



**COMPETITIVENESS OF B2C E-COMMERCE RETAIL
BUSINESS IN KATHMANDU**

**BY
MS. SAJANA JOSHI**

**AN INDEPENDENT STUDY SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE
OF MASTER OF BUSINESS ADMINISTRATION PROGRAM
IN GLOBAL BUSINESS MANAGEMENT
(INTERNATIONAL PROGRAM)
FACULTY OF COMMERCE AND ACCOUNTANCY
THAMMASAT UNIVERSITY
ACADEMIC YEAR 2019
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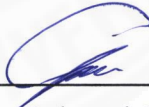
ENTITLED

COMPETITIVENESS OF B2C E-COMMERCE RETAIL BUSINESS IN
KATHMANDU

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Chairman



(Assistant Professor Dulyapak Preecharush, Ph.D.)

Member and Advisor



(Surapit Promsit, Ph.D.)

Dean



(Associate Professor Ruth Banomyong, Ph.D.)

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Author	Ms. Sajana Joshi
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ABSTRACT

This paper analyzes the situation and challenges of the B2C e-Commerce industry in Kathmandu. Developing countries have lately adopted digital technologies in comparison to the developed countries and several academic research has been found since its inception in many developing countries. However, academic research was found lacking for the e-Commerce industry in Kathmandu which provides the current information and in-depth analysis from the business point of view.

The case study of the e-Commerce companies like ‘Daraz Nepal’, ‘Sasto Deal’, ‘eSewaPasal’ and ‘Muncha House’ has been covered in this research paper. This paper will discuss the business characteristics of the online marketplace and its challenges laid out by unformulated government rules and regulations, infrastructural incompetency, market competition, customer behavior, and organization structure. In the same context, secondary research has also been carried out from the two biggest online retailers like ‘Flipkart’ from India and ‘Taobao’ from China in order to benchmark the successful business characteristics.

Keywords: e-commerce, online marketplace, online shopping, developing countries, B2C, Kathmandu, e-tailing, e-commerce retail

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LIST OF ABBREVIATIONS

Symbols/Abbreviations	Terms
UNCTAD	United Nations Conference on Trade and Development
B2C	Business To Consumer
B2B	Business To Business
C2C	Consumer To Consumer
C2B	Consumer To Business
ICT	Information and Communication Technology
COD	Cash on Delivery
MSMEs	Micro, Small and Medium Enterprises
IMS	Inventory Management System
CRM	Customer Relationship Management
ERP	Enterprise Resource Planning
PCI DSS	Payment Card Industry Data Security Standard
GMV	Gross Merchandise Value
M&A	Mergers and Acquisitions
FDI	Foreign Direct Investment
CEO	Chief Executive Officer
POS	Point of Sale

CHAPTER 1

INTRODUCTION

1.1 E-commerce Retail

The retail industry has substantially transformed and has evolved radically with the shifts in demographics, attitudes and consumer preferences. The basic concept of retail remains the same as the process of buying the goods from the sellers and selling goods to the consumers to earn the measured amount of profit. However, the means of doing business over an electronic network irrespective of the physical location of the buyer and merchant has changed the dynamics of commerce. This is recognized as electronic commerce basically known as an online marketplace or the E-Commerce today. The outcome of the retail business model entirely depends on how the platform creates value for its customers and seizes value from the market potential (Sorescu, A., Frambach, R. T., Singh, J., Rangaswamy, A., & Bridges, C., 2011).

The disparity in the world is getting rectified to a greater extent between developed and developing countries by the means of evolving digital economy. Developing countries were late in adopting the digital infrastructure compared to the developed countries due to various physical, economic, social, technological and legal challenges. However, things are getting improved and developing countries are evolving as emerging economic regions. The reality of today's global economy is a byproduct of the digitalization of economic activities (UNCTAD, 2019).

With the approachability of information and communication technologies through the means of internet and the internet supporting devices, the trend of traditional businesses getting transformed into online businesses continues to be growing, be it in the developed or in the developing countries. However, economic diversity depicts the intensity of how much the e-Commerce industry is developed in that particular region. The retail sales of the world-wide e-Commerce are expected to reach \$4.9 trillion by 2021 from \$1.3 trillion in 2014 which is considered to be the huge growth rate of 265% (statista, 2018). The global

leaders in B2C e-Commerce of Asia-Pacific regions like China, Japan, and South Korea covers over 50% of the electronic retail market in the world. However, this is foreseen to be followed by India, Indonesia, Thailand, Vietnam, and the Philippines from South and Southeast Asia for the next 5 years (Researchandmarkets.com, 2019).

1.2 Adoption of E-Commerce in Kathmandu, Nepal

Nepal is a mountainous landlocked country capsulated between the world's fastest-growing economies – India (East, West, and South) and China (North). Like any other least developed country, Nepal also suffers from the vicious circle of poverty, geographical imperfection, lack of foreign investment and imperfection of the market. Nevertheless, we all have to accept the fact that the world visibly divides between the developed and the developing countries. However, what lacks in size and shape of their economies outstand amongst others by the means of special categorization and differentiated relationship with the foreign nations.

