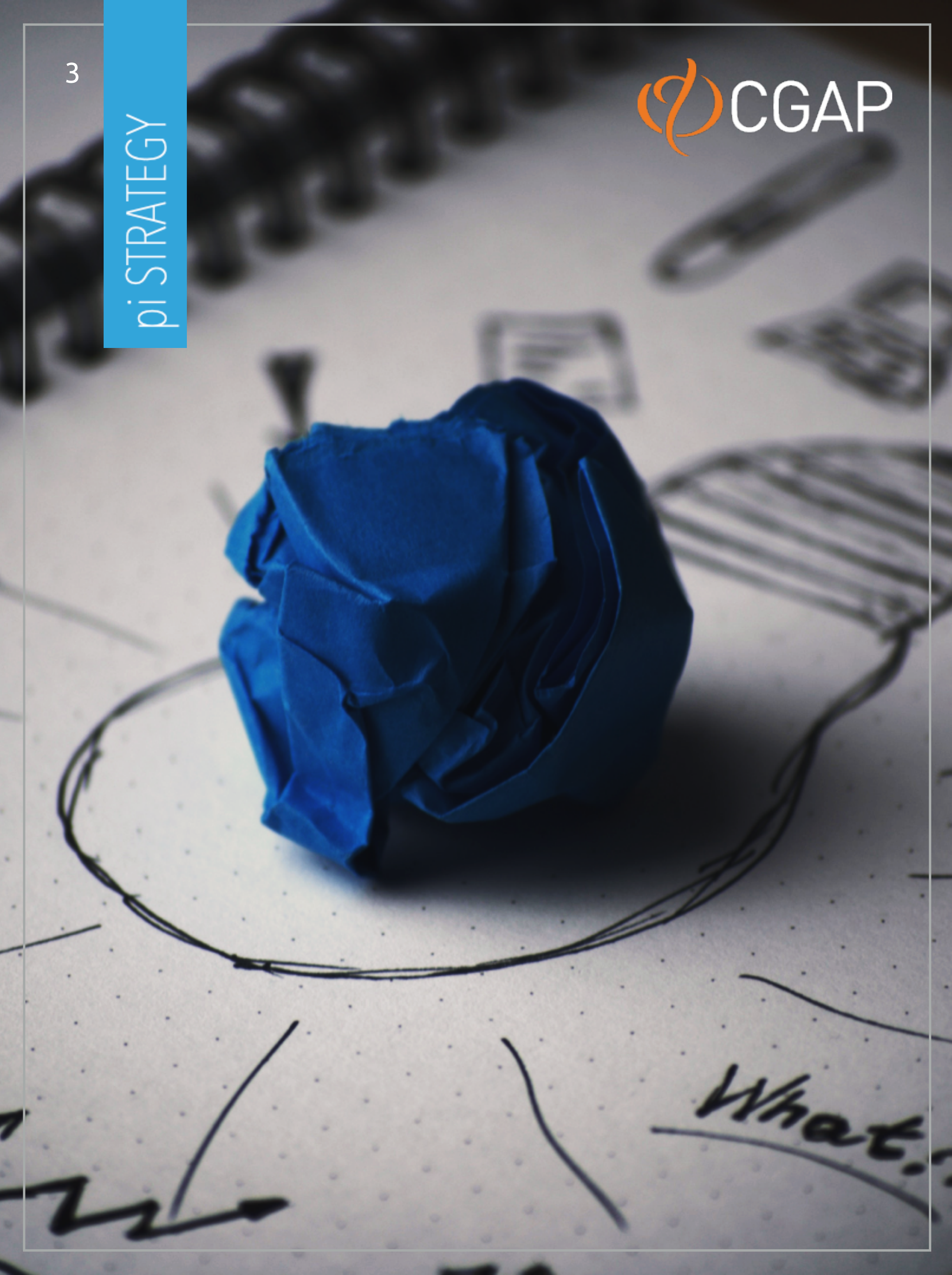
07 DECEMBER, 2019

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Table of Contents

Introduction	03
- Context	04
- Ecosystem	06
Defining Social Commerce	11
- A Working Definition	12
- S-Commerce / e-Commerce Distinctions from Primary Research	13
Social Commerce	19
- Seller: Value Chain	20
- Seller: Persona	26
- Buyer: Value Chain	30
- Buyer: Persona	33
E-Commerce	36
- Seller: Value Chain	37
- Seller: Profile	42
- Buyer: Value Chain	49
- Buyer: Persona	51
Other Ecosystem Players	52
Concluding Thoughts	58



INTRODUCTION



In 2018, pi STRATEGY conducted a DFS gender gap study, in partnership with CGAP, to investigate the existing gender gap in digital financial services in Bangladesh. The study identified multiple solution spaces that could drive women's financial inclusion and one of them was linking social commerce with DFS. This insight led CGAP to conduct further studies and uncover few more insights (unconfirmed) through informal interviews with players from the e-commerce, financial services and development sector. CGAP wanted to gain a better understanding of the social commerce sector of Bangladesh, how it works and who engages in it.

CGAP has structured the study into 3 phases. The first is a high level landscape phase, the second is a deep dive into the issue, and the third is pilot. pi STRATEGY is currently involved with the first phase.

The key question that this study asks is:

Whether social commerce is a meaningful platform to catalyze women's financial inclusion in Bangladesh

This question is further broken down into:

- i. From seller's perspective, is social commerce is a meaningful platform to catalyze women's financial inclusion?
- ii. From buyer's perspective, is social commerce is a meaningful platform to catalyze women's financial inclusion?
- iii. Within the social commerce value chain, for both sellers and buyers, along which components do women engage in most frequently?
- iv. Who are the other ecosystem players and what role do they play in facilitating women sellers and buyers?

As the world moves from financial inclusion into financial health, dimensions beyond access alone are being considered. This study used the evolved thinking on financial health to reflect on financial inclusion, and therefore encompasses at a high level the following dimensions as well:

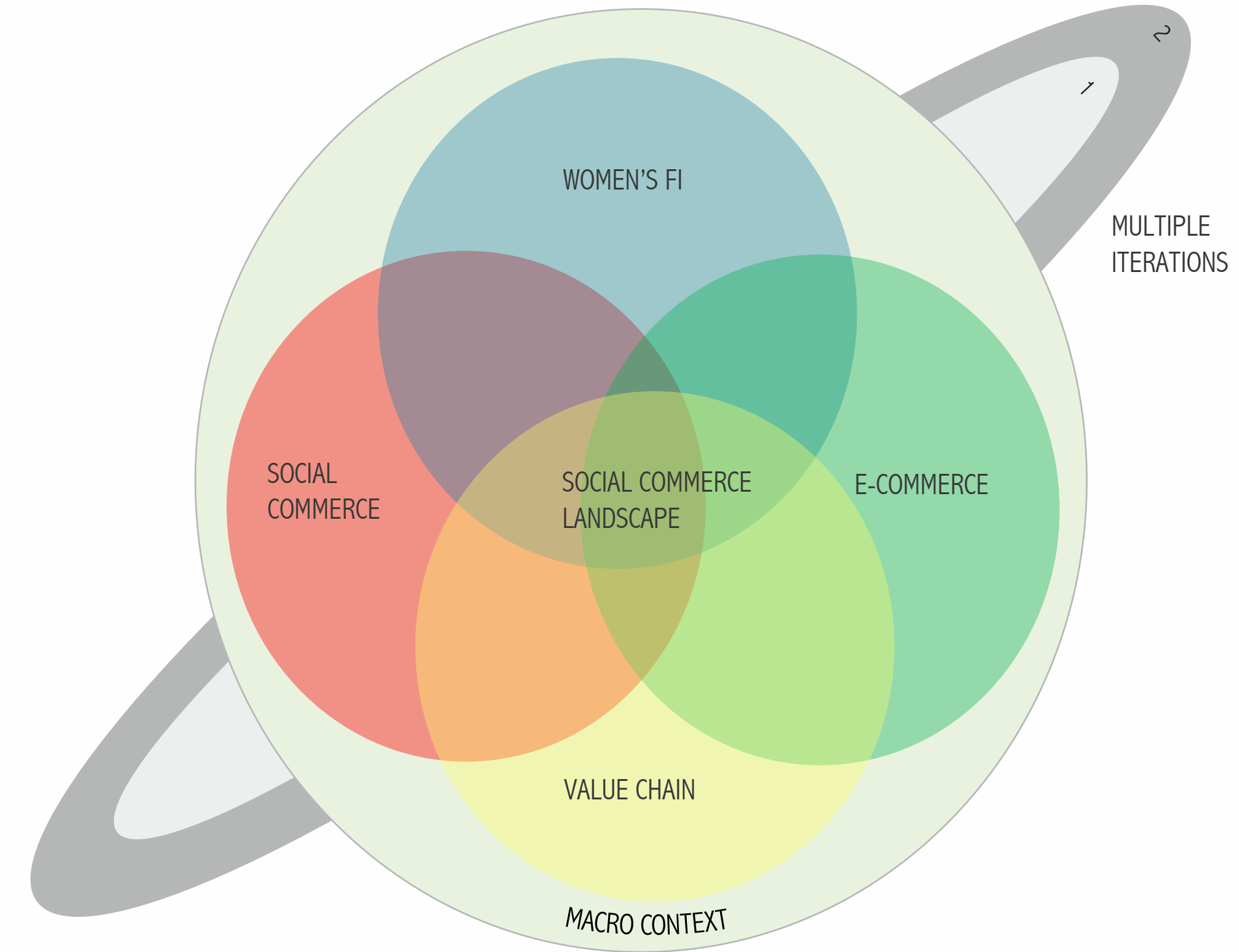
- i. Access
- ii. Payments
- iii. Savings
- iv. Credit
- v. Insurance

This study leverages five lenses to understand the social commerce landscape – Women’s Financial Inclusion, Social Commerce, e-Commerce, Value Chain and Macro Context.

The Macro Context includes the factors of the study with respect to Bangladesh, e.g. penetration of mobile phone and internet, use of digital payment, work participation rate of women, digital and financial literacy of women, etc. These are shown using the standard template in the following two slides.

A 2018 pi STRATEGY study found that e-commerce increased from \$25 million in 2014 to over \$200 million in 2017. This study forecasted that e-commerce market size will reach \$1 billion by the end of 2021^[1]. Currently, according to the e-Commerce Association of Bangladesh (e-CAB), an average of nearly 25,000 orders are placed online every day. The e-commerce market is growing especially fast in rural areas; in 2017, e-commerce grew 127 percent in urban areas and 167 percent in rural area^[2] albeit from a smaller base.

Bangladesh Bank, in October 2019, increased the limit and frequency of Mobile Financial Services (MFS) transactions for both “cash-in” and “cash-out” at the individual level^[3].



SOURCE

1. Could e-Commerce Bring Women’s Financial Inclusion in Bangladesh?, CGAP

<https://www.cgap.org/blog/could-e-commerce-bring-womens-financial-inclusion-bangladesh>

2. Interview with Rezwanul Haque Jami, Vice President of e-Commerce Association of Bangladesh

3. BB increases mobile banking transaction limit <https://www.dhakatribune.com/business/banks/2019/05/19/bb-increases-mobile-banking-transaction-limit-2>

Criteria	Description
Availability and prevalent usage of social platforms	Smartphone penetration: 45 million 31% adoption ^[1] Broadband (3G & 4G): 93.793 million ^[2] Unique mobile Subscriber: 164.170 million ^[3] Facebook: 25-30 Million users (28% Female, 72% Male) ^[4]
Financial Ecosystem	
i. Enabling digital payments infrastructure	DFS in Bangladesh is mainly synonymous to mobile financial services (MFS) due to the emergence of bKash in 2011. To open an MFS account at agent point, a customer requires a phone number, NID and a passport size photograph. Digital registration is available for some MFS providers (bKash, Nagad), for which customer needs a smartphone. bKash and Rocket has Bank to MFS transactions. DBBL's Rocket leverages the bank's large, nationwide ATM network for DFS transactions as well. Nearly US\$50 billion is transacted through 2.4 billion transactions by 50 million registered users annually in the country. There are 951,777 MFS agents (according to Bangladesh Bank; pi STRATEGY thinks this number is at most half). And available Agent Banking Network of 5,462 agents.
ii. Enabling credit infrastructure	Credit Information Bureau (CIB) collects credit related information of borrowers from banks and financial institutions and maintain the information in its database. The banks and FIs can access online database of CIB and collect credit information of its customer, when needed. They use the information to analyze repayment behavior of customer and avoid financing to any defaulter. Banks, Financial Institutions and Investment Corporation of Bangladesh (ICB) are currently participants of the CIB of Bangladesh Bank. These participants supply credit related information to CIB database. While lending to large companies, a detailed analysis of the potential borrower's financial standing, including past payment history, is found to be a sufficiently good predictor of the probability of default of those companies. However, the majority of the MSMEs and individuals are not included in the list of the Credit Information Bureau (CIB) of the central bank which leads to difficulties in accessing funds.

SOURCE

1. Mobile industry driving growth and enabling digital inclusion : <https://www.gsmainelligence.com/research/?file=a163eddca009553979bcd5f2ef0&download>
2. License and statistics: <http://www.btrc.gov.bd/telco/internet>
3. License and statistics: <http://www.btrc.gov.bd/telco/mobile>
4. Demographics of Facebook Population in Bangladesh, April 2018: <http://digiology.xyz/demographics-facebook-population-bangladesh-april-2018/#:~:targetText=There%20are%20approximately%2025%2D30,male%20and%2028%25%20are%20female.>

Criteria	Description
iii. Microfinance	In Bangladesh, more than a thousand institutions are operating microcredit programs, but only 10 large Microcredit Institutions (MFIs) and Grameen Bank represent 87% of total savings of the sector and 81% of total outstanding loan of the sector. ^[1] 47% of the total population has the access to useful financing ^[2] where 20.30 million women are MFI borrowers and 23.78 million are MFI clients which covers more than 90% users. ^[3] Bangladesh's MFIs cover some 32 million people, and give out credit of more than USD7.2 billion annually. This has created scope for people to become financially secure. Microcredit accounted for a 10 percent reduction in rural poverty in Bangladesh over that time—meaning MFIs lifted some 2.5 million Bangladeshis out of poverty over several decades. ^[4]
iv. Micro Insurance	The insurance system in Bangladesh consists of 2 state-owned corporations, 43 private sector general insurance companies, and 17 life insurance companies. The increasing participation of women in the agricultural sector in Bangladesh reinforces the need to consider the role of gender in decisions to purchase agricultural insurance. The Asian Development Bank (ADB) has been providing loans, technical assistance, and grants to Bangladesh to address vulnerability and accelerate growth. ^[5] 6.5 million lives are covered by micro-insurance in Bangladesh, leaving 90–94% of the poor without micro-insurance coverage. ^[6]

SOURCE

1. Financial System-MFIs : [https://www.bb.org.bd/fnansys/mfi.php#:~:targetText=Financial%20System&targetText=The%20member%2Dbased%20Microfinance%20Institutions,Market%20\(RFM\)%20in%20Bangladesh](https://www.bb.org.bd/fnansys/mfi.php#:~:targetText=Financial%20System&targetText=The%20member%2Dbased%20Microfinance%20Institutions,Market%20(RFM)%20in%20Bangladesh).
2. Financial Inclusion Insights. (2018). Bangladesh. Retrieved from Financial Inclusion Insights: <http://finclusion.org/country/asia/bangladesh.html>
3. EXPANDING WOMEN'S FINANCIAL INCLUSION IN BANGLADESH THROUGH MSME FINANCE POLICIES : https://www.afj-global.org/sites/default/files/publications/2017-02/AFI_bangladesh_case%20study_AW_digital.pdf
4. How microfinance has reduced rural poverty in Bangladesh: <http://www.ifpri.org/blog/how-microfinance-has-reduced-rural-poverty-bangladesh>
5. Developing Microinsurance Sector in Bangladesh : <https://www.adb.org/sites/default/files/publication/28949/developing-microinsurance-ban.pdf>
6. Micro-insurance in Bangladesh: Risk Protection for the Poor?.



Criteria	Description
Enabling logistics infrastructure	<ul style="list-style-type: none"> i. Telecom Provider's Distribution Network (300,000 – 400,000 agents) ii. Union Digital Center (UDC) Entrepreneurs in more than 4,500 unions iii. Nationwide courier service – Sundarban Courier Service, S.A. Paribahan iv. Urban focused delivery networks – Pathao, Shohoj, e-Courier, MeghSawr, Biddut, etc. v. Number of post offices: 8500 ^[1]
Women in Business	<ul style="list-style-type: none"> i. Women business leaders: 10.6% ii. Women business owners: 4.4% (2019), 4.2% (2018) iii. Women's Advancement Outcomes Ranking : 58 (Lowest) ^[2] iv. Firms with Female Top Manager: 4.8% (2013) v. Ratio of female to male labor force participation rate (%) (modelled ILO estimate): 44.501 (2019) ^[3]
Women's Associations	<ul style="list-style-type: none"> • Women Entrepreneur Association of Bangladesh (WEAB) was established in year 2000, by a select group of businesswomen. Their aim was to create a platform to help business women establish themselves in a competitive field, dominated by men. The main object of WEAB was to develop a support system for women entrepreneur to not only improve the quality of their products, to meet the changing market demands, but also to impart training on technical knowhow, design and to create marketing links for their products. ^[4] • Bangladesh Women Chamber of Commerce & Industry (BWCCI), the first chamber of commerce in the country exclusively working on women's economic and social empowerment. It is a non-profit, non-political organization established in June 2001 with an enlightened aim to encourage and strengthen women's participation in the private sector as entrepreneurs through promoting a women friendly business environment. BWCCI is a strong community voice, lobbying for micro to macro women entrepreneurs to assist their growth and to improve their social and economic prospects. ^[5] • Bangladesh Federation of Women Entrepreneurs (BFWE), founded in 2006, is a non-profit professional organization in Bangladesh. BFWE offers a wide range of benefits and networking opportunities. BFWE encourages women to support each other, to enhance recognition of the achievements of women in business and the professions, and promotes the growth of women-owned enterprises through research and sharing information. ^[6]

SOURCE

1. Post offices going for e-commerce services: <https://www.thedailystar.net/business/post-offices-going-e-commerce-services-154090>
2. Mastercard Index of Women Entrepreneurs 2019 (<https://newsroom.mastercard.com/wp-content/uploads/2019/11/Mastercard-Index-of-Women-Entrepreneurs-2019.pdf>)
3. The World Bank indicator (<https://data.worldbank.org/indicator>)
4. WEAB website (<http://www.weabbd.com/>)
5. BWCCI website (<http://www.bwcci-bd.org/>)
6. BFWE website (<http://www.bfwe.net/>)



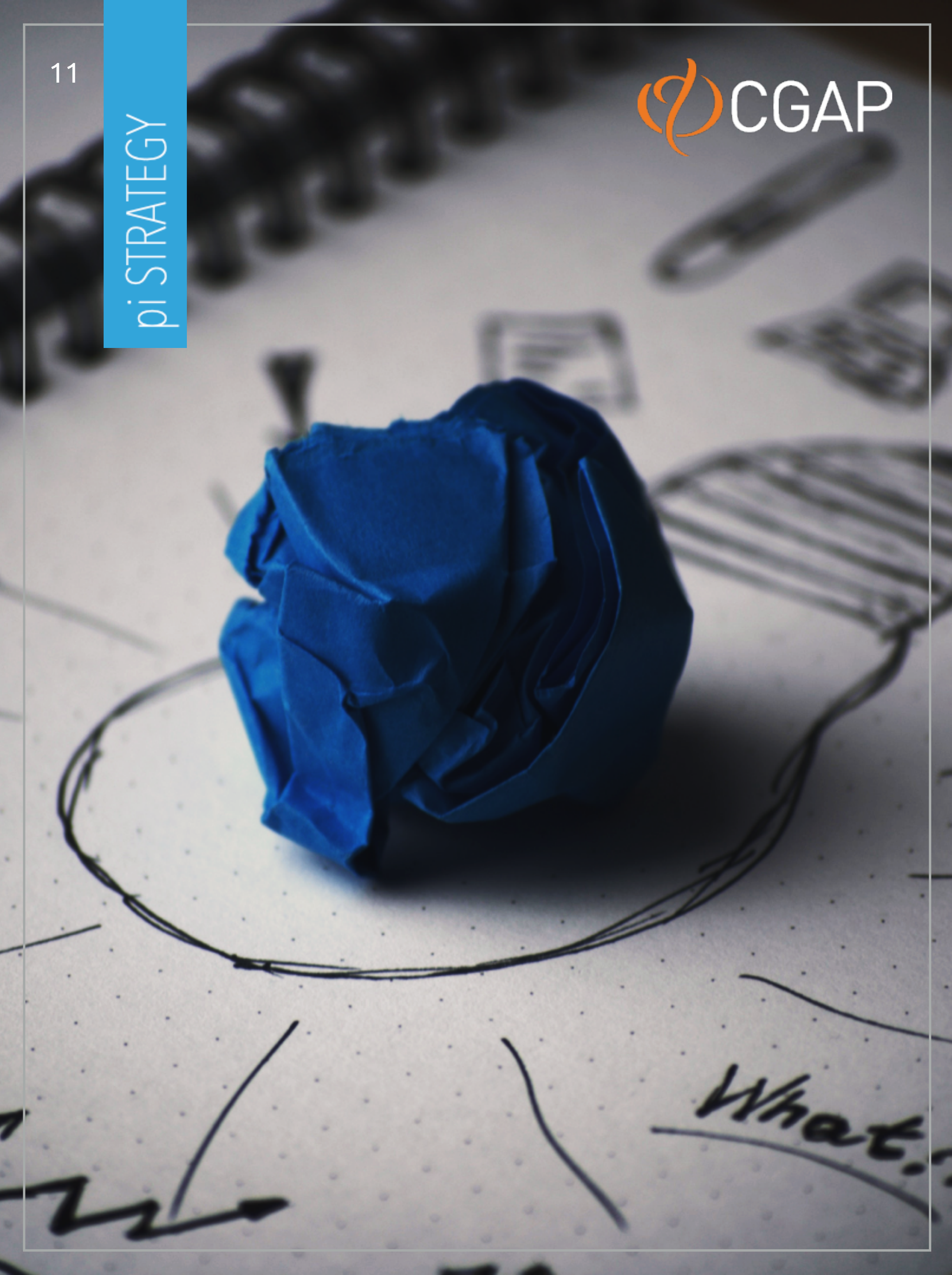
Criteria	Description
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Human capital and endowments	<p>Global Findex 2017</p> <ul style="list-style-type: none"> • 36% females have account with a bank or another type of financial institution or have personally used a mobile money service compared to 65% males • 32% females have accounts with FIs compared to 50% males • 10% females have mobile money account compared to 32% males • 3% of the females have used the internet to pay bills or to buy something online in the past year compared to 4% of the male population. • 4% of the female population own a debit card compared to 9% males <p>FII InterMedia 2018</p> <ul style="list-style-type: none"> • 59% of the female population and 84% of the male population owns a mobile phone • 24% of the female population and 33% of the male population have financial literacy
Intermediaries	This report breaks down the intermediaries into a number of sub-categories – these are included in the Other Ecosystem Players section at the end of this document.