In the midst of existing challenges, Nepal lying between the economic powers China and India has some immense opportunities. The infrastructural indifferences as a landlocked country no more remains as the nation's weakness but have been believed to capitalize as a land-linked country. Foreign policy experts, economists, business and development planners have concluded that the country should endeavor to establish itself as a trade corridor between its two giant neighbors', India and China, and benefit as the transit country from their bilateral trade (Newbusinessage.com, 2019). Wonderfully, Nepal has witnessed immense success in digital adoption as compared to the neighboring countries with mobile penetration exceeding 100% and internet penetration reaching 63%. In the next 5 years, Nepal is anticipated to rank top in internet penetration in comparison to the major economies of South Asia like China and India (Nepalindata.com, 2019).

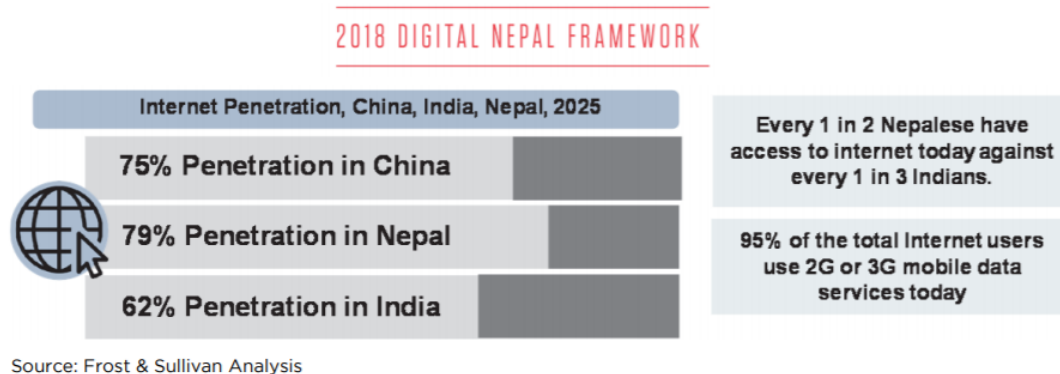
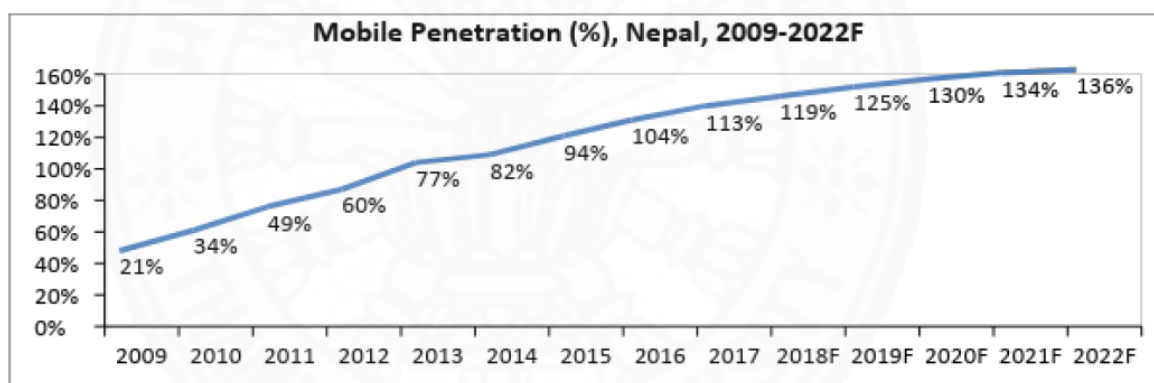


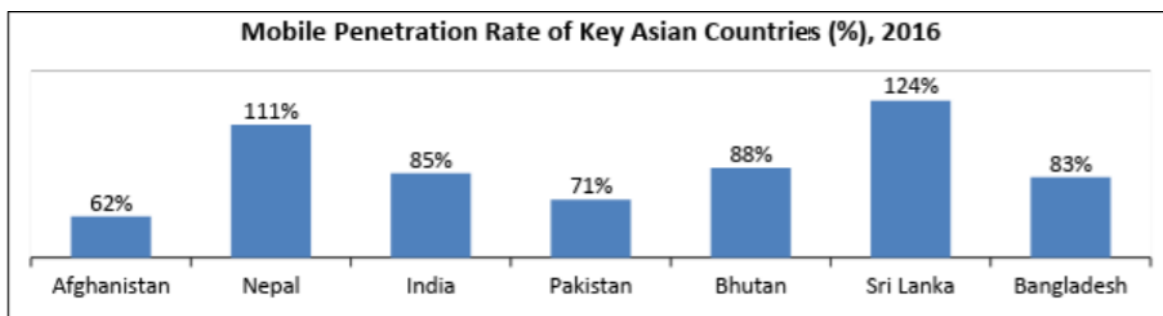
Figure 1.1 Internet penetration, China, India, Nepal, 2025

Also, mobile penetration was found to have increased exponentially to 113% in 2017 from 21% in 2009 (Nepal Telecommunications Authority, 2019)