SOURCE



Criteria	Description
What government or industry initiatives are in place to support capacity building for social commerce?	<p>In view of the need to bring the rural womenfolk in the development stream of the country, the Government, the NGOs and other related agencies have provided opportunities to promote entrepreneurial skill among women. On behalf of the government, Bangladesh Shilpa Rin Sangstha (BSRS) has introduced policies and schemes to promote the development of women entrepreneurship. However, very few women entrepreneurs have so far taken loan from BSRS. This is because the loan granting process and the required documentation make it difficult for women to get the loan.</p> <p>There are short courses offered on digital marketing (a key skill for social commerce) at various training facilities. They range from 1-day training to week-long training. We, however, have not seen any quality or efficacy assessment of those training programs.</p>
Sectors of concentration	Clothing, electronics & electronic accessories, cosmetics (including skin and haircare products).
Start-ups and Technology Solutions focused on women	<p>Romoni.xyz is the first on-demand marketplace of services provided by women and for women in Bangladesh. Winner of the Best Social Innovation award of Bangladesh Innovation Award,2019, it is a tech-based on-demand platform for connecting women belonging to the low-middle to middle income demographics with skills in the boutique service and product industries such as beauty, crafts, to the marketplace directly and boosting their income.</p> <p>Maya Apa is smartphone application that is re-inventing the way people in developing countries access specialist medical advice. The aim of the app is to provide quality information and counseling services to the disadvantaged people of Bangladesh, especially women. The app was launched in February 2015, in partnership with Bangladesh Rural Advancement Committee (BRAC).</p> <p>Meye is a non-profit, voluntary, and organic network of Bangladeshi women, advocating women's solidarity, empowerment and leadership. Founded in 2011, Meye has created a community of over seven thousand women and organizes events celebrating passion and entrepreneurship.</p>

SOURCE



DEFINING SOCIAL COMMERCE

Social commerce is an informal mechanism of buying and selling products and services leveraging social media platforms.

Historically, e-commerce has been around since the mid 1990s, while s-commerce came into the scene during the post Facebook era (late 2000s). At a basic level, both platforms allow sellers to showcase their products and buyers to view, choose, and order some of those products. The difference between the two platforms are shown here:

Types of Digital Commerce	Characteristics
e-commerce	Formal
	Allows digital payments (but COD is still most commonly used)
	B2B2C (marketplace) business model (predominantly)
	Large selection of products (but limited value-addition) – high GMV
	Commoditized communication/interaction (including chatbots)
	Marketing – platform driven
	Delivery – platform driven
Social Commerce	Informal
	Little or no digital payments (nearly all COD)
	B2C business model
	Small selection of products (but with value-add) – low GMV
	Highly personalized communication/interaction
	Marketing – self driven (often starting with personal networks)
	Delivery – self initiated (own service or third-party service)

DEFINING
SOCIAL
COMMERCE

To understand the landscape of social commerce in Bangladesh, we have conducted several one-on-one interviews, held multiple FGDs and ran a small online survey. We have interviewed the senior management of four e-commerce sellers and three ecosystem players. Two separate FGDs for the social commerce sellers and online buyers included a group of four and a group of eleven respectively. The online survey had 32 respondents.

The expert consultations of both the market players and ecosystem players, as well as the buyers and sellers have provided us with a holistic look at the s-commerce (and e-commerce) landscape. We explored the market from a gender perspective in terms of preference for type of platform, frequently purchased products, payment modes used, innovation that may accelerate the market in a meaningful way, issues relating to logistics, trust etc. A number of insights were generated from this primary research.

The following slides highlight the findings from this primary research. (Please note that additional analysis is currently underway and the results from that analysis will be included with the Final Report.)



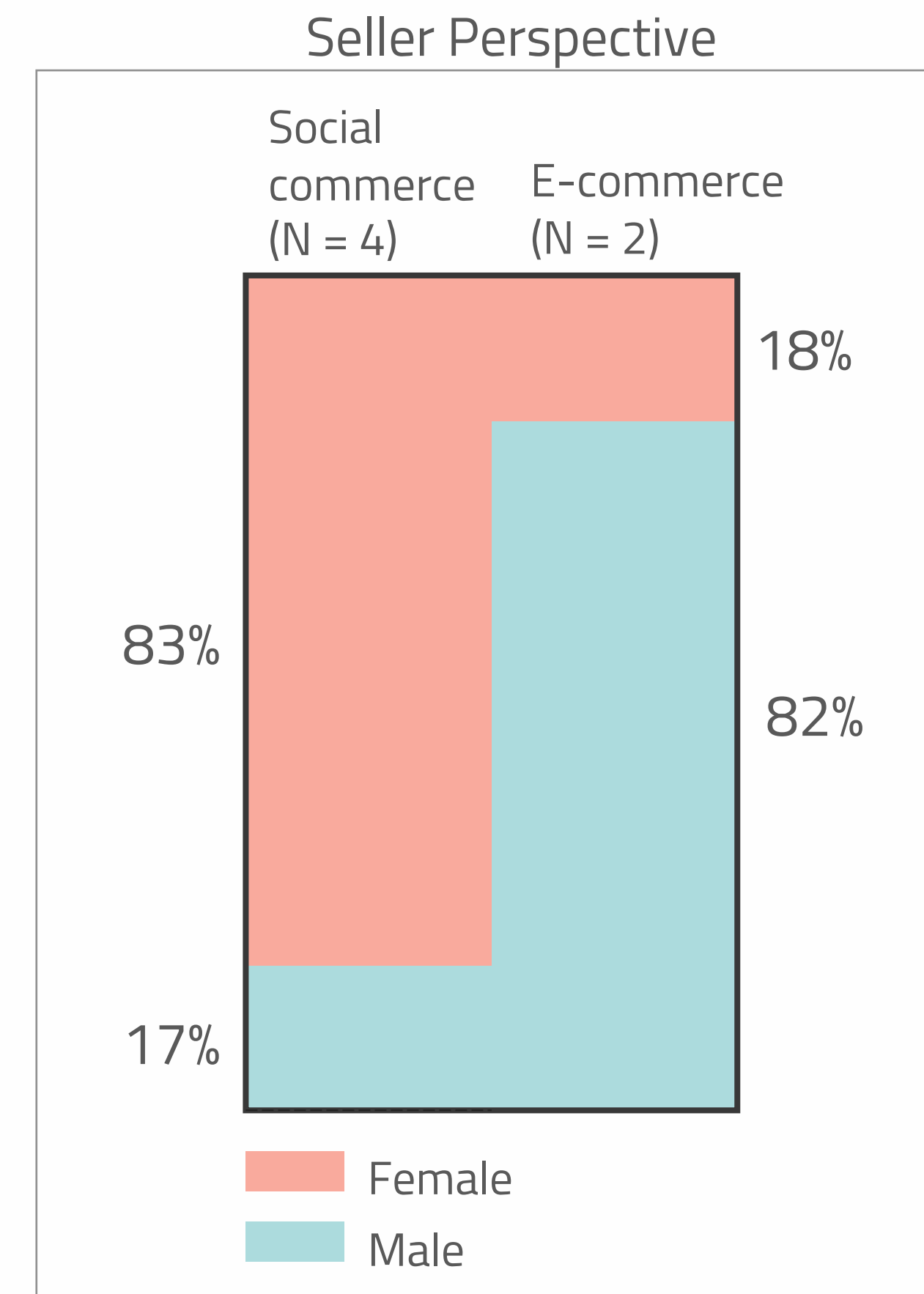
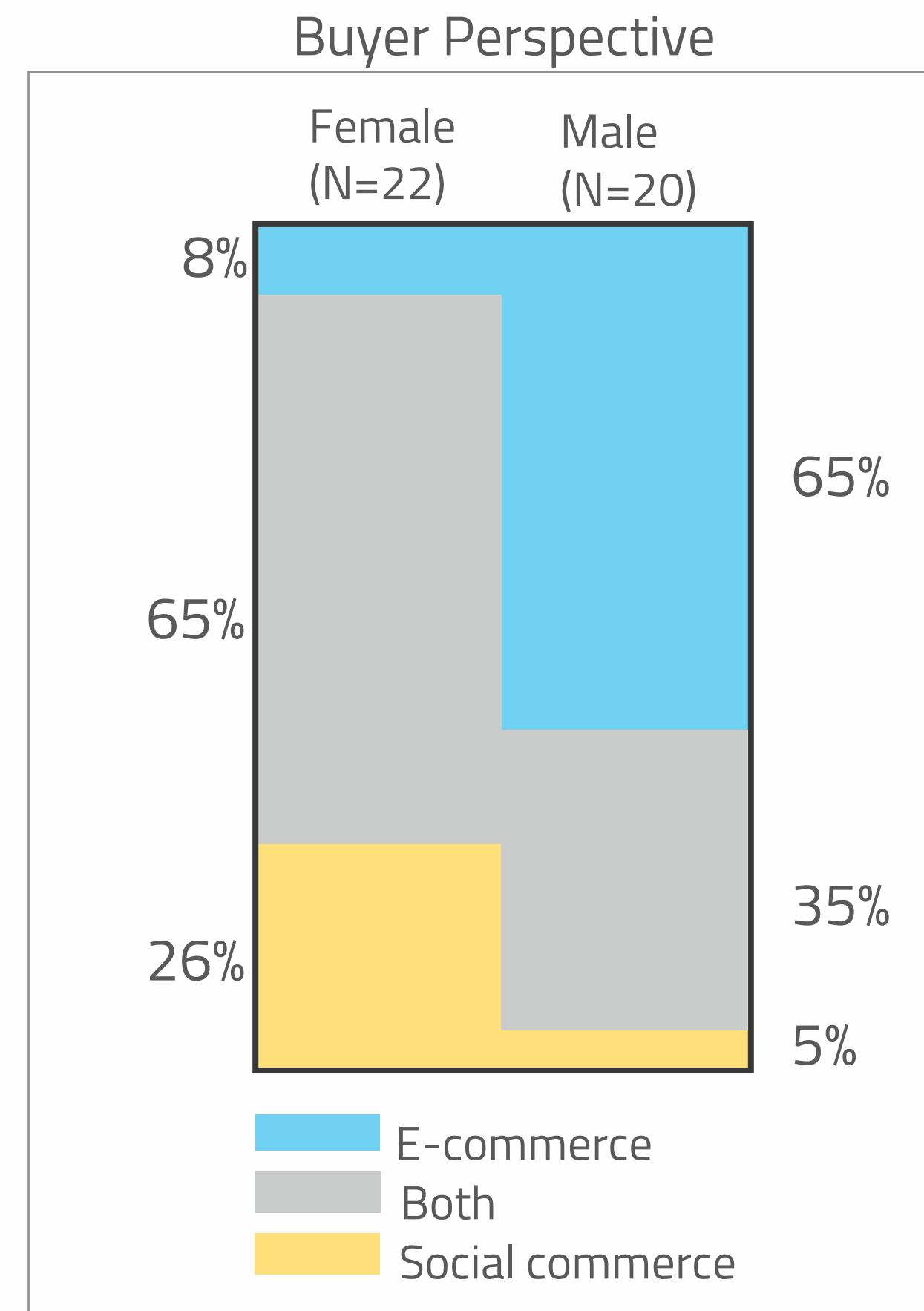
RESULTS
FROM
PRIMARY
RESEARCH

TYPE OF ONLINE PLATFORMS BY GENDER

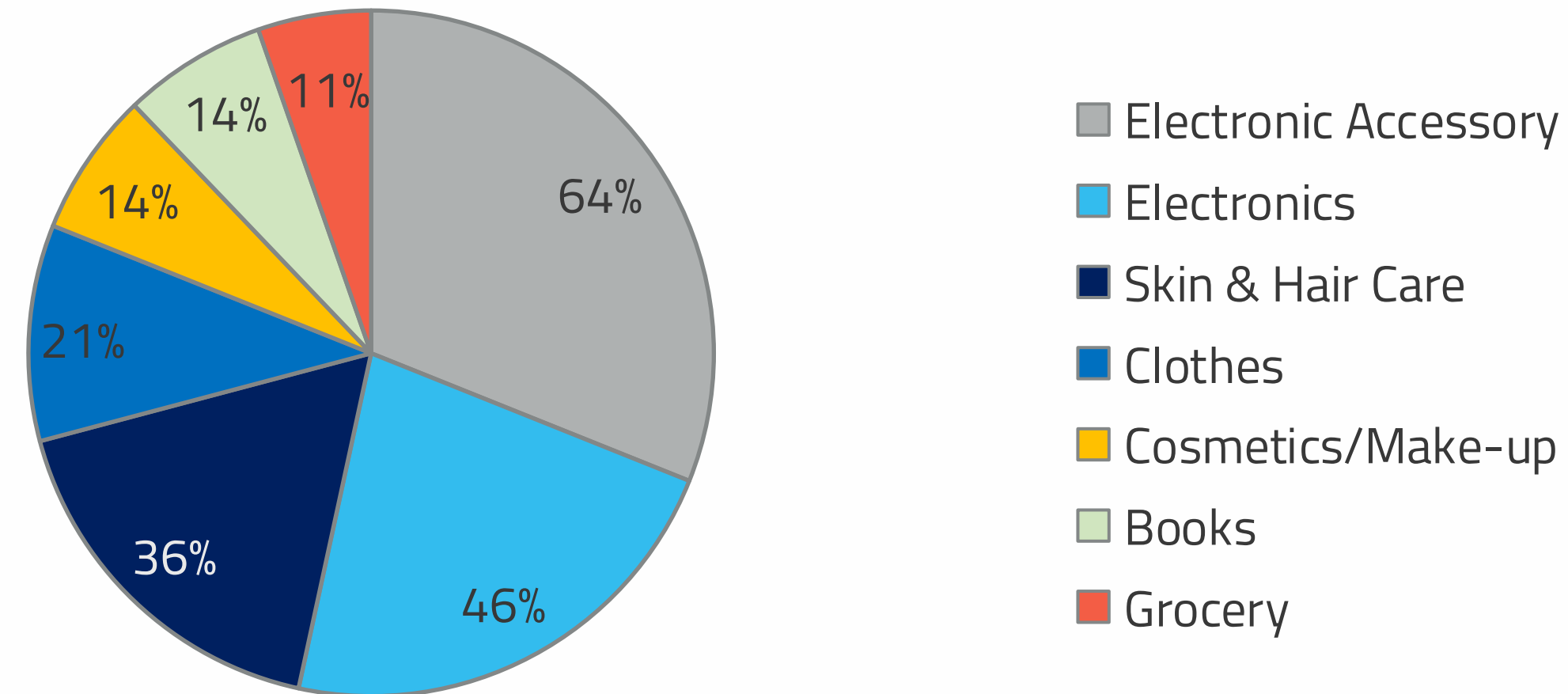
The buyers were asked where they shopped online - e-commerce, social commerce or both; the first figure shows that 8% females shops only from e-commerce, 26% only from social commerce and 65% from both. 65% of the male respondents shop only from e-commerce, 5% only from social commerce and 35% from both online platforms. This is shown below in the figure 'Buyer Perspective'.

E-commerce and social commerce merchants were asked about male-female ratio in their customer base. According to the four social commerce merchants interviewed, 83% of their customers are female. According to the two e-commerce merchants interviewed, 18% of their customers are female. This is shown below in the figure 'Seller Perspective'.

From both buyer and seller perspective, it is observed that female participation is higher in social commerce in comparison to e-commerce.



What types of products do you usually buy from an e-commerce website?
(N = 28)



From these 2 charts, we can see the similarities and dissimilarities between the top product categories purchased from e-commerce and social commerce (Facebook pages/groups in the case of Bangladesh).

Top Categories for e-commerce are –

- 1. Electronic Accessory (64%)**
- 2. Electronics (46%)*
- 3. Skin & Hair Care Products (38%)**

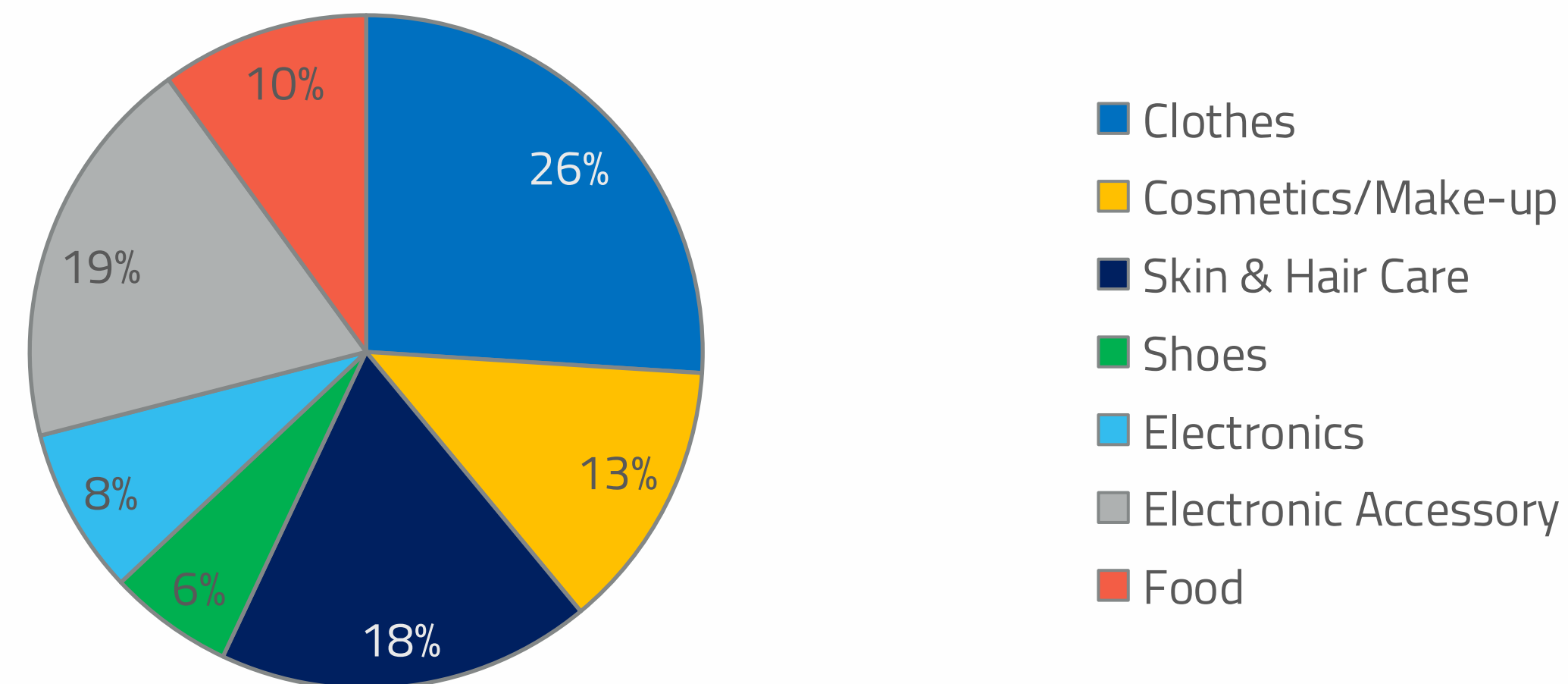
Top Categories for social commerce are –

- 1. Clothes (26%)*
- 2. Electronic Accessory (19%)**
- 3. Skin & Hair Care Products (18%)**

* Similar product categories have Bold fonts and dissimilar categories have Italic fonts.

From this, it can be deduced that people make high value purchase from e-commerce more frequently (e.g. electronics), whereas, clothing is more frequent for social commerce purchase. This may be the case because of more personalized interaction through Facebook.

What type of products do you usually buy from a Facebook page/group?
(N = 28)





PRODUCT CATEGORY/
GENDER

Chart 1: Products purchased by Men from e-commerce (N=15)

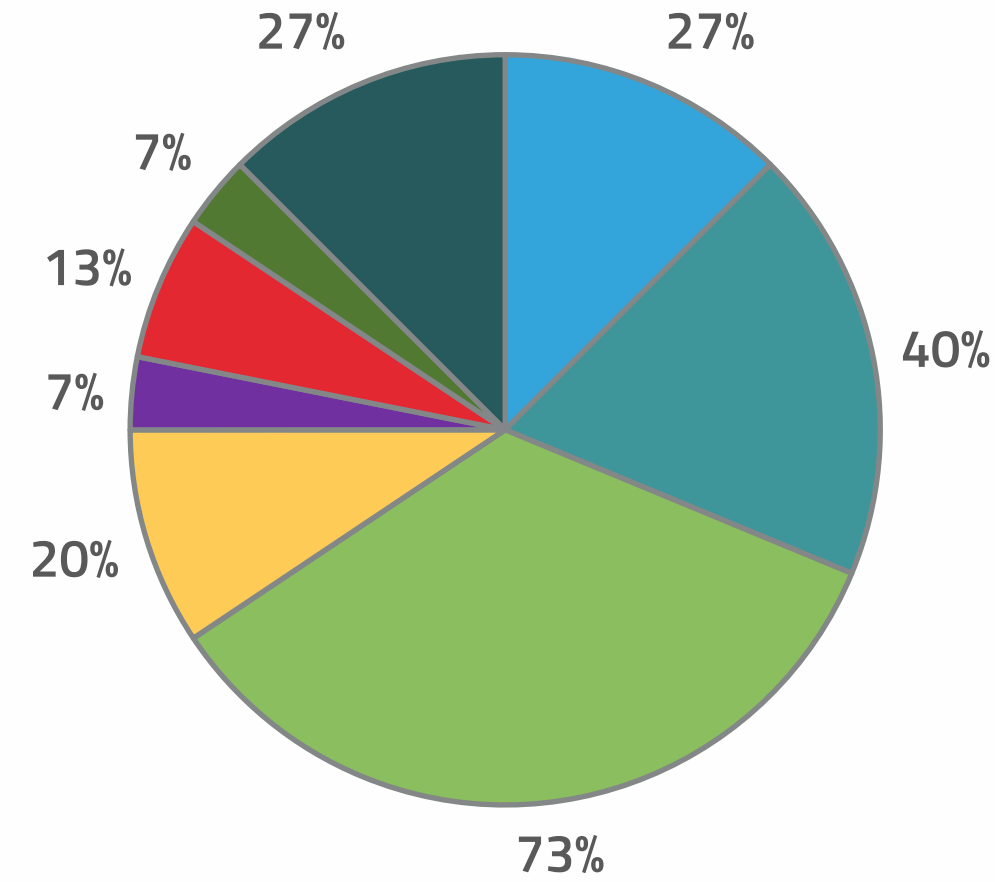
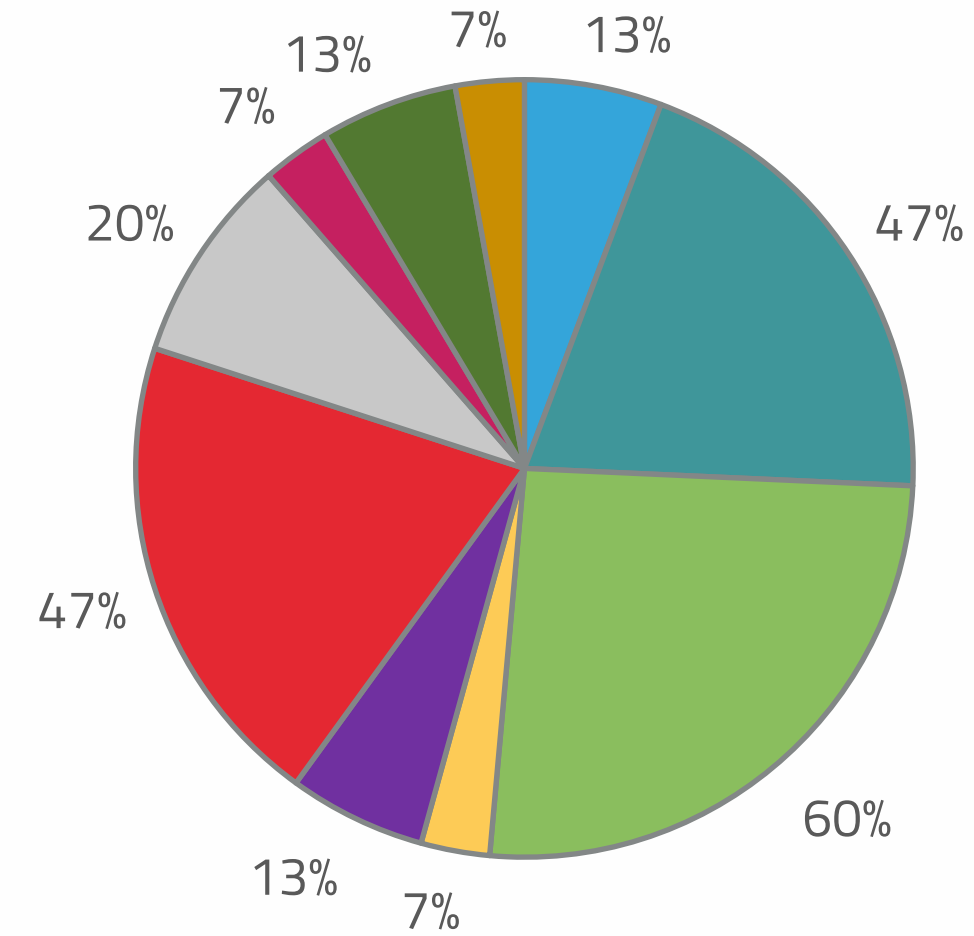


Chart 2: Products purchased by Women from e-commerce (N=15)



- Clothes
- Electronics
- Electronic Accessories
- Shoes
- Home Decor
- Skin & Hair Care
- Cosmetics/Makeup
- Food
- Groceries
- Books

Chart 3: Products purchased by Men from social commerce (N=11)

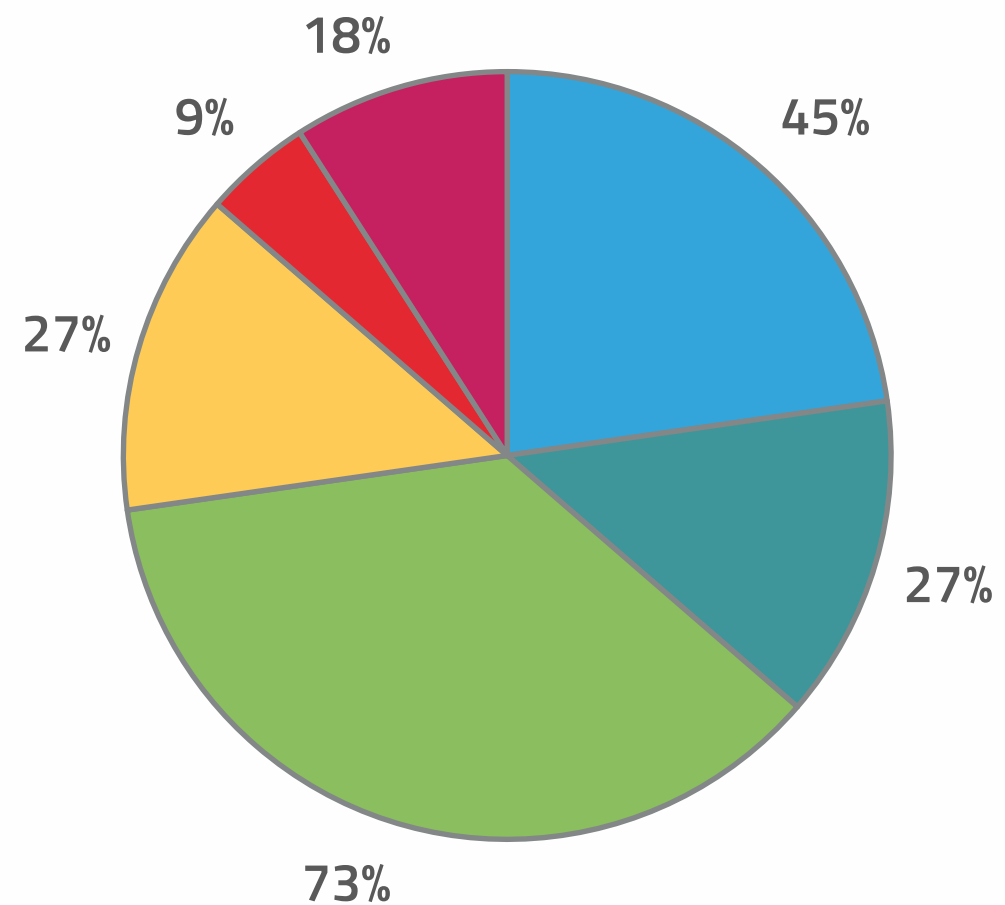
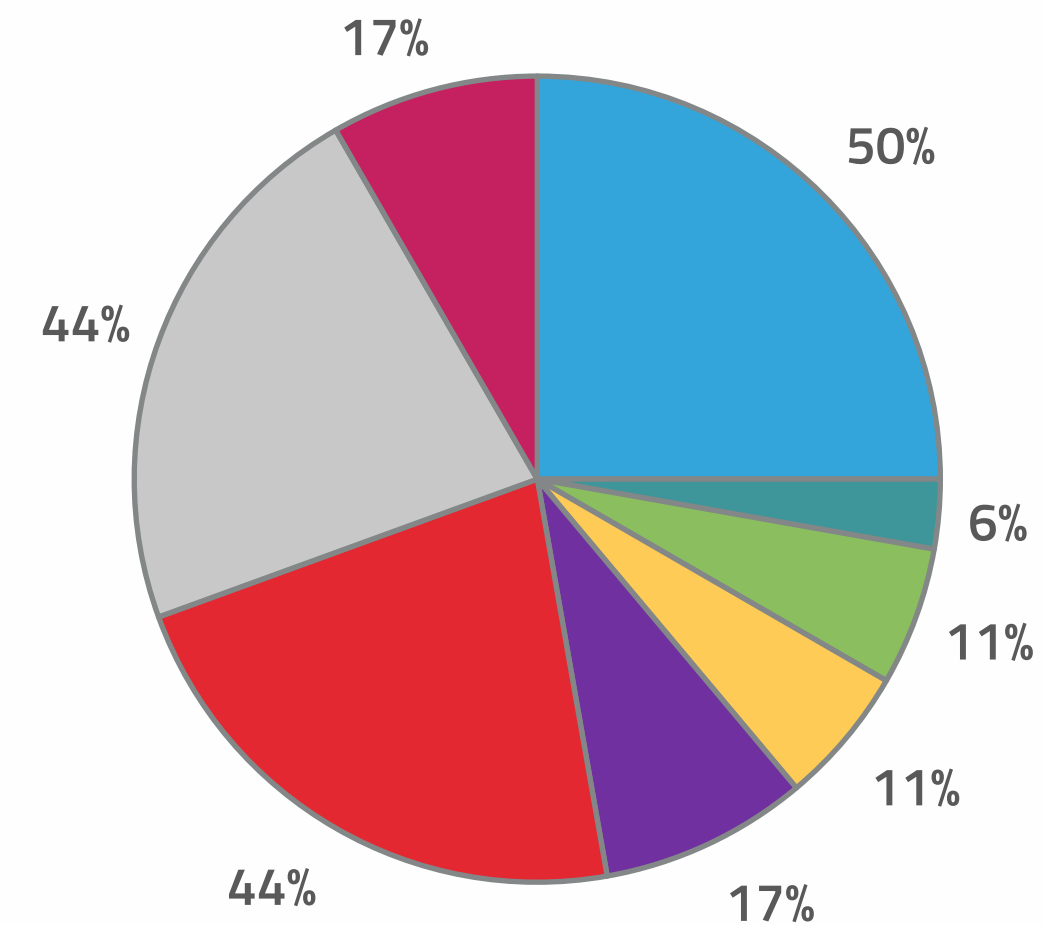


Chart 4: Products purchased by Women from social commerce (N=18)



The noticeable difference in purchase trend of men and women for e-commerce lies in purchase of skin and hair care, cosmetics/makeup and groceries.

For social commerce, men and women show distinctive purchase trend for electronic accessories, electronics, skin and hair care, and cosmetics/makeup.

From the previous slide we can compare products categories purchased by men and women in e-commerce and social commerce platforms.

From Chart 1 & 2 we see that 'Electronic Accessory' is the most popular category in e-commerce both among men and women. 'Electronics' is the second most popular. Although in both cases, the percentage of men is higher than that of women. That is more men buy electronic accessory and electronics than women in e-commerce.

From Chart 1 & 3 we see that 'Electronic Accessory' is the most popular product category for men in both e-commerce and social commerce. The second most popular product among men, in e-commerce is Electronics (40%), third is Clothes (27%). However, in social commerce it flips; the second most popular product among men here is Clothes (45%) and third is Electronics (27%).

From Chart 2 & 4 we see that 'Electronic Accessory' (60%) is the most popular product category among women in e-commerce. However, in social commerce, the most popular category is Clothes (50%). Second among women in e-commerce is Electronics (47%) and Skin & Hair Care Products (47%). Second among women in social commerce is Cosmetics (44%) and Skin & Hair Care Products (44%).

From Chart 3 & 4 we see, Electronic Accessory (73%) is the most popular category in social commerce among men and among women it is Clothes (50%). Second among men in social commerce is Clothes (45%) and third is Electronics (27%) and Shoes (27%). Second among women in social commerce is Cosmetics (44%) and Skin & Hair Care Products (44%); third is Home Décor (17%) and Food (17%).

Common among men & women in e-commerce - Electronic Accessory, Electronics

Common among men & women in social commerce – Clothes

Common for men in e-commerce and social commerce - Electronic Accessory, Clothes, Electronics

Common for women in e-commerce and social commerce – Skin & Hair Care Products

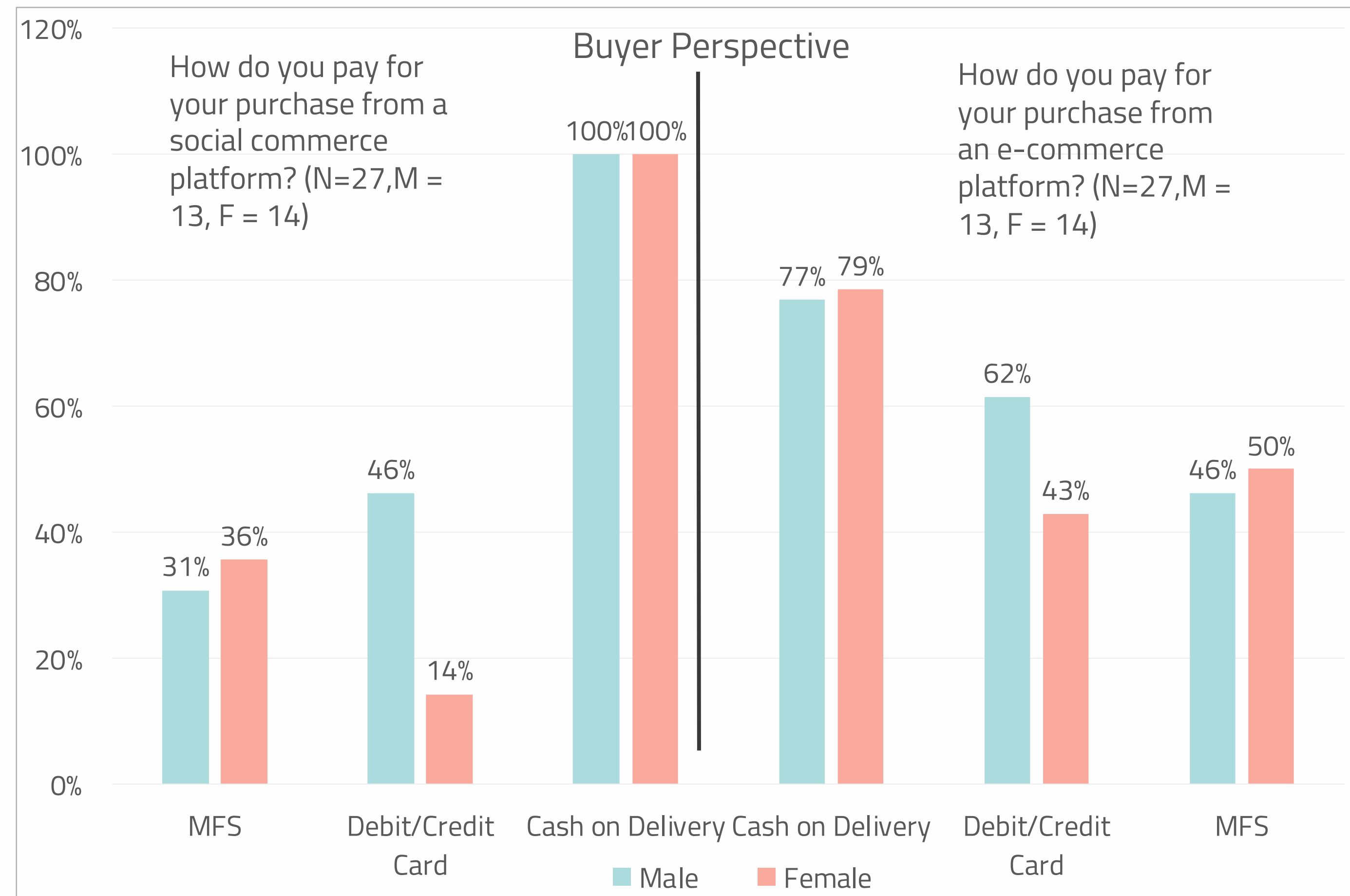
PRODUCT
CATEGORY/
GENDER

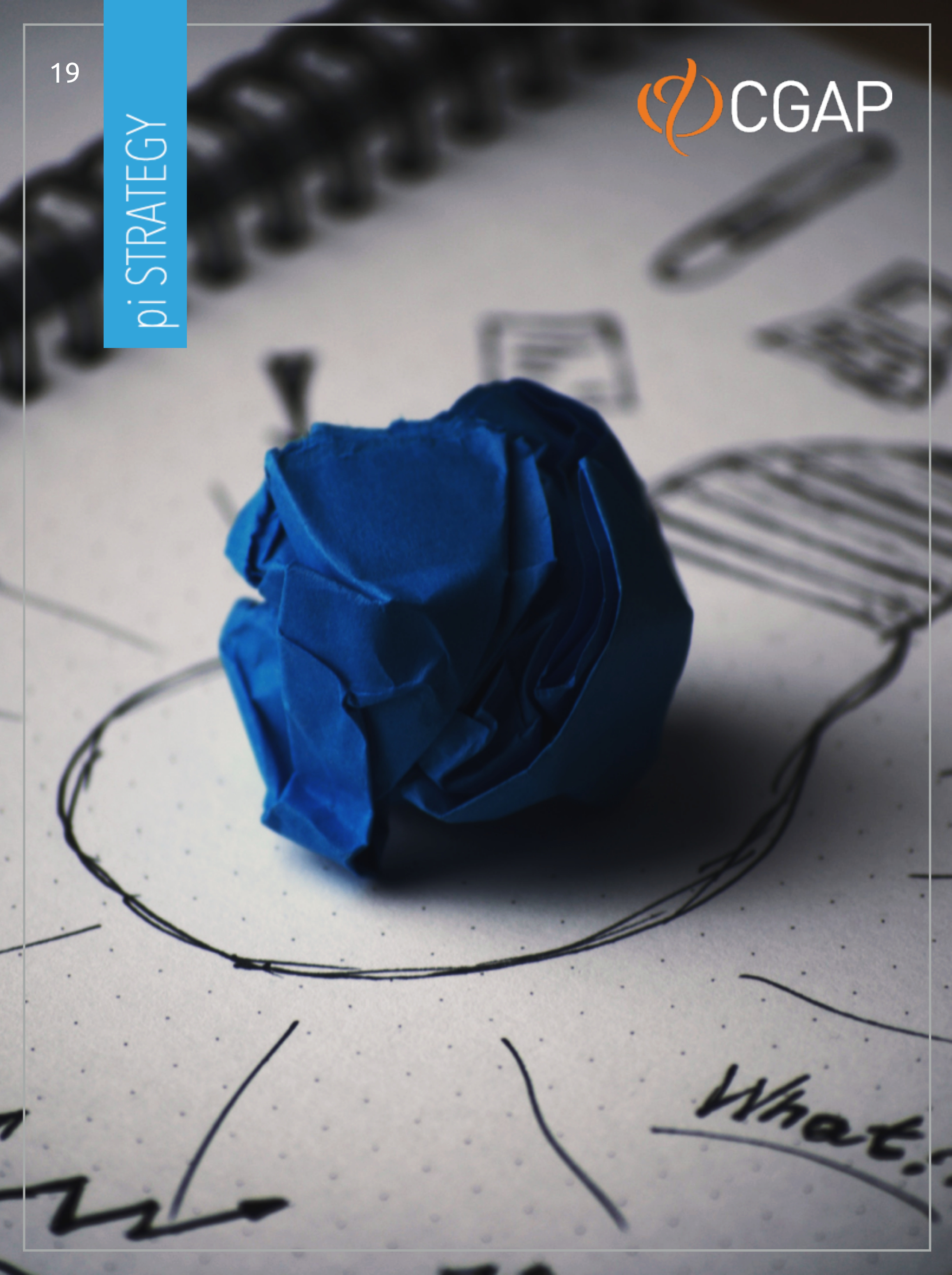
PAYMENT METHOD/ TYPE OF ONLINE PLATFORMS

Both e-commerce and social commerce customers were asked about their payment methods.

For social commerce, 36% of the female respondents have used MFS and 14% have used debit/credit card to make payment, in addition to cash-on-delivery. For e-commerce, use of digital payment by women was higher (50% have used MFS; 43% have used debit/credit card) and use of cash was lower (79%), in comparison to social commerce.

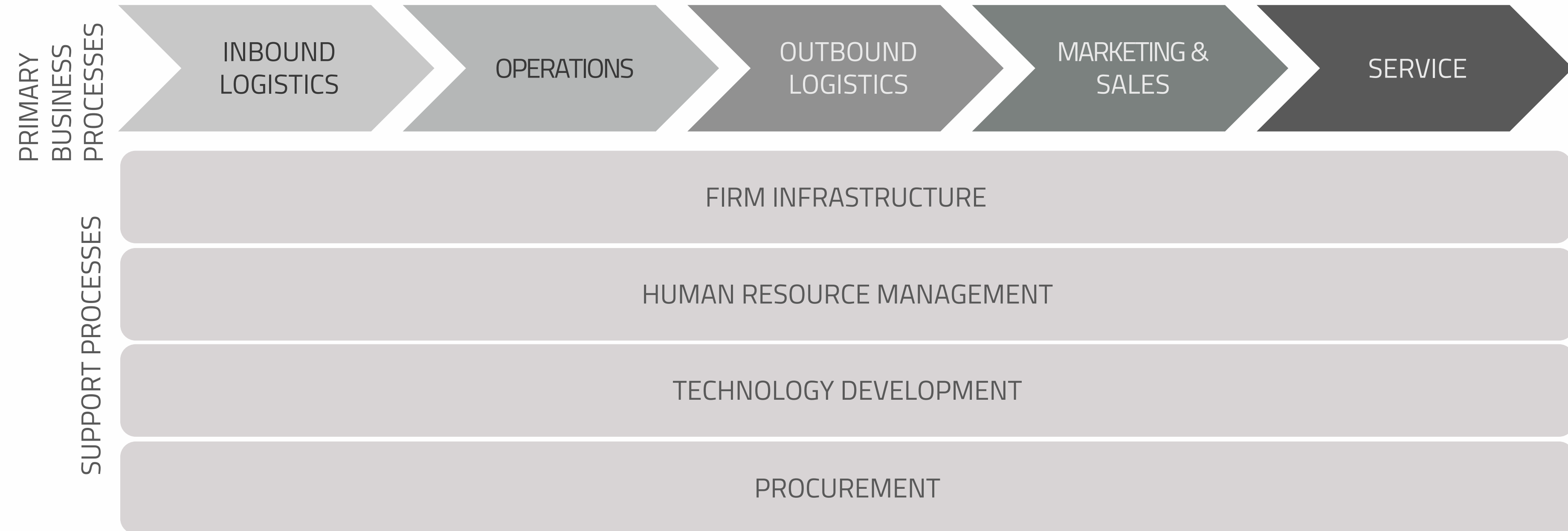
The gender gap in MFS payment for both e-commerce and social commerce is significantly lower than the gender gap of card payment.