Source: Nepal Telecommunications Authority

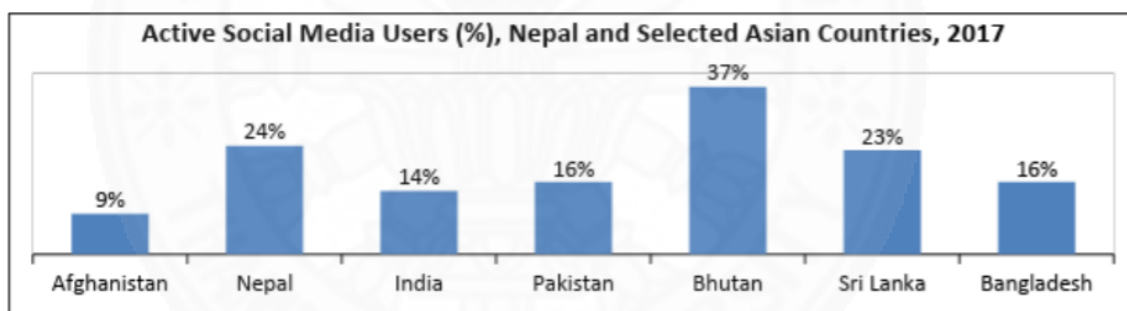
Figure 1.2 Mobile penetration (%), Nepal, 2009-2022F



Source: World Bank

Figure 1.3 Mobile Penetration Rate of Key Asian Countries (%), 2016

Nepal stands second only to Bhutan in South Asia in social media penetration. This shows Nepal is taking up speed like any other emerging countries in South Asia. The social media use growing and so is the digital marketing in Nepal which is the fastest mode of spreading information (Nepalindata.com, 2019).



Source: Hootsuite, 2017

Figures 1.4 Active Social Media Users (%), Nepal and Selected Asian Countries, 2017

As of May 2017, more than 56,286 websites were found registered in Nepal, that includes 40,000 commercial websites. Many MSMEs are benefitting from the digital marketing to enhance their online presence, boost their product sales and promote their business world-wide.

Demographically Nepal's median age is 23 years old (United Nations, 2019), the young population with good knowledge of information and technologies who are the potential users and enablers of digital Nepal. This target group is already a potential

consumer base for the growth of the upscaling e-Commerce industry. Also, the large number of Nepalese are living abroad for work, study and business which is a greater influence to make them aware of international brands and their usage. They consume these international products online. Along with domestic products, there is a huge demand for international consumer brands which has been made available by e-Commerce retailers. This has given a greater advantage for the retailers to supply the various product assortments online.

Nepal adopted online shopping practices early since 2000. The muncha.com is considered an initial e-Commerce started by an oldest and leading departmental shop in Nepal with the purpose of sending gifts to Nepal from the relatives residing in a foreign land.

With the rise of information technologies and the growth in internet users, many online businesses got registered in Nepal as mentioned above. But, a handful of them established their names during the initial phase of e-Commerce. To name the most popular ones on B2C e-Commerce retail today are Daraz (daraz.com.np), Sastodeal (sastodeal.com), eSewaPasal (esewapasal.com) and the Muncha (muncha.com). To start with, Muncha went live in the year 2000 adopting the business model of Amazon. This was way ahead of time for Muncha to start the e-Commerce in Nepal as the support system to assist this business model in the form of internet penetration, online payment solution, logistic supply chain, and much more was lacking in Nepal. So, this company waited for the Market to mature before going full-fledged online. In 2011, SastoDeal was introduced to Nepal with the goal of catering customers with products at affordable prices delivered at their doorsteps fulfilling the business model of e-Commerce to a greater extent. Today, SastoDeal is one of the biggest e-Commerce providers in Nepal with millions of customer base and thousands of vendors and partners all over Nepal. Another biggest player dominating the B2C e-Commerce platform or the marketplace in Nepal is Daraz Nepal. The Chinese e-commerce giant Alibaba's journey of expanding its e-Commerce empire into the South Asian market in the form of acquisition of Daraz in 2018 is anticipated to

have a promising strike on the growth of e-Commerce in Nepal like any other developing countries.

E-commerce is considered to be the fastest-growing industry directly impacted by Information and Communication Technology in the Nepali economy. The country's e-Commerce sector is evaluated nearly to USD \$30 million, that is experiencing a growth of over 40% per annum. On the employment side, four indirect jobs are created for each direct job. In ratio, the employment impact due to e-Commerce stands at 1:4. Also an increase in online third party sellers will additionally create 12 jobs in the e-Commerce ecosystem. The revenue of the country is expected to grow over US\$192 million annually if the marketplace continues to grow at current growth rates (Government of Nepal, Ministry of Information and Technology, 2019). Customers are trusting e-Commerce more and the sellers are seeing the value of this business model to a greater extent now (Kathmandu Post, 2019). Even the e-Commerce giant Alibaba has made a large investment in one of the finest e-Commerce of Nepal, Daraz considering Nepal as the destination of an emerging economy. Due to this, the market is expected to get quite competitive in days to come.

1.3 Problem Statement

The opportunities also come up with an equivalent amount of challenges. Alike any other industry, the e-Commerce industry in Nepal also has its own share of challenges. Despite the potential, Nepal is apparently falling behind in formulating e-Commerce as a localized business tool compared to several other Asian countries. The growth of e-Commerce in Nepal is lagging behind due to in-adequate and controlled ecosystem. Timely doorstep deliveries are the most value-adding feature in the demand fulfillment to the order received in e-Commerce platform. However, due to the complicated and lack of proper home address, most e-Commerce companies lose time in locating the delivery address. Although secured digital payments solution has improved to a great extent in Nepal, Cash on delivery (COD) is still a preferred method of transaction. There is still low usage of debit and credit cards by the people in Nepal. Only 5.2 million Debit cards and 0.12 million

Credit card users were apparently recorded in Nepal out of 29.9 million country's population (Nepal Rastra Bank, 2018).

In Cash On Delivery method, difficulties in coordinating delivery time and payment hassles with customers add extra delivery cost to sellers. When the customer phone is not available, the delivery man has to call several times to the customer causing a delay in completing transactions. Customer not ready at the delivery time or cash not ready slows down the process of the transaction. Many startup e-commerce sites have started to sell the products with attractive promotions and price but with low quality. Due to the wrong impression spread by these types of new players, it's hard to even for the reputed ones to earn the trust of the consumer. So, the lack of clear governing rules and regulations on doing e-business is also a concerning issue in Nepal. Despite of the greater potential for e-Commerce business to flourish in Nepal, this online marketplace practice is still in the nascent stage due to an inadequate ecosystem to sustain the business.

1.4 Objectives

- To study the situation and challenges in B2C e-Commerce retail business in Kathmandu, Nepal
- To analyze how the e-Commerce retail business is done in China and India (neighboring countries) and benchmark the business characteristics
- To recommend the business strategies for the improvement of the e-Commerce retail industry in Kathmandu, Nepal.

This paper intends to generate a multiple case study from four renowned B2C e-Commerce companies from Nepal, namely Muncha House (muncha.com), SastoDeal (sastodeal.com), eSewapasal (esewapasal.com) and Daraz Nepal (daraz.com.np). The research aims to study the potential and challenges associated with the business. Especially in the context of the capital city Kathmandu, as the major developments are concentrated within the capital city and electronic commerce is growing from this location.

Finally, this paper will conclude with the recommendation of the business strategies outlining the competitive benchmark from the e-Commerce industries from its neighboring countries China and India. The objectives of this multiple case study is to provide insightful knowledge base for entrepreneurs to improve their businesses. This will also be useful for the ones who desire to start their business in e-Commerce retail.

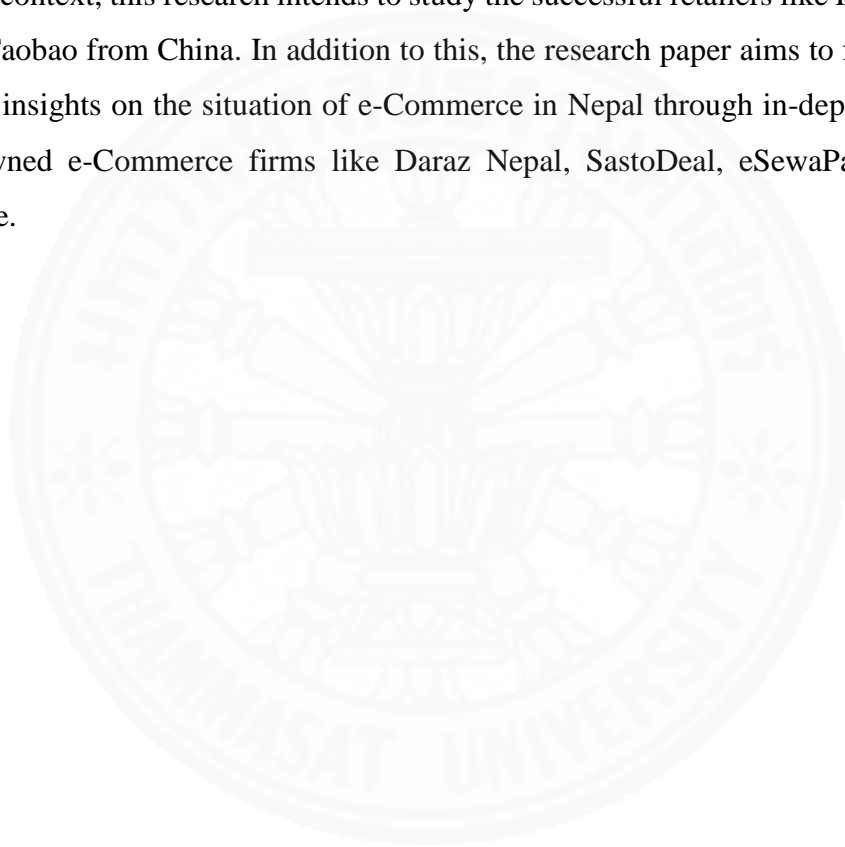
1.5 Summary

E-commerce has entirely revolutionized the retail industry over the last twenty years. This appears more prominent in China and India as China's top five internet retailing players are led by Alibaba Group, JD.com whose third party merchants have been most instrumental in capturing more than 60% of the market and India's rapid growth can be referred to the largest ever e-Commerce deal between world's largest retailer Walmart and India's biggest online retailer Flipkart (Euromonitor International, 2019).