SOCIAL COMMERCE

To better understand how entrepreneurs run their businesses on social commerce platforms, this study used the classic value chain model framework, as shown below:



The classic model is re-sequenced a little to fit the social commerce ground realities – the Marketing & Sales component is repositioned between Operations and Outbound Logistics.

In some social commerce cases, the Marketing & Sales component is carried out even earlier – between Inbound Logistics and Operations, and sometimes prior to Inbound Logistics. However, those are more of an exception to the rule rather than a predominant phenomenon, and hence, not reflected in the re-sequenced value chain model.

SOCIAL
COMMERCE
SELLER: VALUE
CHAIN

The social commerce players in Bangladesh are highly informal and as such, lack concrete firm infrastructure, meaningful technology development etc. A lot of these businesses are conducted by 1-3 in-house folks and the rest of the work of the business is mostly outsourced. These social media businesses are also highly specialized. For example, a Facebook page may only sell salwar kameez (women's clothes). However, the continuous back and forth communication with the customers also allows for high degree of personalization. Here, the value chain for only product-based social commerce is shown here. Depending on these factors, we have divided the social commerce businesses into two categories:

Resale Model:

In this model, the sellers usually import the products or source the finished products from wholesale markets, and sell those directly in their pages with no value addition.

Value Addition Model:

In this model, the sellers perform value adding activities, like creating assortment of products, accommodating customers preference to a limited extent by changing the color of a clothing piece in an assortment, or designing products. The design of the value addition may come from sellers' end or sometimes it may come from customers' preferences.

Although we see some cases of initial product assortment (e.g. gift basket) which can be termed as limited or minimal value addition, this model is not large enough and often is not distinct enough to be included as a separate model in the study. That's why, while describing the value chain for social commerce, we keep the content limited to these two models. It should be mentioned that, we also noticed resellers performing some activities of value addition model and sellers of value addition model performing some activities of resale model as well. Going forward, this report delves deeper into the primary business processes. The main components of the primary business remain same for different models, but the activities under these components have some distinctive features. The supporting business processes are similar for different models and are described as following:

Firm Infrastructure: The social commerce entities more than often do not have any formal location or formal registration for their businesses. These businesses are conducted from the sellers' home. However, some of these businesses have been able to scale up substantially. In those cases, they often open a physical store or also create e-commerce website presence or both.

Human Resource Management: The small social media businesses usually consist of friends and family of the seller. Only after substantial growth, these businesses hire a few people for sales and management.

Technology Development: Unless a social commerce moves to an e-commerce website, these have little to no technology development. However, smartphones (and various apps) are used quite extensively.

Procurement: The sellers procure the packaging materials and other printing elements.

The value chain for resale model is further described below:

Inbound Logistics:

- **Origin of Goods:** The apparel resellers are often connected with Pakistani and Indian apparel exporters and importers. These exporters and importers usually have warehouses in wholesale informal markets. In few cases, the exporters and importers often reach out to the sellers and offer them products on credit to facilitate onboarding. In case of cosmetics, stationary, electronics, electronic accessories, sellers usually make online purchase with credit card. Some also go to India or Thailand to bring in products.
- **Delivery 1:** The suppliers deliver goods to the social commerce sellers' home or shop. It is not uncommon to see sellers picking up goods from the suppliers as well. Sellers also receive goods through third party delivery.
- **Payment 1:** This payment is received by the suppliers from the sellers on cash usually. But, in some instances, the social commerce sellers transfer money through MFS as well. In some cases, the suppliers sell products on credit, which the social commerce sellers repay within a predefined period. Sellers, making online purchases for procuring the goods, pay with credit card in advance to delivery.
- **Stock:** Social commerce usually store their products either at their homes.

Operations:

- **Customization:** The resellers usually source and sell finished products, leaving little room for customization. But sometimes, the sellers are found to sell product baskets as well.
- **Production:** Resellers do not engage in production. But a handful apparel resellers initiate to create new designs by mixing and matching different fabrics and design materials available with their suppliers.

Marketing and Sales:

- **Promotion and Display:** Irrespective of the type of products the social commerce sellers sell, the promotion and display of the products are mostly done through Facebook pages and groups. In the case of apparel and cosmetics sale, sharing live video through Facebook is quite popular.
- **Order Collection:** The social commerce sellers receive their orders through Facebook Messenger. In few cases, they also receive orders through phone calls and SMS.
- **Payment 2:** Advance payment is often seen as security money and is usually paid by the buyers through MFS (bKash) to sellers. Full advance payment is a rare practice.

Outbound Logistics (Distribution):

- **Packaging:** Packaging is usually done by the sellers and their employees.
- **Delivery 2:** Usually social commerce sellers use third party delivery network to deliver the products. However, a lot of these sellers start with a self-delivery network of themselves, their friends and family.
- **Payment 3:** Cash on Delivery is the most commonly method of payment from buyers to an intermediary like third-party delivery network. In some instances, buyers also pay through MFS directly to sellers upon receiving the products. These are often sent to someone as gifts, or received by someone else at home.
- **Payment 4:** The cash collected by the intermediary is transferred to seller through bank account or bKash and sometimes on cash.

Service:

- **Customer Feedback:** Customer feedback is usually received through Facebook and Facebook messenger.
- **Product Return/ Exchange:** The product is returned or exchanged through the usual delivery channel.
- **Refund:** The buyers are refunded through MFS usually.

The value chain for value addition model is further described below:

Inbound Logistics:

- **Origin of Goods:** The sellers of this model were found to rely mostly on local informal merchants for their raw materials or products like fabrics, clay etc. Some also bring in exclusive raw materials online from abroad.
- **Delivery 1:** Generally, the social commerce sellers pick up the products from the local merchants. If ordered through online, they receive the products through third party delivery.
- **Payment 1:** This payment is received by the suppliers from the sellers on cash usually.
- **Stock:** Social commerce usually store their products either at their homes or at their shops.

Operations:

- **Customization:** The sellers add designs and customize their products. Some social commerce sellers also offer to customize these products as their customers demand. Sometimes the sellers have connection with factory workers who make the necessary customized equipment for them.
- **Production:** These sellers often make products like jewelries, candles etc. from scratch.

Marketing and Sales:

- **Promotion and Display:** Irrespective of the type of products the social commerce sellers sell, the promotion and display of the products are mostly done through Facebook pages and groups. Some sellers also display their finished products as sample. In that case, this activity takes place before operation.
- **Order Collection:** The social commerce sellers receive their orders through Facebook Messenger. In few cases, they also receive orders through phone calls and SMS. Sometimes, the sellers offer personalization to customers. In that case, the order collection takes place before operations.
- **Payment 2:** Advance payment is often seen as security money and is usually paid by the buyers through MFS (bKash) to sellers. Full advance payment is a rare practice. Sometimes it takes before operations.

Outbound Logistics:

- **Packaging:** Packaging is usually done by the sellers and their employees.
- **Delivery 2:** Usually social commerce sellers use third party delivery network to deliver the products. However, a lot of these sellers start with a self-delivery network of themselves, their friends and family.
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Service:

- **Customer Feedback:** Customer feedback is usually received through Facebook and Facebook messenger.
- **Product Return/ Exchange:** The product is returned or exchanged through the usual delivery channel.
- **Refund:** The buyers are refunded through MFS usually.

The following slides contain personas of social commerce sellers.

The personas consist of capstone information (name, age, educational qualification, personal income, etc.), motivations, financial needs, cultural barriers and overcoming them, increased opportunities of livelihood creation.

Each persona also include the level of financial inclusion, which has been divided into – **Access, Usage, Savings, Credit** and **Insurance**. Individuals who have ever used a formal FI, MFS, MFI or who have an account registered in their name or a joint account in their and someone else's name has access. Usage can be divided into 2 segments – Basic (cash-in/deposits, cash-out/withdrawals, money transfers to another individual, account maintenance, airtime top-up) and Advanced (saving, borrowing, insurance, investment, paying bills, receiving wages or government benefits). If an individual is a basic user, s/he was given a score of 50%; individuals with a few advanced usages scored 75%; individuals with all advanced usages scored 100%. Individuals that saved with formal FIs scored 50%; those that saved with formal FIs and MFS/MFI/Co-operatives scored 100%. Credit was divided into formal (loan from a formal FI, credit card) and informal (buying/selling with credit, informal loan from loan sharks); And finally for insurance was divided into Life Insurance and General Insurance.

Parts or components of the value chain, social commerce sellers partake in has been identified and highlighted. Finally, factors affecting the growth of social commerce sellers has been shown.

Two separate templates has been used to present personas on the basis of the depth of information collected. Nusrat Jisha was a participant in the FGD and her persona consists of capstone data, financial inclusion status, components of value chain and factors affecting growth. The other persona was developed after in-depth ethnographic interview and consists of seller journey and timeline of financial inclusion, barriers faced and impact of social commerce in their life.

Furthermore, the first persona focuses on the value addition model while the second persona focuses on resale model.



SOCIAL
COMMERCE
SELLER:
PERSONA

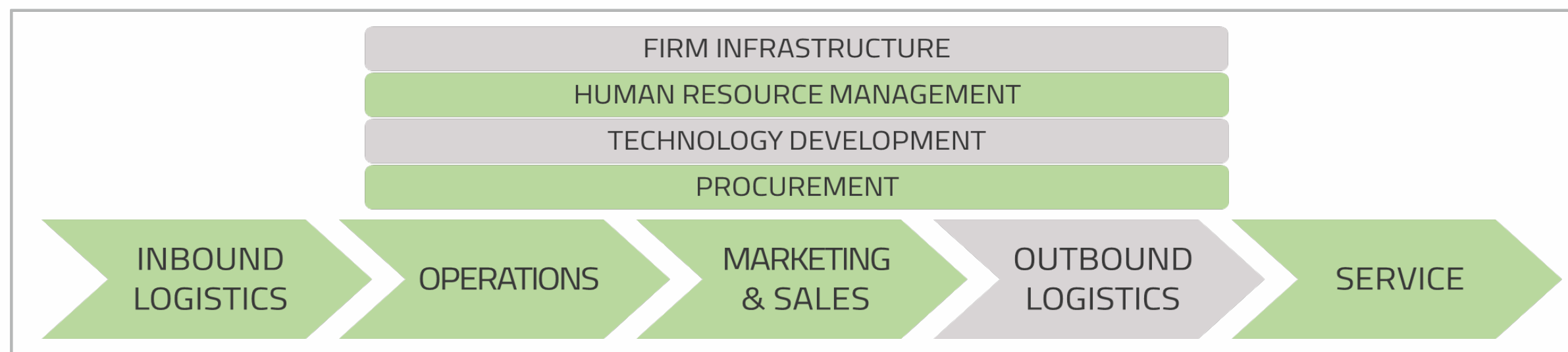


SOCIAL COMMERCE SELLER: PERSONA

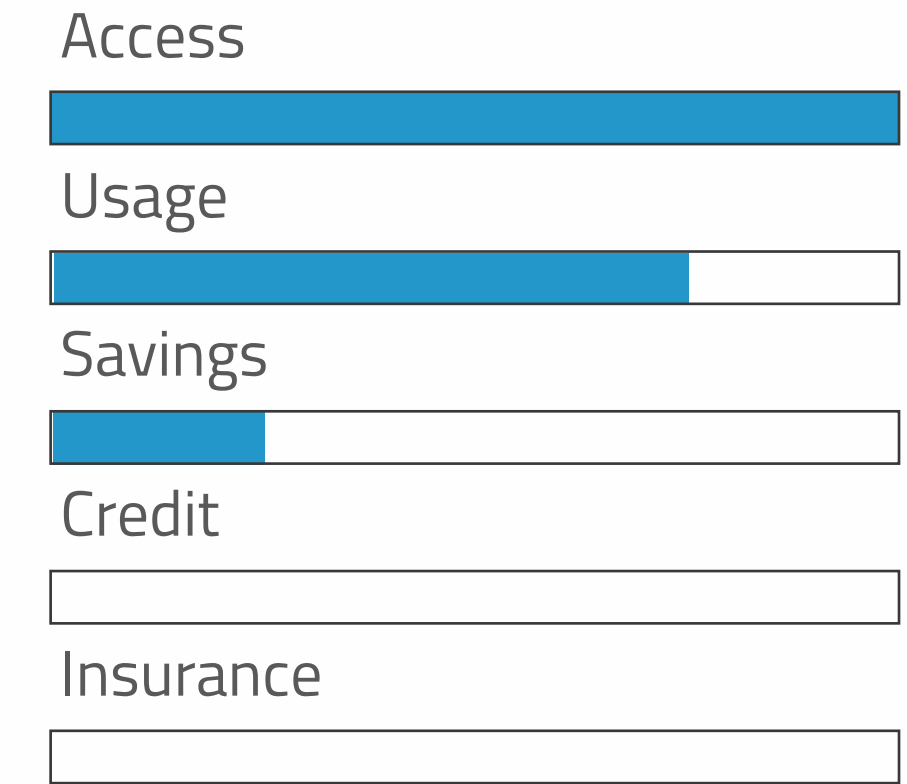


Name: Nusrat Jisha
Age: 31
Gender: Female
Educational Qualification: Masters
Profession: Social Commerce Seller, NGO staff
Personal Income: BDT 20K – 35K (\$235 – 400)
Household Income: BDT 60K – 100K (\$700 – 1100)
Years in Business: 4+
Revenue/Month: BDT 115,000 -155,000 (\$ 1,353-1,823)

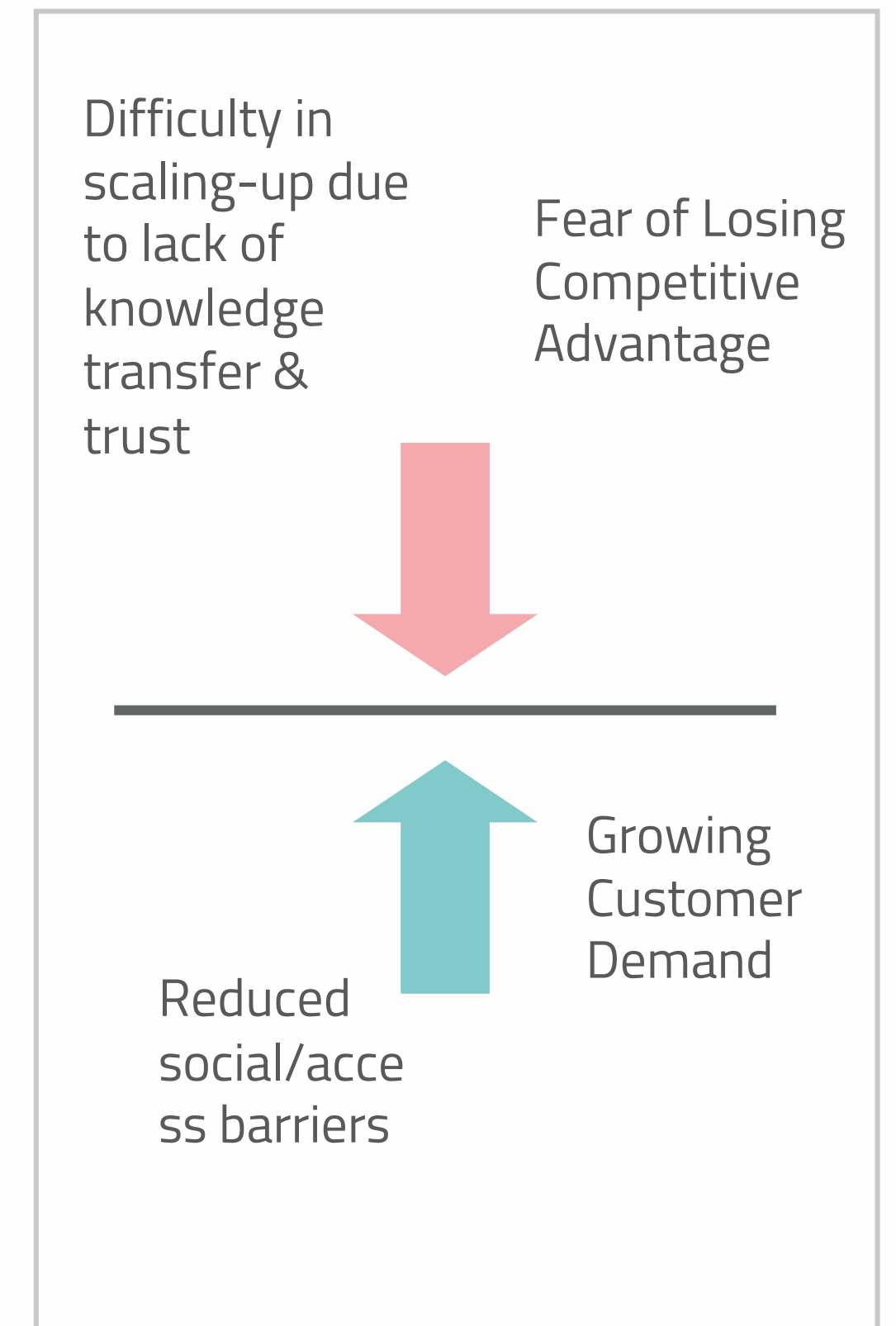
- **Motivations** for Engaging in Social Commerce: Nusrat initially helped her sister (who designs Saris) with **material sourcing and operations**. Now she is **more engaged** with the business and primarily identifies as a social commerce seller.
- **Financial Needs:** Nusrat has another job which smoothens her **income volatility** and acts as a symbol of **social status**.
- **Overcoming Cultural Barriers:** In the beginning, Nusrat faced barriers like not taken seriously by male suppliers; however, due to the proliferation of the social commerce space and increased female sellers, circumstances has become much **easier**. Nusrat’s page also generated social impact by designing t-shirts protesting harassment of women in public transports; the protest went viral and the Facebook page gained massive popularity.
- Packaging of product is done by employees (Nusrat has 6 employees). For product delivery inside Dhaka, Nusrat uses third-party delivery services (Pathao, MeghSawr); for delivery outside Dhaka, she uses Sundarban Courier Service.
- **Enhanced Opportunities for Livelihood Creation:** Engagement in social commerce has enabled Nusrat to become self-sufficient.
- **Competitive advantage** of the business is **low or absent** due to ease of replicating and high number of social commerce sellers.
- The business takes part in **temporary physical fairs/conventions** for social commerce sellers; however, Nusrat was **unable to estimate demand** and products went out of stock quickly.



Financial Inclusion Status



Factors Affecting Growth





Context: Taposhi Rabeya, 27 is a social commerce seller; through her Facebook page and group, BabyShell, she re-sells apparel, imported from India and Pakistan. She has completed her MBA and is married. Her monthly personal income ranges from BDT 100-150k (US\$1,180 – 1,760) (est.). She has been in social commerce for more that 4 years, with a monthly revenue of BDT 1.8-2 million (US\$21-23.5k) (est.)

Journey: In 2015, when Taposhi was a university student, she had a financial crisis and was **motivated** to do something on her own. With **BDT 4000-5000 (US\$ 50-60)**, she bought few jewelry items from the local market (Chawkbazar) and posted pictures of the products in several buying and selling groups. She was pleasantly surprised with the response she received. However, Taposhi was not yet serious

about the business and continued on a limited scale through the buying and selling groups only. During mid 2016, Indian and Pakistani vendors started reaching out to her. They suggested her to open a separate page and group for her business. Since she lacked sufficient financing, the vendors offered to give her products on credit with a payback period of 15 days. Taposhi started her page BabyShell.

Business Status: Currently, Taposhi has **7-8 suppliers**; she also **employs 7** people. The social commerce market is becoming increasingly competitive. So, in order to retain her customers, Taposhi has reduced her profit margin. Though she carries products within the range of US\$ 14 – 82, products with US\$ 14 – 30 are her best sellers. Her customers are usually women of 20-35 years. 30% of her sales come from Dhaka, 30% comes from Chittagong and the rest are spread all over the country. Recently, she has noticed an increased amount of orders from Narayanganj and Bogura. Only 10% of the payments she receives are through digital channels, paid by her wholesale customers to her business bank account.

Barriers: Taposhi has become a self-sufficient woman with a thriving online business. But she has to maneuver through multiple **cultural and social barriers**. Her family is not supportive of her business. She faces condescending treatment from people for being a female entrepreneur. However, her husband appreciates her achievement.

Impact of Social Commerce: Social commerce has opened multitude of opportunities for her **to enhance her livelihoods**. Since her business, she has started using business bank account, an FDR and a credit card. She is able to secure her **financial needs** on her own. This business has given Taposhi a sense of identity. She takes pride in not requiring anyone's financial support.

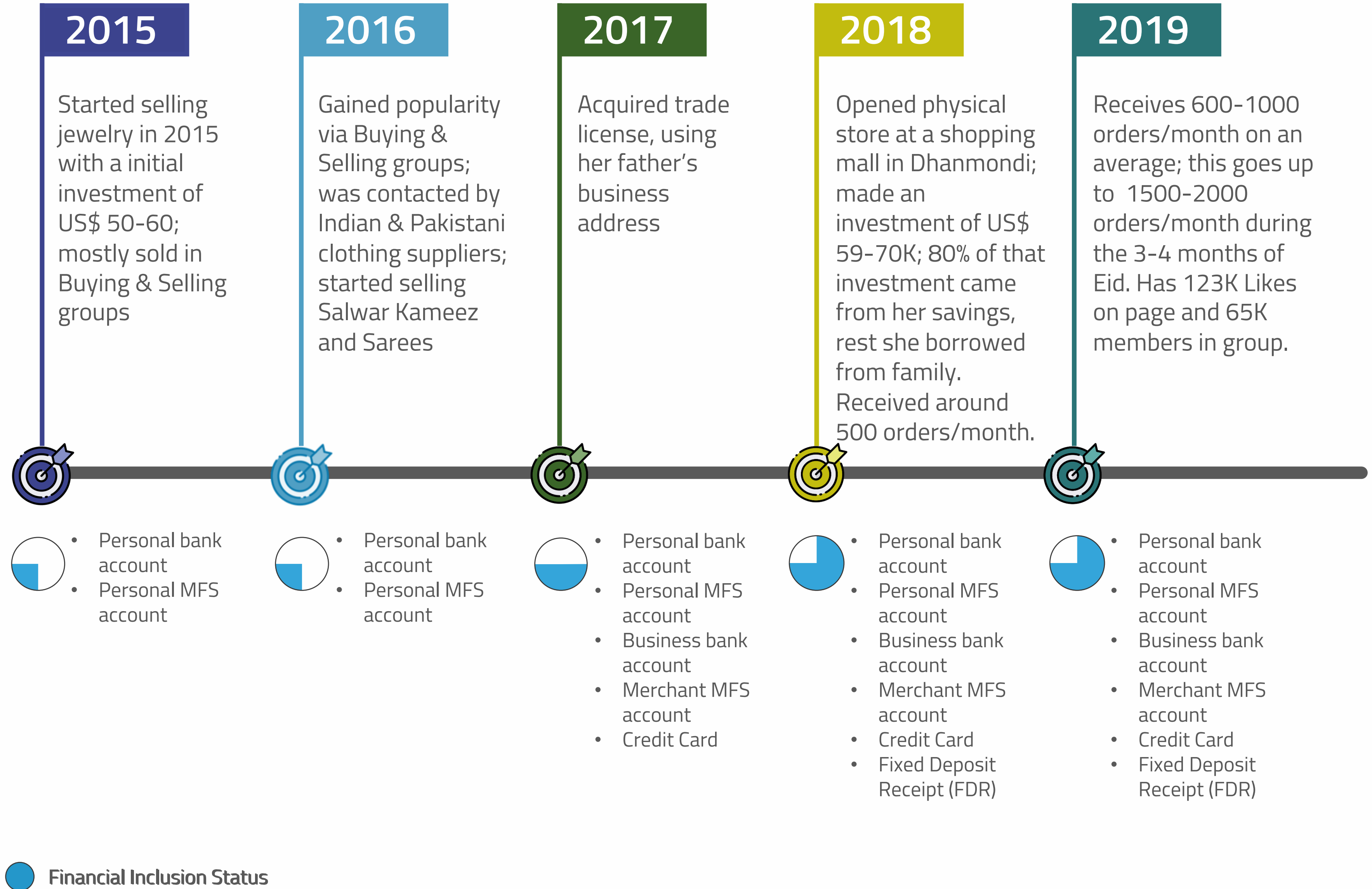
Way Forward: Taposhi is planning on starting her own brand. She has designed 5-6 dresses and placed an order of 200-500 pieces at a factory in India. In 5 years, she plans to open more stores at different locations and a separate bridal shop.

SOCIAL
COMMERCE
SELLER:
PERSONA



SOCIAL
COMMERCE
SELLER:
PERSONA

Taposhi's Journey



To represent the social commerce buyer value chain, pi STRATEGY has used the well established Consumer Buying/Decision Making Process. The buyer decision process represents the 5 stages that the buyer goes through before making the final purchase decision.



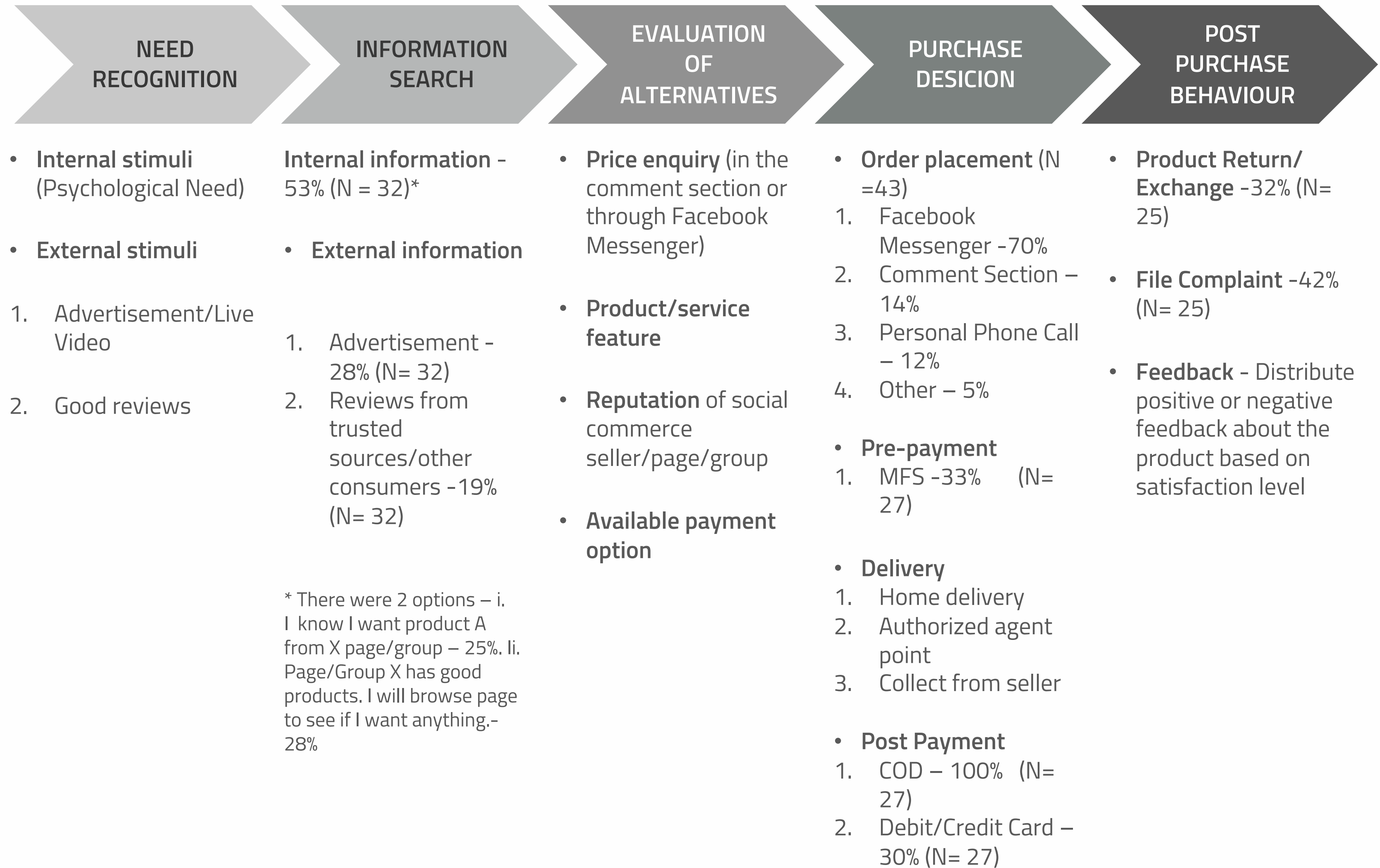
Need Recognition: This is the first stage of the consumer decision process in which the consumer is able to recognize what the problem or need is and subsequently, what product or kind of product would be able to meet this need. A need can be triggered by internal or external stimuli. Internal stimuli refers to a personal perception experienced by the consumer, such as hunger, thirst, and so on. External stimuli include outside influences such as advertising or word-of-mouth.

Information Search: During this stage, a consumer who recognizes a specific problem or need will then likely be persuaded to search for information, whether it be internally or externally. Internal research refers to a consumer's memory or recollection of a product, oftentimes triggered or guided by personal experience. External research is conducted when a person has no prior knowledge about a product, which then leads them to seek information from personal sources (e.g. word of mouth from friends/family) and/or public sources (e.g. consumer reviews) or marketer dominated sources (e.g. advertising).

Evaluation of Alternatives: During this stage, consumers evaluate all of their product and brand options on a scale of attributes (price, warranties, payment options) which have the ability to deliver the benefit that the customer is seeking.

Purchase Decision: This stage starts with order placement with the social commerce page/group; this can be done in the comment section or through Facebook Messenger or personal phone call. Sometimes order confirmation requires pre-payment or advance payment from the buyer. The next step is delivery of the product and post payment.

Post Purchase Behavior: During the final stage, the customer assesses whether s/he is satisfied or dissatisfied with a purchase. Some dissatisfied customers, (depending on their level of dissatisfaction) either files a complaint or returns/exchanges the product. How the customer feels about a purchase significantly influence whether s/he will purchase the product again or consider other products from the same seller. A customer also influences the purchase decision of others by sharing positive or negative feedback.





SOCIAL COMMERCE BUYER: PERSONA

The following slides contain personas of social commerce buyers.

The personas consist of capstone information (name, age, educational qualification, personal income, etc.).

Each persona also include the level of financial inclusion, which has been divided into – **Access, Usage, Savings, Credit** and **Insurance**. Individuals who have ever used a formal FI, MFS, MFI or who have an account registered in their name or a joint account in their and someone else's name has access. Usage can be divided into 2 segments – Basic (cash-in/deposits, cash-out/withdrawals, money transfers to another individual, account maintenance, airtime top-up) and Advanced (saving, borrowing, insurance, investment, paying bills, receiving wages or government benefits). If an individual is a basic user, s/he was given a score of 50%; individuals with a few advanced usages scored 75%; individuals with all advanced usages scored 100%. Individuals that saved with formal FIs scored 50%; those that saved with formal FIs and MFS/MFI/Co-operatives scored 100%. Credit was divided into formal (loan from a formal FI, credit card) and informal (buying/selling with credit, informal loan from loan sharks); And finally for insurance was divided into Life Insurance and General Insurance.

Online Buyer Maturity Level has been determined based on – i. Percentage of online purchase as a sub-set of total purchase ii. Frequency of online purchase and iii. Amount spent for online purchase. Buyers with a score of 10% or lower has a 'Low' maturity level; buyers with a score of 11% - 50% has a 'Medium' maturity level and buyers with a score of 51% or above has a 'High' maturity level.

Shopping destination has been shown here based on the personal estimations of the individuals about their average share of online purchase of products/services out of the purchase of all the products/services in one month.



Name: Khadija Tahera
Gender: Female
Age: 37
Profession: Home-maker
Personal Income: BDT 0
Household Income: Above BDT 150,000 (\$1,750)
Marital Status: Married
Number of children: 2
Platform: E-commerce and Social Commerce

Khadija actually enjoys shopping quite a lot. Khadija has been shopping from online platforms for the last 7 years. At present, she completes about 90% of her shopping through online platform. She left her job when she became a mother.

Motivations for Engaging in Social Commerce: The convenience factor of social commerce works as a big motivator for Khadija, as she is a mother of two young children. Khadija is also an avid e-commerce shopper. She likes that she can save a cart in the e-commerce site/app and visit the cart multiple times before she actually places order for a product. This gives her the opportunity to compare prices, designs, brands.

Financial Behaviour: Most of Khadija's purchases from e-commerce websites stemmed from discount offers (saves money). Khadija has also used EMI via e-commerce platforms. She views this as a great advantage. She usually uses digital payment when there are offers for digital payments and sometimes when she **trusts** the seller. However, she prefers cash on delivery for most products.

Online Purchase Behaviour: Before purchasing a product from an online page, she goes through the reviews of the products. She claims to be able to identify the fake reviews from the real ones. She prefers ordering via FB Messenger over phone calls because there is a chat history which may act as a reference for both the seller and her if there's a dispute later. She usually buys clothing, cosmetics, jewelleryes, personal care products, etc. from Facebook pages. She has purchased home appliances, headphones, devices from e-commerce platforms. She also avails services like cleaning services from online platforms.

Financial Inclusion Status

Access



Usage



Savings



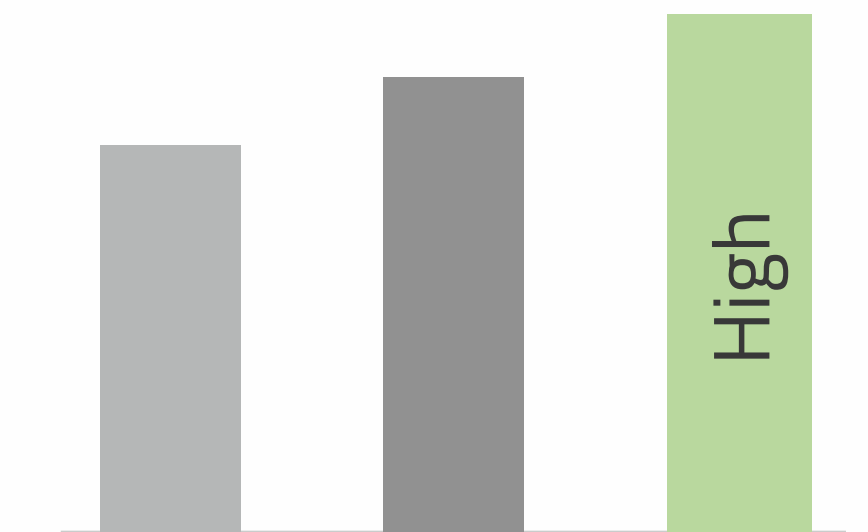
Credit



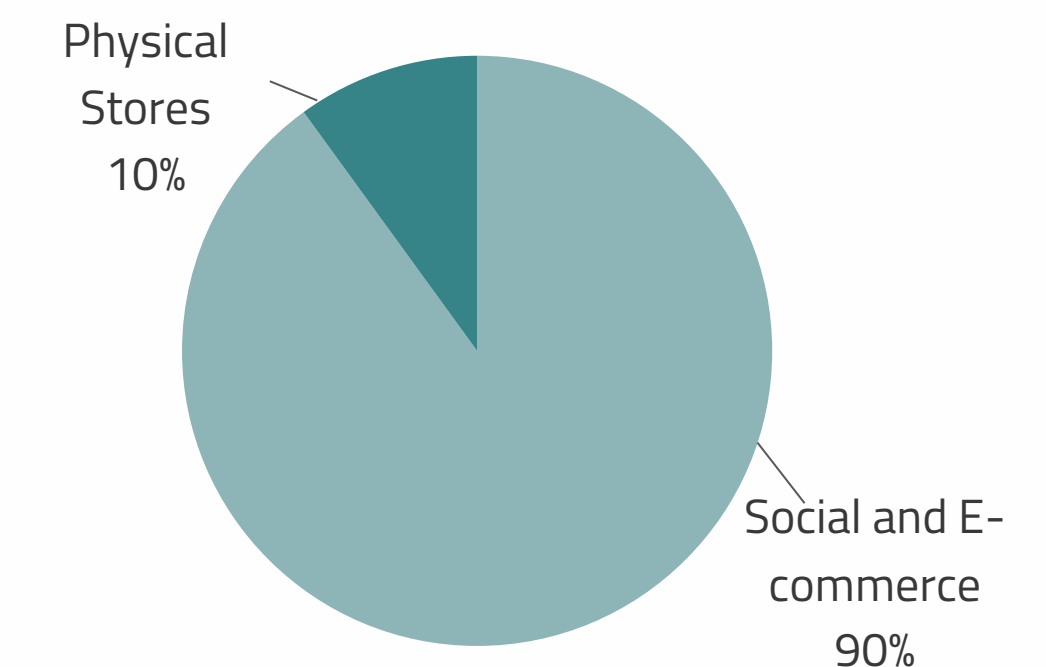
Insurance



Online Buyer Maturity Level



Shopping Destination



SOCIAL
COMMERCE
BUYER:
PERSONA



Name: Sadia Afrin
Gender: Female
Age: 25
Profession: Lecturer
Personal Income: BDT 35K – 50K (\$400 - 590)
Household Income: BDT 60K – 100K (\$700 – 1100)
Marital Status: Unmarried
Number of children: 0
Platform: E-commerce and Social Commerce

Sadia shops both from e-commerce and social commerce. She usually **buys groceries, skin and hair care products and pet's care products** from online platforms. She **does not buy clothing items from online platform**, as she thinks it is very difficult to understand the colour and quality of clothing items from pictures.

Motivations for Engaging in Social Commerce: Online commerce connects Sadia with different brands of skin and hair care products, which are difficult to find otherwise. **Convenience** also works as a key reason for her to shop online.

Financial Behaviour: She is not comfortable with advance payment. She wants to be able to check a product and then pay in cash. However, in case of electronics, she has **paid by card on delivery**. Although, Sadia has **easy access to MFS** through her father's account, she does not have any account of her own. However, she has recently **started transferring money from her bank account to her father's MFS account**.

Online Purchase Behaviour: She **prefers ordering via messenger** over phone call. Because in her views, messaging enables her to give clear instructions. She prefers messaging to talking over phone in general as well. When it comes to Facebook commerce, she prefers the selling groups over the selling pages. She also prefers the Facebook shops that have physical stores as well. She does not like advertisement on Facebook through live videos. But she understands that it helps the sellers to have considerable return on investment. Sadia also views some e-commerce platforms as easy accesses to global products.

Sadia thinks by purchasing products from Facebook pages, where the sellers are mostly females, she is **empowering those women**.

Financial Inclusion Status

Access



Usage



Savings



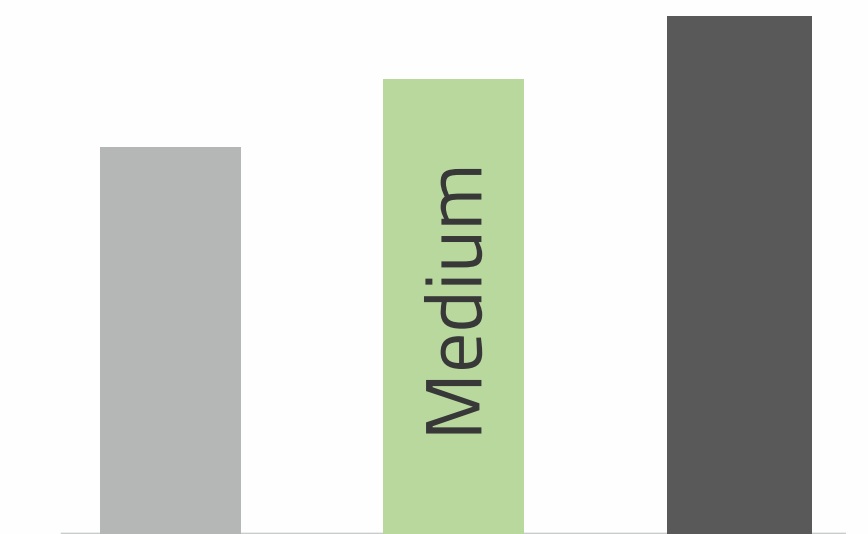
Credit



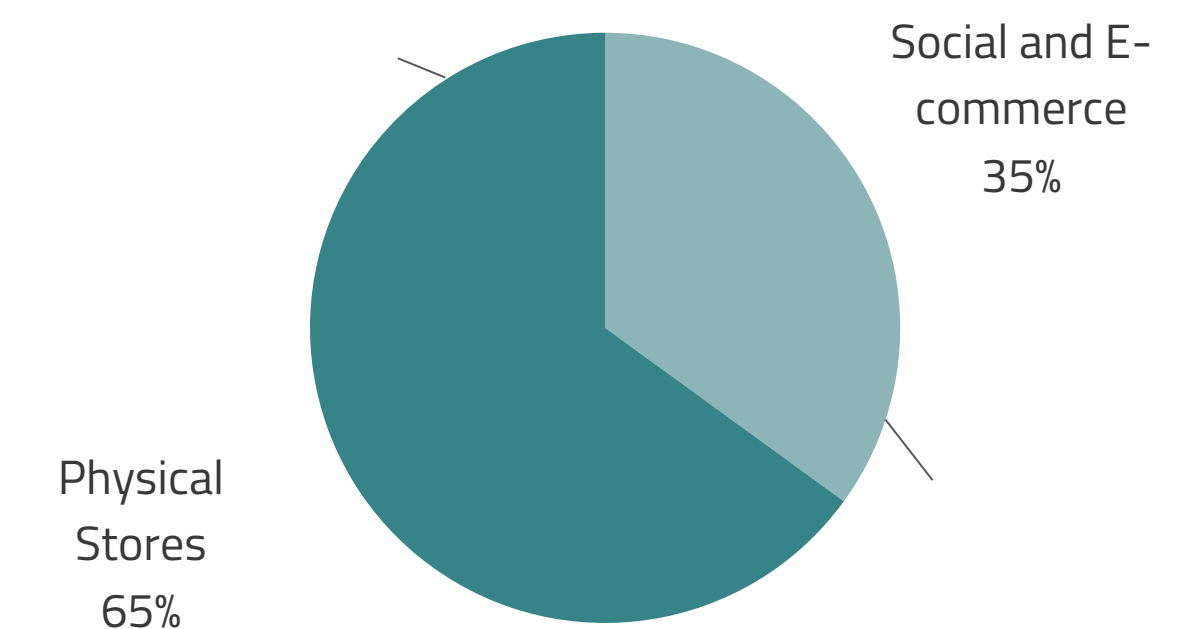
Insurance



Online Buyer Maturity Level



Shopping Destination



SOCIAL
COMMERCE
BUYER:
PERSONA



SOCIAL COMMERCE RURAL BUYER: PERSONA



Name: Chan Mia
Gender: Male
Age: 26
Profession: Grameenphone Sales Agent
Educational Status: HSC
Personal Income: BDT 30,000 (\$ 353)
Household Income: BDT 30,000 (\$ 353)
Marital Status: Unmarried
Platform: E-commerce

Chan Mia has never made an online purchase before; however, he has friends who has purchased from Deligram. Chan Mia also **knows the local Deligram agent** and was curious about the 'Deligram Tab Box' in the shop. After learning about Deligram from the agent, he asked the agent to show him some clothing items for him. He liked and ordered a T-shirt (BDT 350). The **agent conducted the entire process** rather than Chan Mia.