The rapid surge in internet penetration across the Asia Pacific has attributed to the growth in internet retailing and has led to the rise of the middle class. Nepal is not an exception to adapt to the e-Commerce retail business like any other developing country. However, electronic commerce is still in its infancy stage. As observed by UNCTAD, Nepal too face the challenges faced by other Least Developed Countries like limited awareness on marketplace, lack of adequate e-Commerce skills for Micro Small Medium Enterprises (MSMEs), unsuitable financial mechanisms for startup enterprises to engage in e-Commerce, over-reliance on cash-based transactions and limited experience with online payments and use of credit cards, inadequate facilities for physical delivery of online purchases, lack of statistical data on electronic commerce, and on top of everything, the weak legal and regulatory frameworks, including protection of consumers online.

Despite many of these challenges, the inevitable fact is e-Commerce retail business is growing dramatically everywhere and Nepal is not an exception. With growing internet penetration, increasing mobile users, development of digital payment solutions in collaboration with commercial banks, and increasing logistic solutions, Nepal is apparently

growing digitally which shall assist in the supply chain of digital commerce. In order to grow e-Commerce in Nepal, the business runners and decision makers can learn from the reputed and successful e-Commerce providers. The SWOT analysis in comparison to these e-Commerce providers can yield the valuable outcomes and help benchmark the successful practices. The Ecommerce Benchmark is exemplary platform to showcase how the relevant associations can create benefits that the firms cannot realize themselves in the first place (Poerink, E., Abraham, J., Welie, R., Matton, R., Beek, D., Grobben, M., 2016). In the same context, this research intends to study the successful retailers like Flipkart from India and Taobao from China. In addition to this, the research paper aims to further understand more insights on the situation of e-Commerce in Nepal through in-depth interviews with renowned e-Commerce firms like Daraz Nepal, SastoDeal, eSewaPasal, and Muncha House.



CHAPTER 2

LITERATURE REVIEW

2.1 Definition of E-commerce

The definition of e-Commerce varies from several academics and scholarly sources. Since e-Commerce is an online platform where the commodities are supplied through online channels, it is often explained as the utilization of information and communication technologies to support commerce i.e. to support sale and purchase of products or services through online networks (Ghobakhloo, M., Arias-Aranda, D., & Benitez-Amado, J., 2011). The trade in e-Commerce happens when transaction of the funds is shared over the electronic network, especially in the availability of the internet and the internet connecting devices (Balasoui, 2015). The buying and selling prospers with the exercise of gaining competitive advantage in the online marketplace (Marcelo Torres et al., 2014).

Any type of E-commerce, be it business to business (B2B) or business to consumer (B2C), they exchange actual products for the real money via. online networks. The internet network is considered as a mediating technology that interconnects the two independent parties where the association can be B2B, B2C, C2C, or C2B. According to Saurabh & Vikas Kumar in 2018, the rise of e-Commerce directly relates to the increment of internet users. From e-Commerce, anyone from anywhere irrespective of the location in the globe can likely sell their products or services to anyone and anywhere else in the earth. (Afuah, A. and Tucci, C.,2003).

2.2 Advantages of E-Commerce Over Traditional Retail

In the world market over the past decade, the retail industry has undergone a transformation, from rural markets to hypermarkets, from comprehensive normal supermarkets to convenience stores and from the retail store trade to B2C e-Commerce giants. However, the nature of retailing, its fundamental elements of meeting changing consumer needs and supply chain efficiency, has never changed. Instead, the way of doing business in the electronic channel has provided the following advantages (Guo Delong, 2017).

- Accessible 24/7: E-commerce can operate at any time of the day that provides convenience to buy online regardless of time and place. It increases the quantity of order for the merchant or seller while from the browsing search is accessible anytime anywhere for the buyers until you are connected with your electronic devices online.
- Lower costs: E-commerce typically offers the price below than the physical stores within the variety in the form of the discounted price, and offers. Apparently, the automation of the checkout process, inventory management, and operational activities lower the cost of the manual workforce and the rental space for the E-commerce providers.
- Efficiency in searching products: There is no trouble is searching products from one aisle to another alike traditional retail. Instead, intuitive search navigation guides consumers through desired products and prices immediately. Also, it can lead through similar choices of various product assortments.
- Compare and purchase: The e-Commerce business model gives the buyers the options to compare and purchase with the best price offerings. Additionally, the growing and smart intuitive contents with the explanation of the products give users detailed product specifications that help buyers to decide on purchase tailored to their own tastes.