Chan Mia was also encouraged by the cash back offer by bKash and **made a prepayment** for his product with MFS. He was not uncomfortable about the prepayment, as he knew the Deligram agent well and thought it was **safe to trust** the agent to resolve any problem that might rise in future. Chan Mia received his product in time, he was **contacted by Deligram when his product was dispatched** with a code number and the **agent contacted him when the product was delivered at the agent point**. Chan Mia gave the code number to the agent to receive his product.

Chan Mia will continue to purchase online because it offers **convenience and access to a wider variety of products**.

Chan Mia owns a feature phone and a smartphone; he uses the smartphone to browse Facebook. Chan Mia has a bank account and a MFS account. He uses his MFS account to send money home, when he can't physically visit.

Financial Inclusion Status

Access



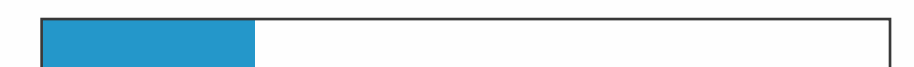
Usage



Savings



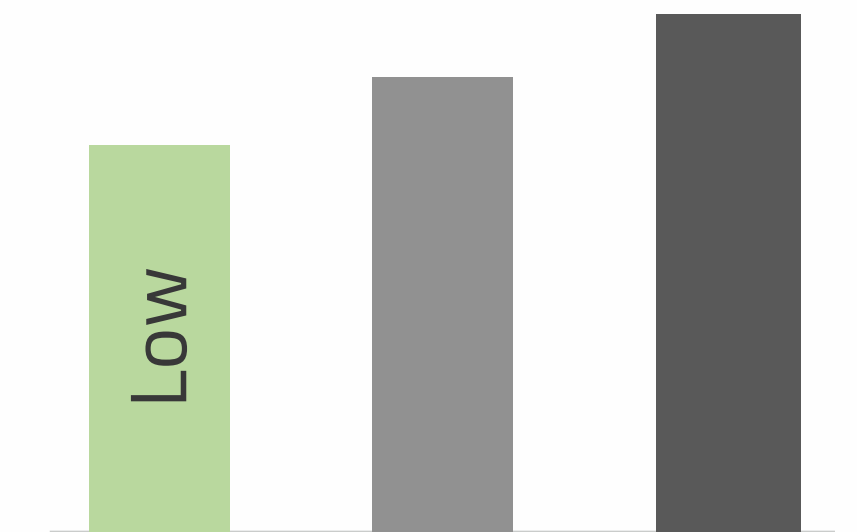
Credit



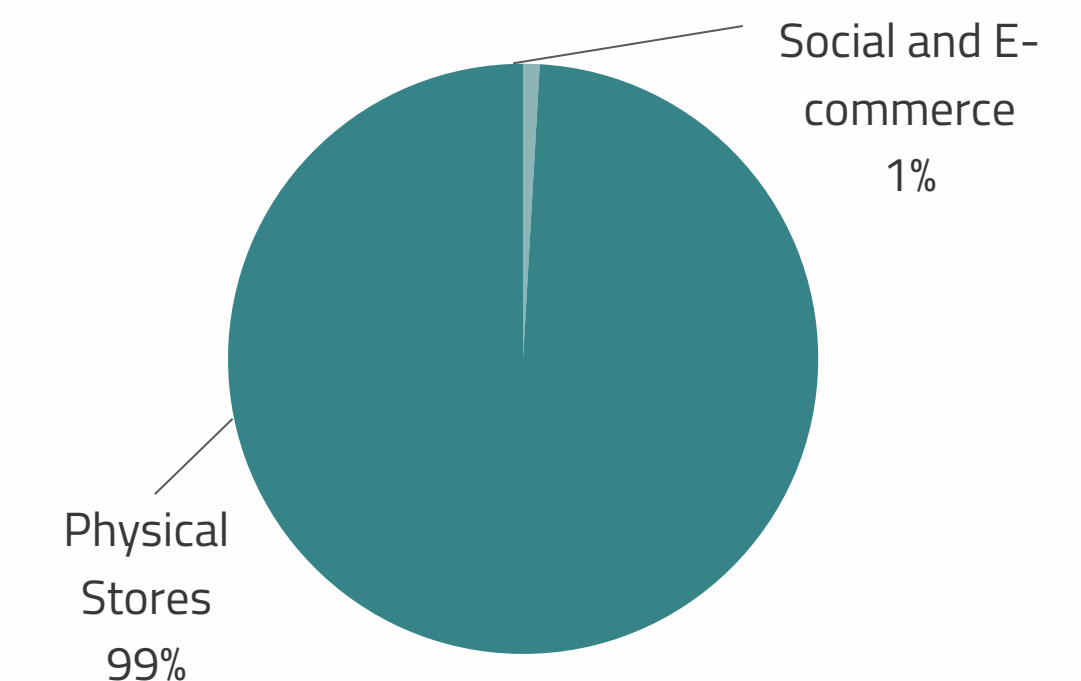
Insurance

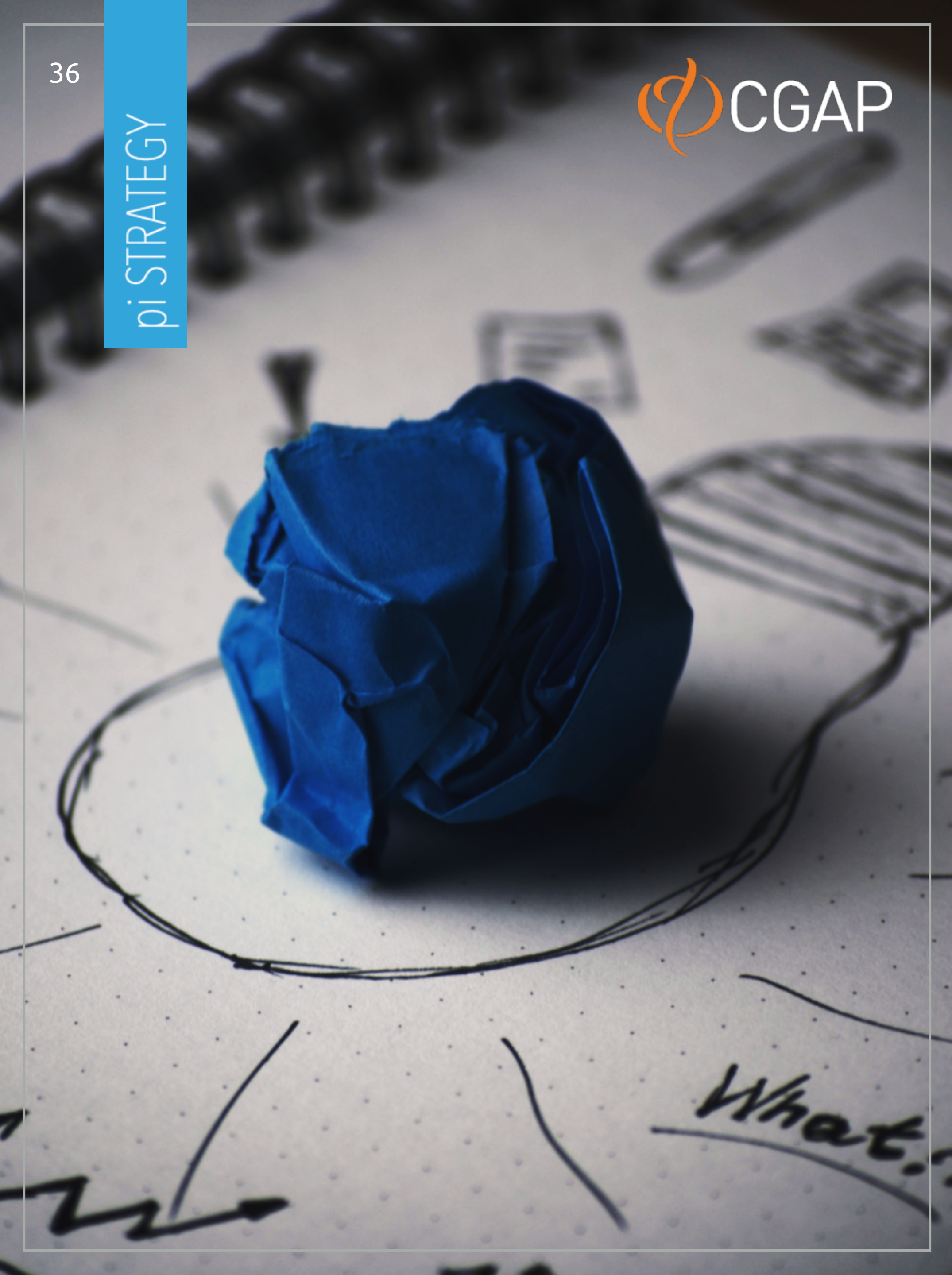


Online Buyer Maturity Level



Shopping Destination





E-COMMERCE

We have seen three types of business models for e-commerce in Bangladesh: (a) Marketplace model, (b) Inventory-led Model, (c) Hybrid of market place model and inventory-led model.

Marketplace Model:

An e-commerce entity following the marketplace model is a type of multichannel business where product or service information is provided by multiple third parties, whereas transactions are processed by the e-commerce entity itself.

Inventory-led Model:

An inventory-led e-commerce company sources directly from brands & sellers and hold the inventory themselves. There are no multiple sellers selling products, and unlike marketplaces buyers don't get to choose from several merchants. The seller is the e-commerce company and invoice is issued to the customers on the company's name.

Hybrid Model:

Some e-commerce companies follow a hybrid of these two models. For the high selling products, the company keeps in-house inventory. Other products are provided by third parties after the orders are placed, where only the transactions are processed by the e-commerce company.

To better understand how the e-commerce companies run their businesses, the study follows the classic value chain. (Refer to slide 15.)

The supporting business processes are similar for different models and are described as following:

Firm Infrastructure: The e-commerce companies often have a central office, a central warehouse and multiple hubs. These hubs are essentially smaller warehouses which function as fulfilment centers and sometime as pick-up locations for customers.

Human Resource Management: The human resource consists of multiple teams, internal employees, delivery staff, warehouse/hub employees etc.

Technology Development: Building and improving websites, smartphone apps, integrating payments into these websites and apps, enabling both the customers to track orders and the e-commerce company to track the delivery of goods etc. fall under this element.

Procurement: Procurement of packaging materials, equipment, vehicles ,etc. fall under this element.

The main components of the primary business remain same for different models, but the activities under these components have some distinctive features.

E-COMMERCE
SELLER: VALUE
CHAIN

E-COMMERCE SELLER: VALUE CHAIN - DESCRIPTION

The later slides discuss value chain for different models of e-commerce. The following describes different activities under each of the components of the value chain.

Inbound Logistics:

- **Sourcing of inputs:** Packaging materials and other necessary inputs are sourced.
- **Planning :** For the products being sourced after order, This step consists of planning and maintaining the infrastructure for transportation and warehousing.
- **Delivery of packaging materials** This includes the delivery of packaging materials to vendors.
- **Sourcing of products:** Different products are sourced from vendors in this activity.
- **In-house storing:** The products are sourced from the vendors and are stored in the warehouses or smaller hubs. As such, the function of inventory control falls on the company.

Operations:

- **Production:** In some cases, e-commerce players may engage in manufacture of some of their own products to take advantage of the higher margins.
- **Assortment of products:** An e-commerce company may create product baskets to promote sale in this step.

Marketing and sales:

- **Digital marketing:** This step usually consists of advertisement of the products digital channels, online video commercials, offers etc.
- **Promotional messages:** The e-commerce companies also sends promotional SMS and texts in cell phone and messenger. Some also sends promotional e-mails to the customers. A lot of these promotional texts usually disseminate information about ongoing offers.
- **Order Collection:** The orders are collected via website in most cases. Additionally, orders are placed via smartphone application , agents and phone calls.
- **Advance payment:** In some cases, advanced payment takes place through MFS or cards.

Outbound Logistics (Distribution):

- **Drop-off by Vendors:** For the products that are sourced after the orders are placed, the vendors drop off their products at the warehouses or smaller hubs, as per their convenience. These products are usually packaged.
 - **Pick-up by E-commerce:** If the order is large enough, the products are also picked up and transported to the warehouses or hubs. These products are usually packaged.
 - **Packaging:** For the in-house products, the packaging is completed.
 - **Self-delivery:** An e-commerce player may use their own delivery network to drop-off their products to the customers or at their agent locations.
 - **Third party delivery:** Third-party delivery companies are also commonly used, particularly for delivering products in the non-urban areas.
 - **Payment collection:** The delivery men or the agents collect payments in this step through cash, card or MFS.

Service:

- **Electronics installation:** After sales service like installation of air conditioner, washing machine etc. are sometimes undertaken by the company and sometimes, these are provided by the vendors.
- **Product Return or Refund:** In case of any complaint about the product, the grievances are settled with the e-commerce company itself. After settlement with customers, the e-commerce company then settles it with the vendors in the case of refund.
- **Payment by Instalments:** E-commerce players also offer purchase through instalments, which is treated as a service.



- Planning
- Delivery of Packaging Materials
- Sourcing of Inputs

- Assortment of Products

- **Digital marketing:**

1. Online Video Commercials
2. Online Posts
3. Offers

- **Promotional Messages:**

1. SMS in Cell Phone
2. Texts in Messenger
3. Emails

- **Order Collection:**

1. Via Website
2. Via Smartphone app
3. Via Agents
4. Via Phone calls

- **Advance payment:**

1. MFS
2. Card

- **Drop-off by Vendors:**

1. Central Warehouse
2. Smaller Hub

- **Pick-up by customers**

1. From warehouse/hub
2. From agents

- **Self-delivery**

- **Third party delivery**

1. Courier Company
2. E-commerce delivery company

- **Payment collection:**

1. Cash
2. Card
3. MFS

- **Electronics installation:**

1. Provided by e-commerce company
2. Provided by Vendor

- **Product Return or Refund**

- **Payment by Instalments**

E-COMMERCE
SELLER: VALUE
CHAIN -
MARKETPLACE
MODEL



- Planning
- Sourcing of inputs
- Sourcing of Products

- Assortment of Products
- Production

- **Digital marketing:**
 1. Online Video Commercials
 2. Online Posts
 3. Offers
- **Promotional Messages:**
 1. SMS in Cell Phone
 2. Texts in Messenger
 3. Emails
- **Order Collection:**
 1. Via Website
 2. Via Smartphone app
 3. Via Agents
 4. Via Phone calls

- **Advance payment:**
 1. MFS
 2. Card

- **Drop-off by Vendors:**
 1. Central Warehouse
- **Packaging**
- **Pick-up by customers**
 1. From warehouse/hub
 2. From agents
- **Self-delivery**
- **Third party delivery**
 1. Courier Company
 2. E-commerce delivery company

- **Payment collection:**
 1. Cash
 2. Card
 3. MFS

- **Electronics installation:**
 1. Provided by e-commerce company
 2. Provided by Vendor
- **Product Return or Refund**
- **Payment by Instalments**

E-COMMERCE
SELLER: VALUE
CHAIN –
INVENTORY-
LED MODEL



- Planning
- Sourcing of inputs
- Delivery of Packaging Materials
- Sourcing of Products

- Assortment of Products

- **Digital marketing:**

1. Online Video Commercials
2. Online Posts
3. Offers

- **Promotional Messages:**

1. SMS in Cell Phone
2. Texts in Messenger
3. Emails

- **Order Collection:**

1. Via Website
2. Via Smartphone app
3. Via Agents
4. Via Phone calls

- **Advance payment:**

1. MFS
2. Card

- **Packaging**

- **Drop-off by Vendors:**

1. Central Warehouse

- **Pick-up by customers**

1. From warehouse/hub

- **Self-delivery**

- **Third party delivery**

1. Courier Company
2. E-commerce delivery company

- **Payment collection:**

1. Cash
2. Card
3. MFS

- **Electronics installation:**

1. Provided by e-commerce company
2. Provided by Vendor

- **Product Return or Refund**

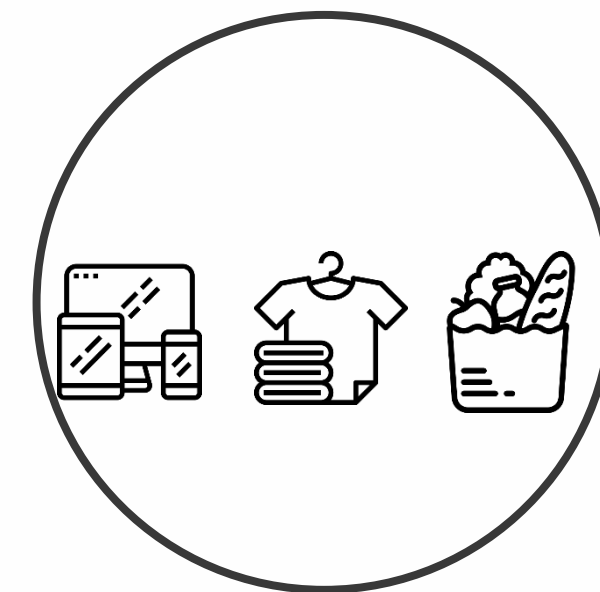
- **Payment by Instalments**

E-COMMERCE
SELLER: VALUE
CHAIN –
HYBRID
MODEL

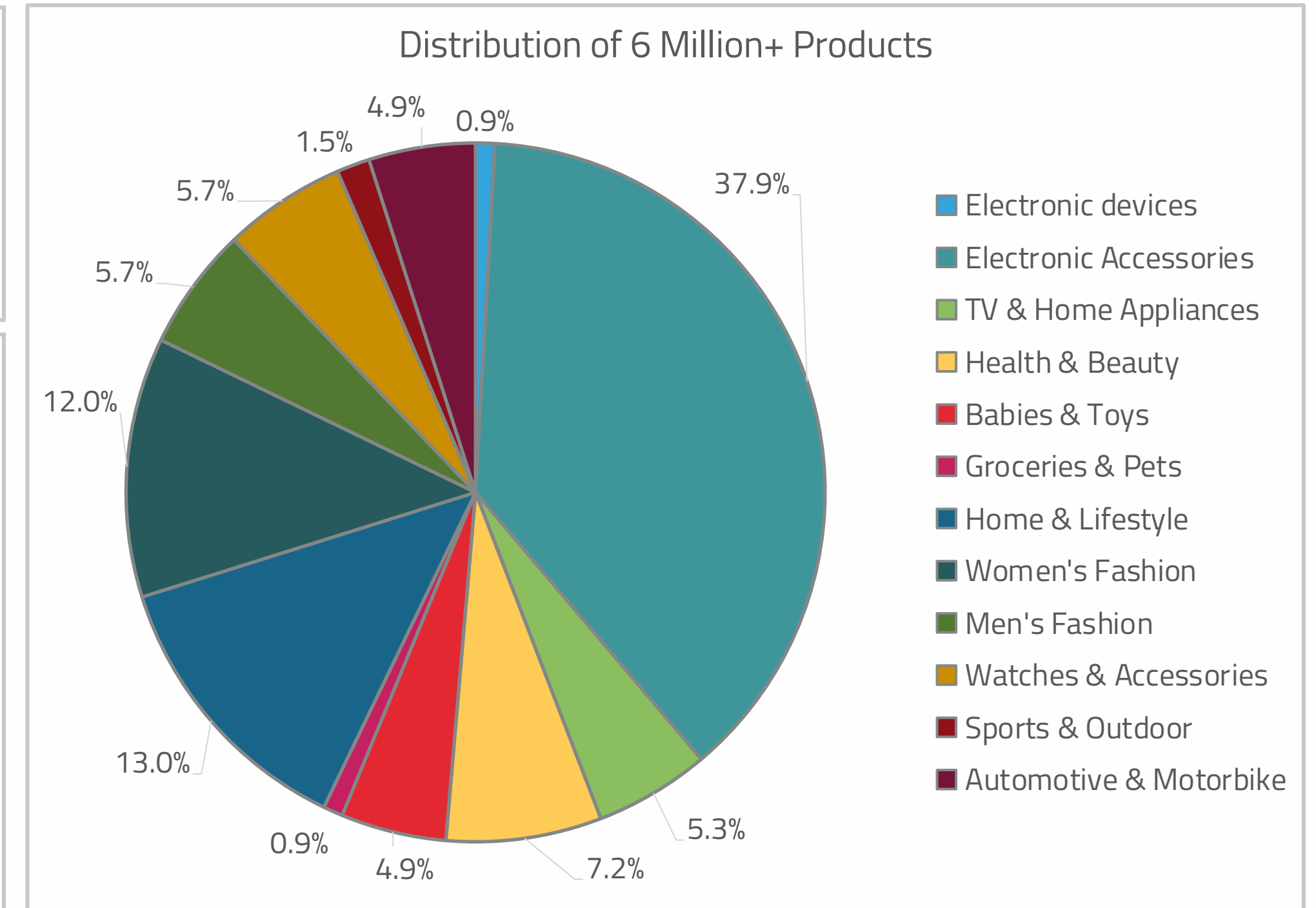
E-commerce: Daraz, (marketplace)
 Started in: 2015
 Monthly Gross Merchandise Volume (GMV): 80% of the e-commerce market of Bangladesh
 Average Ticket Size: - N/A (TK3,000 est.) (USD35)
 Orders/Day: 15,000 (as of April 2019)



Product Assortment

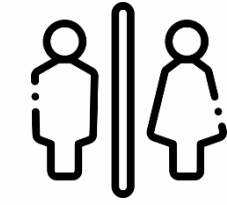


Top Product Categories – Electronics, Fashion



VALUE CHAIN

- Daraz follows the Marketplace Model for product sourcing; the platform does not purchase any products. Vendors and Brands can sell their products using this platform. Daraz delivers the products to the buyers. Currently there are 15,000 vendors listed with the platform of whom 85% are small-sellers and 15% are brands and large vendors. 90% of the vendors are male. 90% of the vendors are located in Dhaka; 10% is from Khulna, Mymensingh, Rajshahi and Chittagong.
- Daraz has a delivery network of 900 employees covering 33 Districts of Bangladesh. Daraz also has 43 drop-off points for the vendors, of which 16 are located in Dhaka.
- Daraz has a 7 day return policy for all products. Warranty/Installation is handled directly by the vendor/brand. 1-2% of the customers file complaints. On an average, 15% of the ordered products are returned.



CUSTOMERS

- 45% customers are from Dhaka; 55% are from rest of Bangladesh
- Approximately 30% of the customers are women



PAYMENT

- 85% post payments; 15% prepayments
- During post payments, 95% payment is made with cash and 5% via debit/credit card
- For prepayments, mostly MFS is used by the youth from semi-urban, rural areas
- Volume of payment higher for cards
- Number of payments higher for MFS

DISTINCTIVE FEATURES

Wide assortment of products available on the platform.

80% of the vendors listed in Daraz are small sellers; Daraz offers training these sellers before they can enlist through its own 'Daraz University' (free). To register as vendors, applicants need to pass a test after the course.

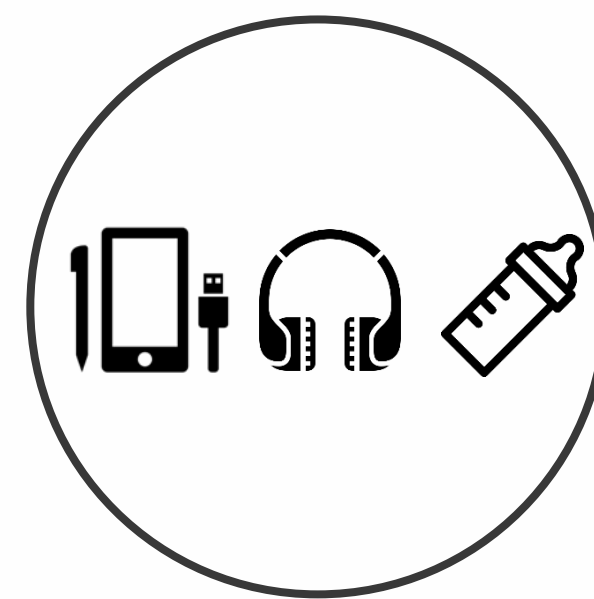
Recognizing the shortage of female vendors (10%) in the platform, Daraz has launched an initiative, 'Nandidni', to recruit female vendors. Campaigns are held in women-only schools and colleges to raise awareness and educate women about selling on the platform.

With its extensive delivery network, Daraz is able to deliver 65% of the orders received themselves; 3rd party agents are used for the remaining 35%

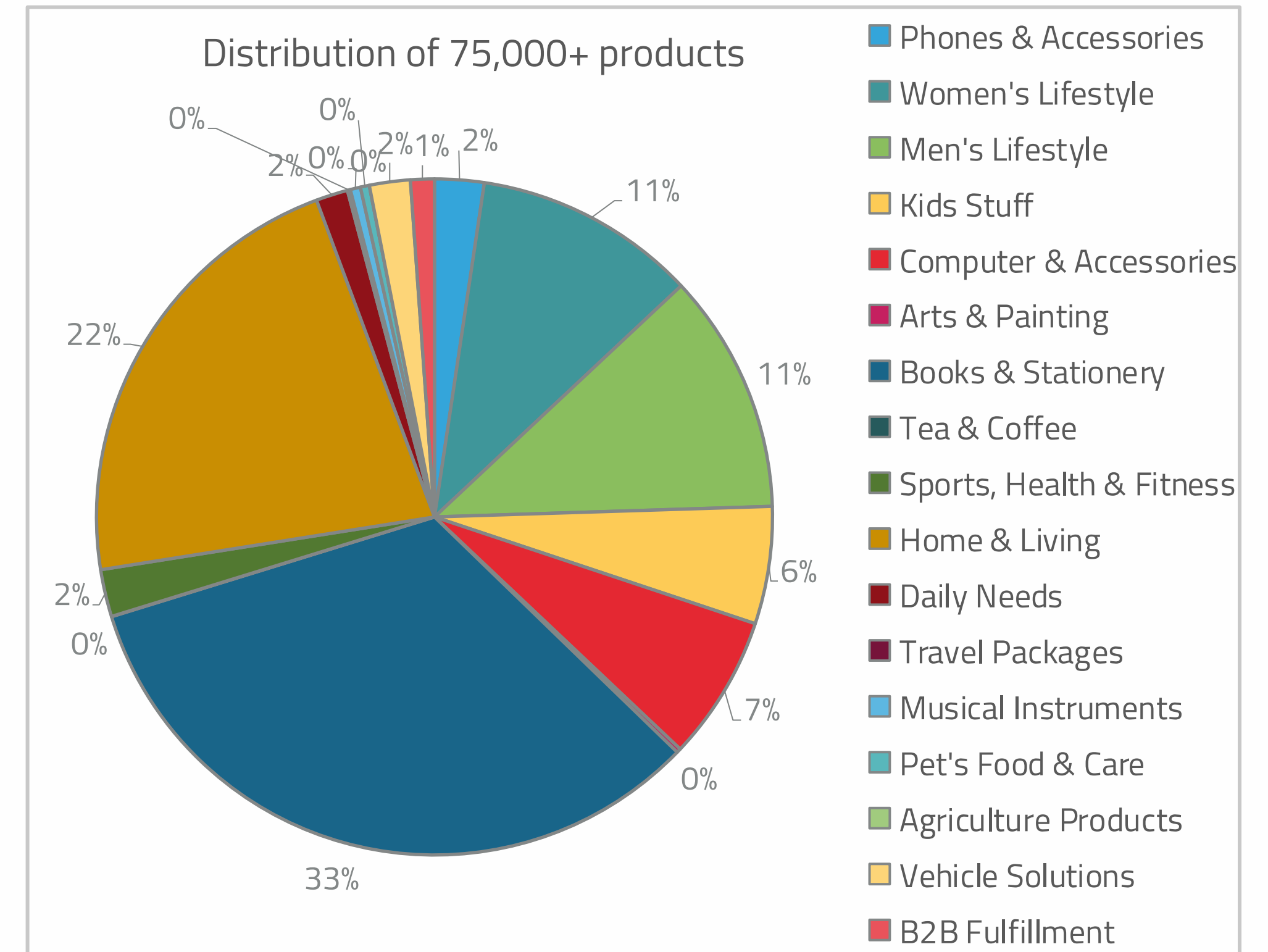
E-commerce: Shoparu (hybrid)
 Started in: 2017
 No. of Employee: 11
 Monthly Gross Merchandise Volume (GMV): BDT 12,000,000 (USD 140,000)
 Average Ticket Size: BDT 5,200 (USD 62)



Product Assortment



Top Selling Product Categories – Phone, Accessories, Baby Food



VALUE CHAIN

- Shoparu follows the Marketplace Model for product sourcing; the platform does not purchase any products. Vendors and Brands can sell their products using this platform. It has a special focus on non-urban markets.
- It is also beginning to experiment with an agent assisted e-commerce model. Shoparu leverages Grameenphone's large network of agents. Buyer can go to a nearby agent and purchase from the agent's device as well as pickup previously-ordered products from the same agent point.
- Shoparu has no delivery or inventory network and delivers the products to the buyers using third party delivery agents. Currently there are 350+ merchants on the platform.



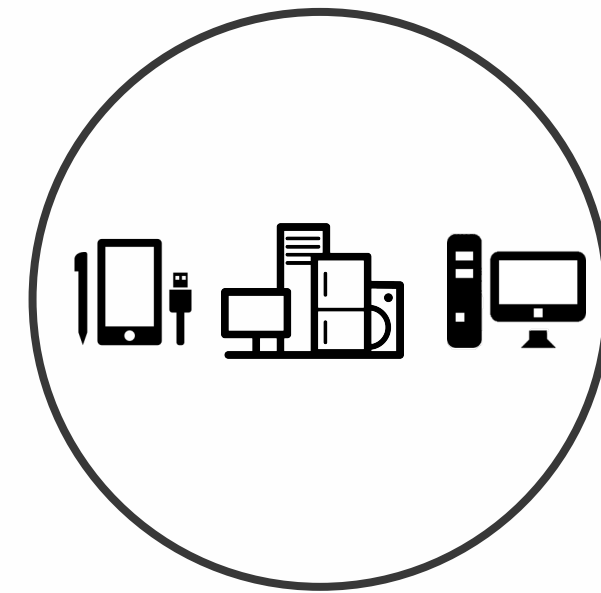
E-COMMERCE SELLER: PROFILE



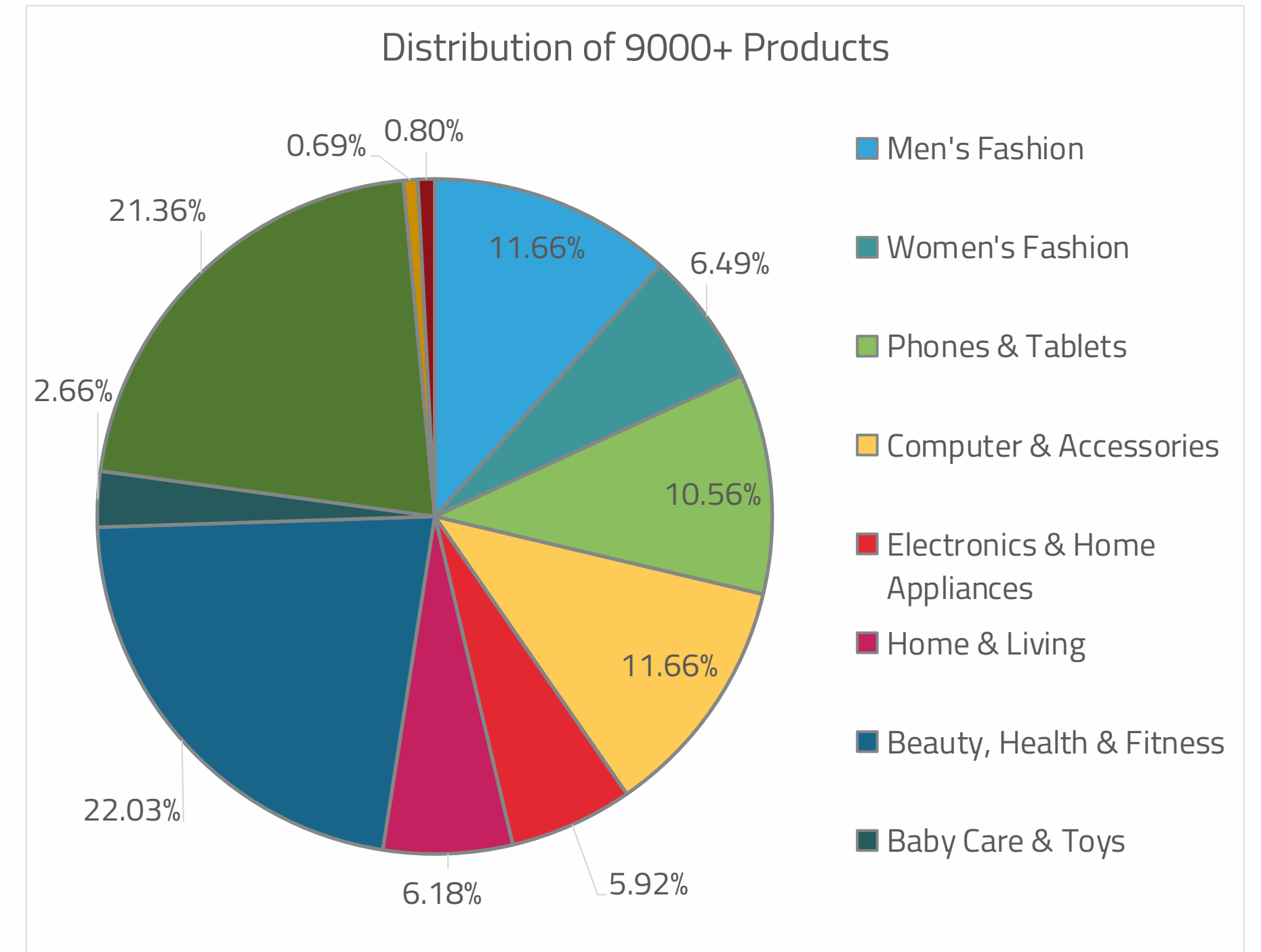
E-commerce: Deligram (inventory-led)
 Started in: 2018
 Gross Merchandise Volume (GMV): USD 117.6 Million
 Average Ticket Size: BDT 1,200
 Orders/Day: 333



Product Assortment

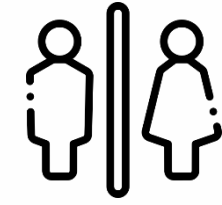


Top Product Categories –
 Phone, Phone Accessory,
 Electronics/Home Appliances



VALUE CHAIN

- Deligram follows an inventory-led model, where they buy their products from vendors and stores those products in-house in their hubs. These hubs are used as fulfilment centers. The hubs are located in Dhaka, Narayanganj, Comilla, Gazipur, Khulna, Sylhet. This model enables them to have greater control over quality assurance, packaging, delivery time etc.
- This company currently has 120 employees, including 30 delivery men. They also have around 240 dg agents. Until august, they had dg 196 agents. Among them, 60 were inside Dhaka, the rest were outside Dhaka.
- The cost of after sales service like installation and service of electronics are usually provided by the vendors. If vendors do not provide such service, then Deligram provides such services with additional charge. Usually, the product return or refund issues are immediately settled with the customers from Deligram's end and later on settled in between the vendor and Deligram.



CUSTOMERS

- 40% of their customers are from Dhaka and the rest from outside of Dhaka.



PAYMENT

- Considerable digital payments
- Majority of these digital payments are through MFS.

DISTINCTIVE FEATURES

- Assisted E-commerce: Deligram has an agent network consisting of the small retailers. These small retailers take orders on behalf of customers through Deligram's smartphone application. The delivery men, later on, drop off the packages at the agents' location, which the buyers can pick up at their convenient time. This agent model mainly addresses two issues, trust and logistics. The people of Bangladesh, specially in non-urban areas, are not comfortable buying products that they cannot touch and see upfront and from an entity that they are not seeing physically. So, if they can order the products from the small retail stores that they often go to and have a physical presence, it will ease the transition to online shopping. Secondly, finding an address is quite difficult in the Bangladesh, particularly in non-urban areas. Repeated phone calls are needed even though an address is given. But, using the agents, the Deligram delivery men can drop multiple orders at their agent locations, and this saves both cost and time. It should be noted that, about 70% of the order received is through these agents.
- B2B E-commerce: Deligram has soft launched a B2B model, which enables small retailers to order difficult-to-procure products. Usually, it does not make sense for a small retailer to order the uncommon and high-end products in large quantity and thereby, there is no incentive for the distributors to take these products to the small retailers. Deligram, however, leverages the network of its sister concern Aagora (well-established super market) to distribute a variety of products in small quantities to the small retailers.
- Self-production: Deligram has also started experimenting with production of selected items. These produced items have a much higher profit margin.
- Non-urban Focused: Deligram is an e-commerce platform that first started its operation in a semi-urban area, Comilla. The company has focused in the non-urban segments' from its beginning and put forward ideas to solve the issues pertaining to that segment in particular.

In agent-assisted e-commerce, agents assist customers to choose from online catalog, place orders and take payments. Customers collect products from the agent point as soon as the products are delivered there.

pi STRATEGY team members visited 5 agents in two separate non-urban locations that provided assisted e-commerce services. Despite waiting in multiple locations for around 4-6 hours, the team members did not find any female buyers at these points. However, according to the agents, cosmetics and personal care products are some of their top selling categories; so it is possible that male members are ordering and buying products for female members of the family.

Agent –assisted e-commerce is still at a nascent state and it is too early to measure its impact.

A crumpled ball of blue paper sits on a white surface. In the background, there are faint, hand-drawn sketches of a person's head and shoulders, and some other abstract shapes. The lighting is soft, creating a slight shadow under the paper ball.

AGENT-
ASSISTED E-
COMMERCE



Name: Mohammad Shahidul
Age: 25
Educational Status: HSC
Profession: Proprietor
Personal Income: BDT 35,000 (\$ 412)
Type of Shop: Electronics, Electronic Accessory
Services Offered: MFS, Telecom agent



Financial Inclusion Status

Access



Usage



Savings



Credit



Insurance



- Mr Shahidul became a Deligram agent **5 months** ago, he learnt about Deligram from a relative who is also a Deligram agent and reached out to Deligram himself.
- He used leaflets, banners to attract customers; he also tells his regular customers about Deligram and encourages them to order products, his customers are increasing.
- He gets 30-40 customers/month; most customers are young males, many are Mr. Shahidul's friends and acquaintances; **only 5% customers are female**; he has seen male customers ordering products for female members of the family.
- Mr Shahidul's customers usually browses the 'Deligram Book' first and then asks him to show relevant/related products in the app. Mr Shahidul assists his customers to browse the app. **Top products ordered are Feature Phone, Electronic Accessory, Clothing Items, Cosmetics and Perfume.** Feature phones cost around BDT 1,500 -2,000 (\$ 18-23), other products cost between **BDT 300-600 (\$ 3.5-7)**; one female customer bought a perfume costing \$23.
- **70-80% customers** pay through MFS. Some of Mr. Shahidul's friends/acquaintances do not have personal MFS wallet, Mr Shahidul sometimes does the payment for them, with his personal MFS account, so that they can avail the cash back offer. (Agents accounts do not have the Merchant Payment option in bKash). **20-30%** through cash-on-delivery; female customers prefer COD.
- Agents from Deligram visit 3-4 times/week. Products ordered by customers are usually delivered after 3-4 days. Deligram has a 72 hour return policy which encourages customers to order, customers check the products at Mr. Shahidul's shop before accepting them.
- Mr. Shahidul gets a **2% commission** on each sale, he makes around \$50 from Deligram per month on an average; in comparison, he makes around \$130/month from bKash.
- Mr Shahidul has bought feature phones for his shop from Deligram; he has also bought clothing items, accessories and personal care products for personal use from Deligram, ranging from BDT 400-1,000 (\$ 5-11);
- He thinks not many people know about Deligram and the site has limited number of products, customers sometimes cannot find products they need. However, he will continue as a Deligram agent and hopes income through this source will increase.

AGENT
ASSISTED E-
COMMERCE:
PERSONA

To represent the e-commerce buyer value chain, pi STRATEGY has used the well established Consumer Buying/Decision Making Process. The buyer decision process represents the 5 stages that the buyer goes through before making the final purchase decision.



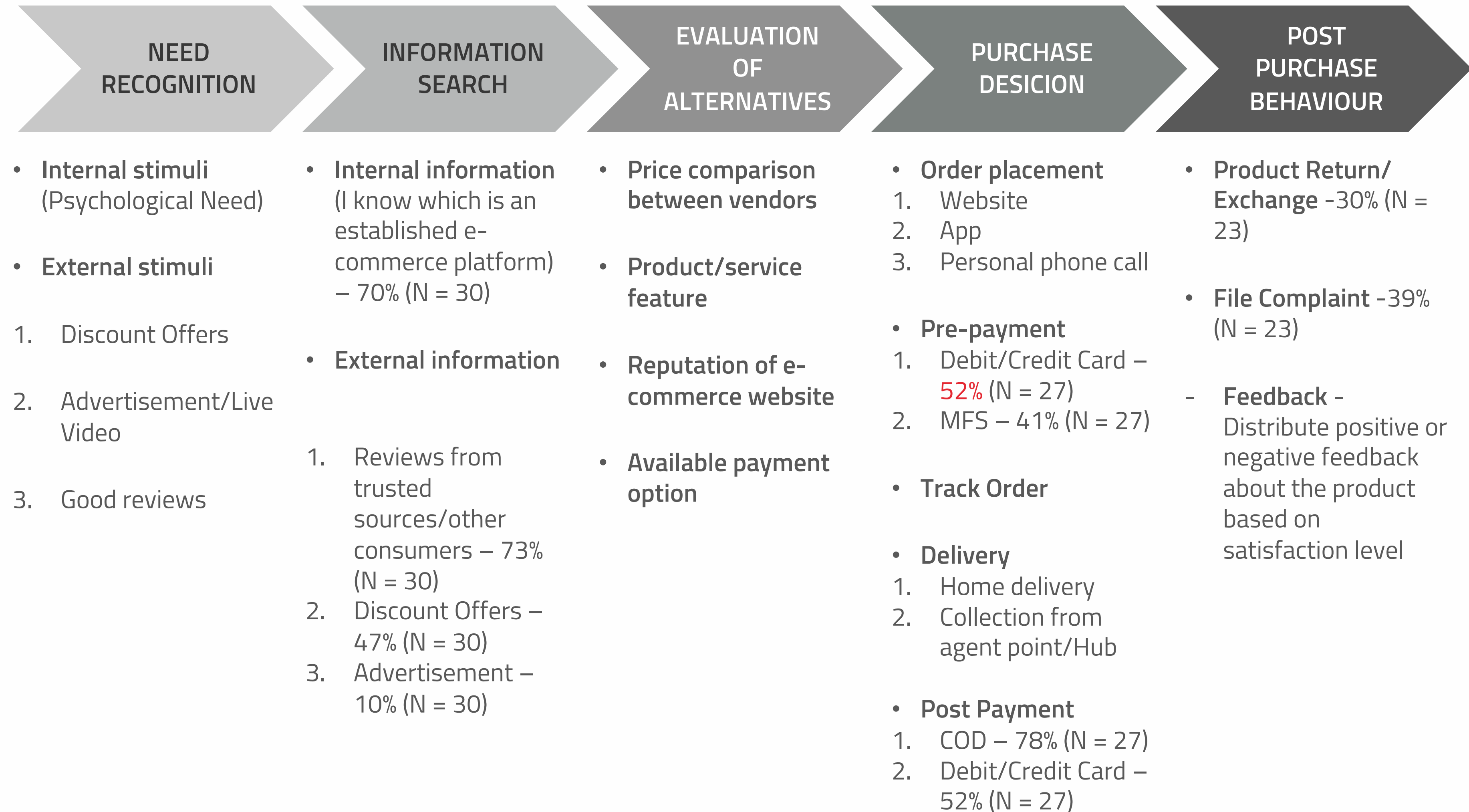
Need Recognition: This is the first stage of the consumer decision process in which the consumer is able to recognize what the problem or need is and subsequently, what product or kind of product would be able to meet this need. A need can be triggered by internal or external stimuli. Internal stimuli refers to a personal perception experienced by the consumer, such as hunger, thirst, and so on. External stimuli include outside influences such as advertising or discount offers.