- Customer journey: The e-Commerce provides the customer with a value proposition by co-creating the community interaction through reviews and comments. This makes easier for the consumer to select and purchase good products. In return, the e-Commerce site can leverage valuable information about the customer and their buying behavior. This also eliminates the dependencies over the multiple communication channels as the system talks to each other in terms of intelligence in the platform business models and keeps every business unit informed of the online activities going around with the sellers, buyers and the stakeholders involved in the e-Commerce supply chain.

E-commerce supersedes traditional shopping as it provides a substitute way for the buyers to receive information on products for its price, specifications or detailed information, availability and also the review from the earlier purchased customers (Wang and Wu, 2012). Consumers are well informed and more benefitted than past as they have more choices at their fingertips today with perks of comparing prices with other vendors. The reviews and ratings in return of the purchased items, create an information base for e-Commerce providers to analyze behavior patterns and their sellers boost sales by offering interesting discounts and competitive price (Devaraju, D., 2016).

Tailored to the busy lifestyles of current times, e-Commerce is providing the easiest convenient, and the cheapest way to shopping online. E-commerce retail provides customer's wider choice available on the online market, they offer lower prices for products due to increased online competition among sellers. Due to a wide-scale of information spread everywhere in the market, consumers can compare and contrast with the similar products with available features, competitive prices and even refer to the genuine reviews from the previous buyers to have better idea about what they are purchasing. This is apparently saving time and money. Doorstep delivery is the attractive feature of this online marketplace where the buyers do not have to think of all the hassles going to the physical market and engage in the hustle and bustle of choosing the products of their preference. To the suppliers, it minimizes inventory costs and reduces distribution

costs. It helps businesses globalize and assist in promoting products more quickly (Rajendra M. S., 2015).

Another interesting benefit of e-Commerce was portrayed by (Fan, J., Tang, L., Zhu, W., & Zou, B., 2018) where it states that an availability and approachability to the products and services in an electronic platform not only yield combined revenue of the nation but also reduces the inequality in living standards of the people coming from various part of the country. E-commerce promotes inter-city trade as it eliminates the fixed charges of market entry and cuts down the bottlenecks that the distant trade charges might have occurred.

The researcher Gina R. Sheffield, 2019 has precisely derived the conceptual framework showcasing the transformational benefits of the e-Commerce supply chain over supply chain models.

Table 2.1 Transformational Benefits of the E-Commerce Supply Chain

Traditional Supply Chain	E-Commerce Supply Chain
Limited Exchange of information <ul style="list-style-type: none"> - Predictable - Weekly orders - Reactive and Rigid 	Information Throughout the Supply Chain <ul style="list-style-type: none"> - Fluctuating and variable - Orders flow daily, hourly - Flexible and Responsive
Lack of Visibility <ul style="list-style-type: none"> - Scheduled 	Transparency between Network Partners <ul style="list-style-type: none"> - Real-time
Lack of Collaboration <ul style="list-style-type: none"> - Strategic - Stable and Consistent 	Collaboration and Coordination <ul style="list-style-type: none"> - Broad Base - Cyclical
Limited Partnerships of Vendor Relationships <ul style="list-style-type: none"> - Supply Driven Model - Concentrated Destinations 	Integration with Partnerships and Systems <ul style="list-style-type: none"> - Demand-Driven Model - Widespread Destinations

To trade online as an electronic retail or to be a mediator for online trade as an online marketplace is the choice of the person who wants to do the business. Whatever business model one choose, it is more of strategic importance to how competitive advantage can be achieved (Chang, K. C., Jackson, J., & Grover, V. 2003). The important aspect of the business characteristics is to figure out the firm can position itself into the market. It is important how the business can attract and retain customers. A firm can only yield competitive advantage if it competes in the market by offering the lower prices than its competitors or it differentiate its offerings such that the profit outweighs the cost of the differentiation (Chang, K. C., Jackson, J., & Grover, V., 2003).

2.3 E-commerce Adoption Challenges

E-commerce has created internal and external value chains inside the companies. Over the years, it has emerged as a strong element for global economic growth and has justified that it has the potential to transform the social and economic dynamics of the countries (Jardim-Goncalves et al., 2012). Building trust in customers, value creation through the products and services provided in the platform, measuring delivery performance, keeping track of purchase behavior, retaining customers through good business performance, monitoring competitor activity to gain competitive advances are the essential components of the successful e-Commerce business. The application of e-Commerce business models and the process within it should be operationally as well as strategically executable for a company rather than being a set of formulated business standards (Dubelaar, C., Sohal, A., & Savic, V., 2005).

Apart from having access to the web, a customer should have a method of error-free payment so as to create the use of e-Commerce services with success (Musa et al., 2015). This is often solely doable if the customers have sensible awareness regarding banking services and even have bank accounts. A drift towards a digital economy can boost the e-Commerce adoption to a great extent. The concept of going digital with money transaction is about constraining the circulation of physical money in the economic system.

Also, the commercial banks shall keep the transaction of cash to the barest minimum such that there should be a certain low amount of cash that is ought to be allowed during the transaction (Okoye and Ezejiofor, 2013; Khan et al., 2014b). The cashless economy will increase convenience; the risk related to carrying cash is reduced, whereas different services like e-Commerce will be enhanced. Also, cashless could be a system regarding making payment for merchandise and services using the web or any other type of electronic fund transfer (Mieseigha and Ogbodo, 2013; Khan et al., 2013, 2014a).