Information Search: During this stage, a consumer who recognizes a specific problem or need will then likely be persuaded to search for information, whether it be internally or externally. Internal research refers to a consumer's memory or recollection of a product, oftentimes triggered or guided by personal experience. External research is conducted when a person has no prior knowledge about a product, which then leads them to seek information from personal sources (e.g. word of mouth from friends/family) and/or public sources (e.g. consumer reviews) or marketer dominated sources (e.g. advertising).

Evaluation of Alternatives: During this stage, consumers evaluate all of their product and brand options on a scale of attributes (price, warranties, payment options, time required for delivery) which have the ability to deliver the benefit that the customer is seeking.

Purchase Decision: This stage starts with order placement with the e-commerce website/app. Sometimes customers pre-payment or advance payment because of convenience (usually when s/he is a repeat customer) or to avail discounts. Some e-commerce websites allow customers to track their products. The final step is delivery of the product and post payment.

Post Purchase Behavior: During the final stage, the customer assesses whether s/he is satisfied or dissatisfied with a purchase. Some dissatisfied customers, (depending on their level of dissatisfaction) either files a complaint or returns/exchanges the product. How the customer feels about a purchase significantly influence whether s/he will purchase the product again or consider other products from the same seller. A customer also influences the purchase decision of others by sharing positive or negative feedback.





E-COMMERCE BUYER: PERSONA



Name: Sourov Saha
Gender: Male
Age: 25
Profession: Recent grad, looking for employment
Personal Income: BDT 0
Household Income: Above BDT 30,000-60,000
Marital Status: Unmarried
Choice of online shopping platform: E-commerce

Sourav searches both social and e-commerce platforms for products; however, when it comes to buying, he prefers e-commerce. He buys shoes, electronics, electronic accessories, etc. from these platforms. He also uses cleaning services, ride sharing services, food delivery services from online platforms as well.

Financial Behaviour: He takes discounts, reviews, quality, price into consideration before placing an order for a product. He compares the prices of a product from different vendors to select one. He has used both cash on delivery and MFS payment as payment mechanisms for online purchase. He views MFS payment as safe, secure and convenient. He is also comfortable to pay in advance through MFS for the platforms he **trusts**.

Online Purchase Behaviour: He feels that there are too many sponsored advertisements on Facebook and finds Instagram less cluttered and more relevant. He finds suggestions from vloggers (video bloggers) quite helpful. He feels comfortable to use the smartphone applications of the e-commerce players to browse and place orders. He also thinks that the order process of e-commerce is more convenient than the order process of Facebook commerce. He does not prefer Facebook commerce because he finds it hard to identify which pages are reliable and sells authentic products. He prefers well-established big platforms over small Facebook pages where there is little accountability. It is also possible for him to see rating and reviews for individual products, and compare prices of different vendors. Sourov does not feel comfortable making expensive online purchases. These deliveries often take a long time to arrive. He often finds the products of the local e-commerce platforms to be of poor quality.

Financial Inclusion Status

Access



Usage



Savings



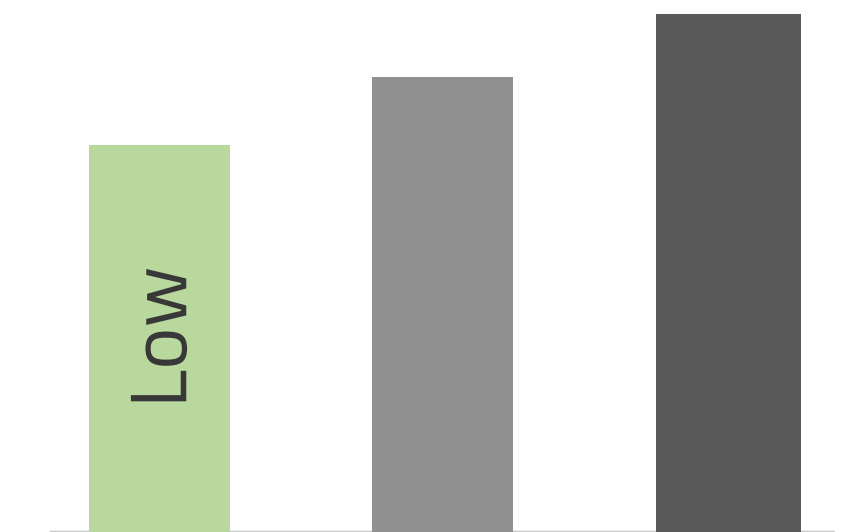
Credit



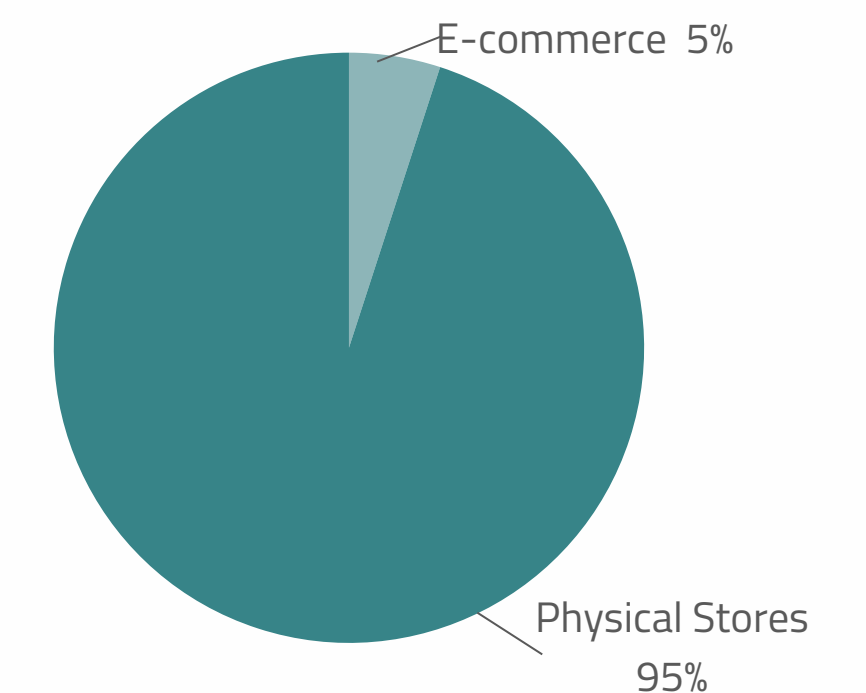
Insurance

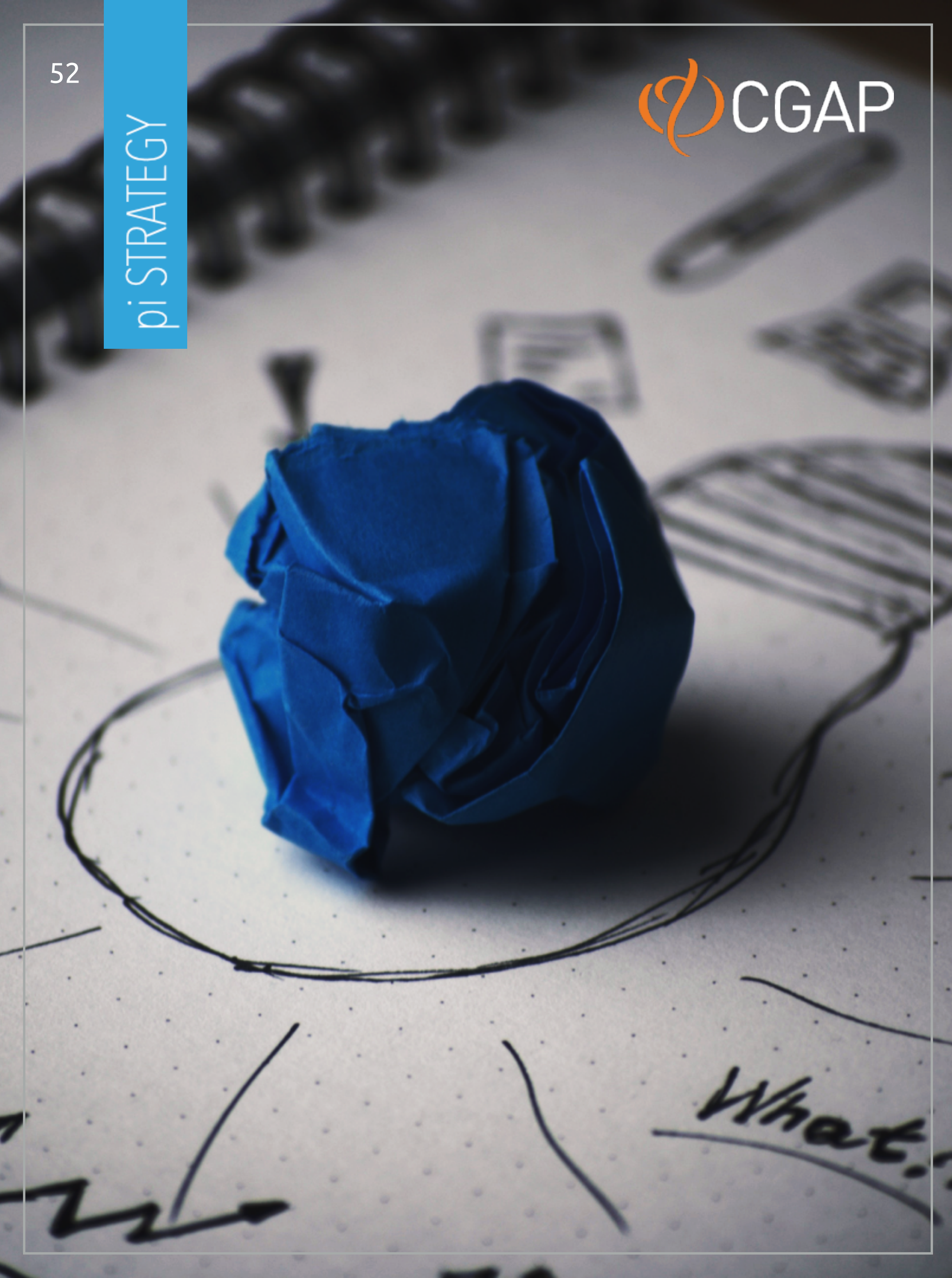


Online Buyer Maturity Level

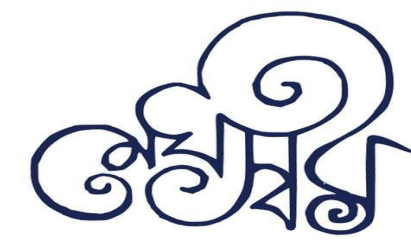


Shopping Destination





OTHER ECOSYSTEM PLAYERS

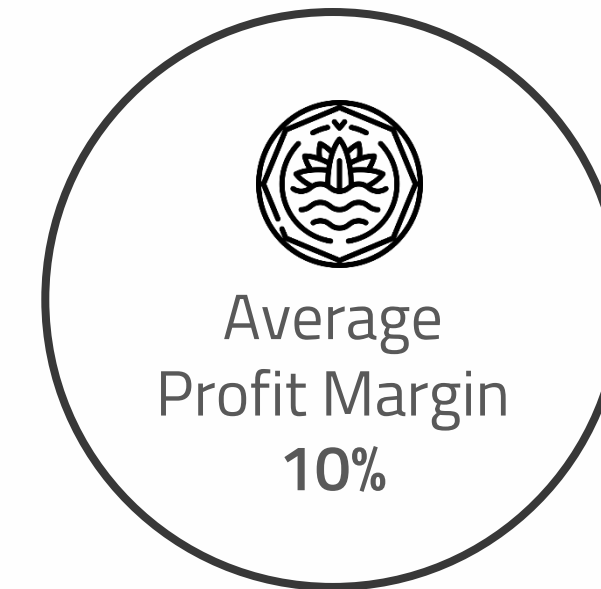
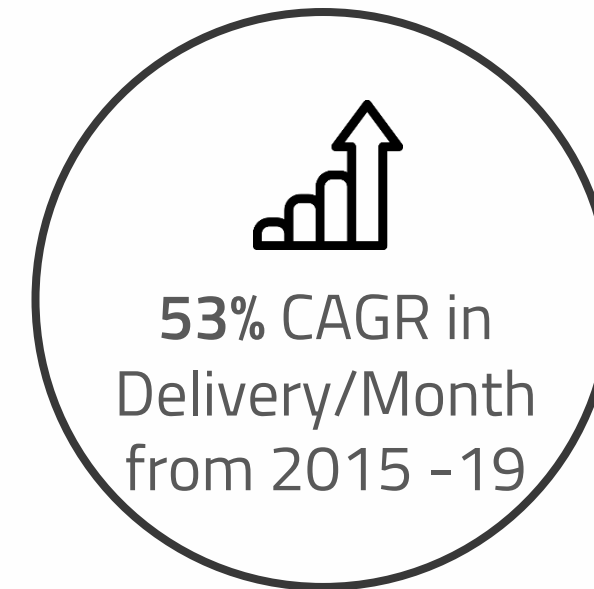


Facilitator: MeghSwar, **Delivery Partner**

Started in: 2015

Delivery/Month: 4000-5500

No. of Employees: 13-14



- MeghSwar has a cloud based software, with a dashboard for both MeghSwar and the social commerce sellers. Sellers can enlist their product for delivery using the software. MeghSwar allocates delivery orders among the deliverymen and can see delivery service requests, returned products, payment collected from customers, payment disbursed to sellers, amount due, etc. via the dashboard.
- Charge for delivery depends on the weight of the product, not on the value. MeghSwar charges around BDT 60/parcel (US\$ 0.7). In case of returned product, no extra charge is required as products are returned to the sellers during next pick up.
- MeghSwar prefers Cash-on-Delivery as transaction charge or Cash-out charge is required for digital payment by debit/credit cards and MFS providers. This charge becomes high for high volume of transactions.
- MeghSwar fully refunds the seller when product is damaged by them.
- Payment is disbursed among sellers using cash and bank deposit.
- 90% of the deliveries made by MeghSwar are within Dhaka. For the rest, MeghSwar uses third-party providers like Sundarban Courier Service.
- Most clients MeghSwar has are **Small** – delivers 20 parcels/month; they have a few are **Big** – delivers 200–400 parcels/month.
- 80% of MeghSwar's current clients sell clothing items, cosmetics and hair & skin care products.
- Major challenges faced by the organization are unreliable deliverymen and thin profit margin.

Facilitator: ShopUp - One-stop solution platform for Facebook entrepreneurs
 Established in: 2016
 Core partner of Facebook in Bangladesh
 No. of Employees: 250



HOW SHOPUP WORKS

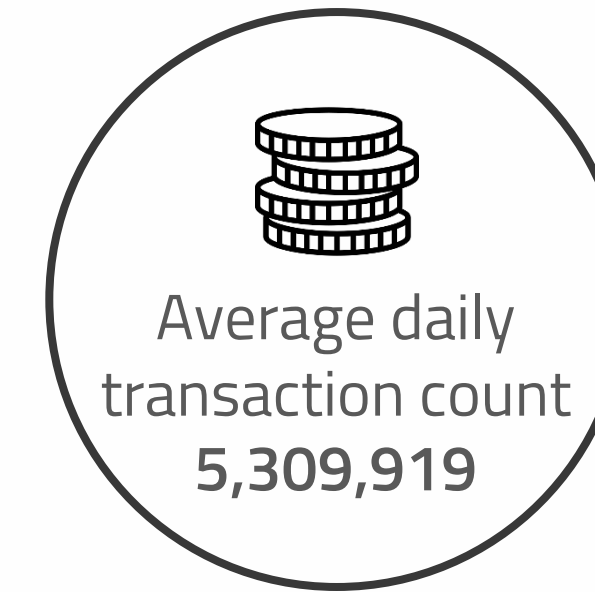
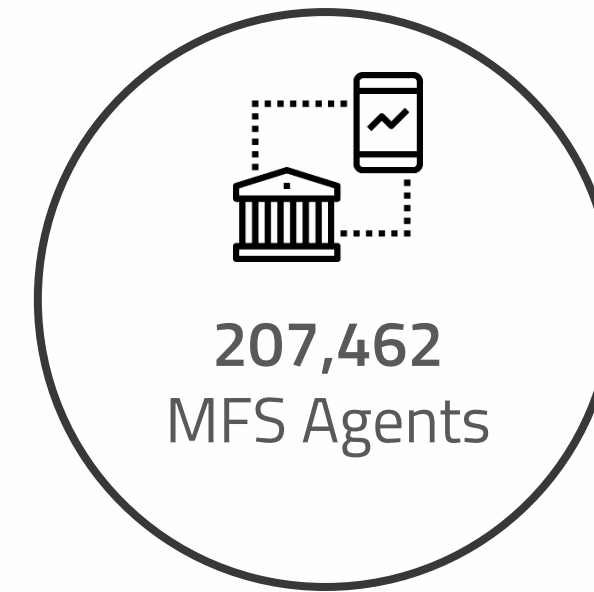
- ShopUp provides social media based micro-entrepreneurs a set of business facilitation services (online presence, sourcing, delivery, inventory management, marketing, financing, etc)
- Facebook sellers can make free website using ShopUp. ShopUp also provides sellers with delivery service(B2B, B2C, including partnership with DHL for abroad delivery), content and promotion service, sourcing products .
- Assist sellers get working capital investment in partnership with BRAC.
- From a financing perspective, ShopUp algorithm analyses several data points of a micro-enterprise and its owners, and assesses their capital requirement and repayment capacity. The platform then refers these micro-enterprises to partner financial institutions that disburse the loans directly to the merchants.

FUTURE ENDEAVORS

- ShopUp is planning on creating an online marketplace for inputs for RMG sector and is targeting 25,000 Non-BGMEA local garments suppliers.
- ShopUp is trying to partner with Zilingo, a fashion sourcing platform based in Singapore.



Facilitator: bKash, Digital Financial Service Provider
Established in: 2011



- In 2018, bKash developed and released a customer app on both iOS and Android systems. A similar app for the agents was released later in the year. By the end of the year, more than 96 million transactions through the customer app was recorded. New financial products launched during the year include the Bill Pay service and banking integration which have recorded more than US\$ 3.7 billion in transaction amount.
- To open a Merchant Account with bKash, a seller needs: business location or physical address, valid trade license, valid bank account (Bank account is required for bKash merchant unlimited account), NID, TIN Certificate, valid phone number, passport size photograph and a signatory.
- bKash has launched self-registration since September, 2019 which eliminates the hassle of going to an agent to open an account.
- During the interview, bKash indicated that it currently does not offer any service for social commerce sellers. However, the organization is in the process of adding features to its existing smartphone application, some of which will advance women's usage.



Facilitator: Dutch-Bangla Bank Limited, **Digital Financial Service Provider**

Established in: 1995



- During the interview, DBBL indicated that it currently does not offer any service for social commerce sellers. However, the financial service provider is in the process of adding features/elements to its existing smartphone application, which will disproportionately advance women's usage.
- In January 2018, DBBL transacted USD 3.1 million (BDT 26.37 crore) digitally through 97,000 transactions. That volume increased to USD 4.1 million (BDT 35.36 crore) in October, 2019; this amount was transacted through 311,000 transactions. Volume of transaction grew 34% and number of transaction grew 220%. DBBL tracks digital transaction through their system which includes e-commerce, bill pay, online tickets, etc.
- DBBL currently has 1,100 merchants and 3,000 sub-merchants. SSL Commerz is a merchant of DBBL and many of SSL Commerz's clients are DBBL's sub-merchants.
- Rocket, DBBL's mobile money provider, currently has 17.65 million customers, of which 57% are male and 43% are female.
- Around 1.3 million ready-made garment (RMG) workers receive their wages through Rocket. Top use cases among these workers are Mobile Top-up, P2P transactions and Merchant Pay.
- The Bangladesh Bank is in the process of designing guidelines to register informal entities (such as, small retailers, Facebook sellers, who usually do not have legal trade license) as Merchants.



Facilitator: Nagad, Digital Financial Service Provider
Established in: 2019



FUTURE ENDEAVORS

Nagad is new MFS in Bangladesh that was launched in partnership with the Post Office, using the Post Office's 'financial services' license, as opposed to having a bank as a partner. It has already innovated on a few levels. It launched self registration (without requiring an agent) for the first time in the country. It also began with a higher transaction limit than other MFSes.

Nagad is currently focusing on increasing Balance in their customer accounts. Features like Merchant Payment (both for e-commerce and social commerce) will be implemented in the upcoming phase of Nagad.

Nagad is in the process of signing agreements with e-commerce players. Nagad has a plan to design a service where **online buyers** can **send money to sellers digitally** using a **QR code** generated by the **delivery partners**. This service can be used both through smartphone app and USSD. Nagad can provide **2 accounts (personal and business)** to social commerce sellers. Thus, these sellers can easily access their **business transaction history** and separate business transactions from personal transactions. Nagad is also designing a new feature, **group wallet**, which can be accessed and used for **multiple account holders** simultaneously and can be used for **savings**.

ECOSYSTEM
PLAYERS

This study is the result of a high level landscape assessment of the budding social commerce market in Bangladesh. It is clearly the first of its kind study in the country. By drawing attention to this market space and, more importantly, exploring the link between social commerce and women's financial inclusion, this study can spark conversations and further explorations both into social commerce and women's financial inclusion *through* social commerce.

During the research, we recognized that the sellers in the social commerce space are part of a broader category of people increasingly engaging in what may be termed 'informal work'. Most newly-created jobs around the world are temporary, part-time or independent, though official data may not reflect this just yet. Many of the social commerce sellers squarely fall within this category. This study purposefully limited its attention to the product aspect of social commerce, recognizing that there is also a service aspect (involving gig economy workers, gig platforms, freelance tech workers, tech outsourcing platforms, and others).

Some high level personas were developed during this assignment across several segments. Further explorations into the personas in Phase 2 should delve much deeper into some of these personas as well as cover a wider spectrum (e.g. more rural social commerce sellers personas).

A few ideas began to surface during this assignment around potential areas (and partners) to pilot with in Phase 3. Some of these ideas could be developed further in the coming days.

Since this study was part of a wider 3-country landscape exercise, the nuanced differences that emerged from each of these countries underscore one important aspect. The nuanced differences are actually a big part of the story – for example, the same 'feature' of Facebook that makes it appealing in one country, also serves as the reason why it is not as preferred for social commerce in another country. And more often than not, such nuanced differences can be more easily picked up when there is a high degree of local contextualization embedded in the design and conduct of a study.