It is understood from the previous works that policy initiatives with relation to social, technological and political perspectives will facilitate the country in achieving its technological and business goals. So, framing strategies addressing these problems at each step is extremely needed (Rajmohan et al., 2010; Khan, 2013a, 2012, 2016). Along with the above aspects, psychological, and behavioral aspects additionally play a substantial role in convincing and encouraging the customer towards e-Commerce initiatives. Nahari and Krutz (2011) disclosed from their work that trust encompasses a major role to play in dealing with e-Commerce as there is every possibility of fallacious activities, that stood as a serious hiccup within the utilization of online marketplace in least developed countries.

It is known by several works that trust has an impact not solely on the seller but additionally the purchaser (Muhammad and Muhammed, 2013; Shaozhong et al., 2012; Khan and Faisal, 2015). So, strategies designed during this regard can influence both the merchants and the buyers. Another significant aspect to trust is security and privacy. Since the evolution of technology, organizations have been designing timely strategies to foster trust and create a sense of security and privacy among all the stakeholders. However, even after decades' security and privacy have stood as one of the major pillars and demand effective strategies for providing the same for all the users (Antoniou and Batten, 2011; Feigenbaum et al., 2009; Khan, 2013b). The success of e-commerce depends on the technological infrastructure and also the price of accessing the infrastructure that successively affects the growth of the country. In developing countries, the cost involved with internet service management and infrastructural issues has been identified as challenges that have an effect on the widespread adoption of e-Commerce (Egbokhare et

al., 2011). Hence, information technology (IT) infrastructure and logistics infrastructure is vital to achieving the growth of e-Commerce in world trade (Shouhong and Hai, 2013).

Having a thriving marketing mix, with flourishing digital marketing and e-Commerce brings with it many assorted benefits to MSMEs. Benefits may come as the launching of new products or services in the global market, understanding and identification of global standards, price and product customization to target potential customer segments and developing the core competencies and skills required in global market positioning (Low G. S., 2000).

The elements of the business like external competition, synergies, organizational capabilities, and capital strength of the firm; and technology-related factors that embrace the IT infrastructure is set to drive the ICT usage and adoption of e-Commerce business models for MSMEs (Wymer & Regan, 2005). The important verticals of e-Commerce, particularly digital marketing, is commonly impaired by many factors which may be associated with the deficit of necessary resources, lack of awareness or information, or financial constraints (Asare et al., 2012; Nikolopoulos & Dana, 2017).

(Savrul, M., Incekara, A., & Sener, S., 2014) explains the limitations that are associated with the e-Commerce adoption in MSMEs resonating political, economic, social, technical, legal and organizational barriers as below:

Political Barriers

- Government regulations and policies changes
- In-appropriate legal environment to apply e-Commerce
- Low level of e-readiness among government institutions

Economic Barriers

- Inadequate financial infrastructure
- Lack of clarity with benefits from e-Commerce adoption
- High operational cost
- Competition with predatory pricing

- Insecure payment infrastructures

Social Barriers:

- Lacking digital marketing
- Lack of awareness of e-Commerce benefits
- In short of genuine and knowledgeable suppliers
- Language barriers

Technical Barriers

- Insecure network for data feed and payment transaction
- Insufficient e-Commerce infrastructure
- Lack of qualified staff
- Lack of Counterfeit screening mechanisms
- Inaccessibility of new technologies and deprived of innovation

Legal and Regulatory Barriers

- Formulated legal and regulatory system missing
- No proper guidelines or procedures
- Awareness of e-Commerce standards
- No clarity on e-trading legislations

Organizational Barriers

- Resistance to change from traditional business practice
- Deprived of management support
- Resistance to use digital payment solutions
- Lack of e-Commerce knowledgebase within the workforce

Similarly, e-Commerce adoption challenges can also be referred from the research conducted by (N. Kshetri, 2007) as “pre-transaction”, and “post-transaction” challenges. Shown below is the adoption model form this research as shown below:

N. Kshetri / Electronic Commerce Research and Applications 6 (2007) 443–452

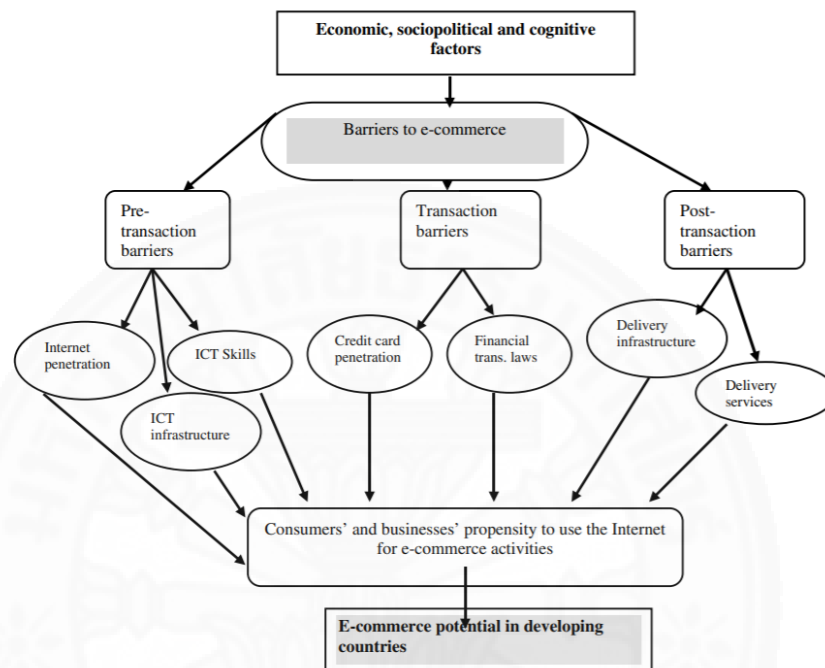


Fig. 2. Factors impacting the diffusion of e-commerce in developing countries.

Figure 2.1 Factors impacting the diffusion of e-commerce in developing countries

Pre-transaction challenges

The cost of internet usage is proportional to the number of people using it. So, the low number of internet penetration is an issue to the adoption of e-Commerce. ICT skills and infrastructure incompetency is the biggest challenge in the adoption of e-Commerce. This should be resolved to increase the adoption in online shopping.

Transaction Barriers

The least developed countries or the developing countries have lower credit card penetration and lacks proper financial services and associated laws. Due to this, people are never aware of the benefits of using Credit cards and the ease to online shopping.

Post-transaction barriers

Logistics management and the delivery procedures are the wonder features of e-Commerce business model that ease the life of sellers and buyers through online channel. So, in case of the lack of proper infrastructure channels and delivery infrastructure, the adoption to e-Commerce is never going to happen.

2.4 Supply Chain in E-commerce Industry

Supply Chain of e-Commerce differentiates itself from the traditional way of retailing based on two primary dimensions. These are speed and connectivity. The speed of e-Commerce molds the structure of the market by causing companies to bypass intermediate steps in the supply chain so as to execute and run business quicker and wiser, thereby making prosperous market structures. (Golicic, S., Davis, D., McCarthy, T., & Mentzer, J.,2002).

Supply Chain Management is a crucial part of the growth of e-Commerce. This includes planning, coordination, scheduling and controlling the procurement, production, and deliveries of products to customers. The efficiency in the supply chain model ensures the correct product reaches the correct place at the correct time. It ensures price reduction and enhancement of cash utilization. An effective supply chain management is an inseparable blend of change management, collaboration, and risk management which helps to align and interact with all the entities associated with it. The supply chain management model has to work on the ecosystem that yields the lowest cost and the fastest production maintaining the balance between quality and efficiency.

Supply Chain of the e-Commerce trade revolves around demand planning, supply planning, and demand fulfillment.

The E-Commerce Supply Chain



Figure 2.2 The E-Commerce Supply Chain

The retail business is only possible if there is consistent demand. This heads forward to the product assortment planning. An e-Commerce provider generally has to keep track of huge number of product knowledge in its platform. Additionally, the platform can consistently keep track of historical customer data that includes buying behavior and patterns and plenty of other personalized activities. This helps in interpreting and measuring the gap between the supply planning and demand planning of a retail market. This measurement helps in developing an efficient strategy for both demand generation and category selection to meet the demand created by the end customers (Goswami, A., Mohapatra, P., & Zhai, C., 2019).

2.5 E-commerce Ecosystem

Organizations today can be explained as massively interconnected networks that forms an ecosystem within itself to sustain the business. The organizational fitness is highly

dependent on its network of peripheral organizations, collaborative joint ventures, alliances and groups. Online platform constitutes a business ecosystem that is interlinked within the 'network of networks' of co-evolving organizations. "The Asian Tigers, followed by China and India, have mixed traditional values with Western entrepreneurialism, giving rise to new organizational forms blending Asian communitarianism and entrepreneurial individualism". The interconnected ecosystem helps to conceptualize business which can manage the tension and handle potential chaos by co-creating innovative solutions to better exist and succeed coherently. This also helps not to overlook the focus of the business (Corallo, A., Passiante, G., & Prencipe, A., 2007).

The wonder benefit of e-Commerce is that the communication happens in the real-time over the online platforms. Immediate sales and purchase happens over the internet. So the online marketplace does not only allows the buying and selling but takes care of real-time communication with added value of gaining pre-purchase information, post-purchase feedback and reviews, and the customer support to every possible questions and concerns before the purchase (Sharma and Lijuan, 2013). Typically, an e-Commerce ecosystem consists of the following components: (Chan D., 2019).

- E-Commerce website or platform
- Digital Marketing
- Payment Gateway
- Finance software
- Logistics and Delivery Software
- Inventory Management System (IMS)
- Customer Relationship Management (CRM)
- Seller Centers
- Enterprise Resource Planning (ERP)
- Delivery Channel Management Software

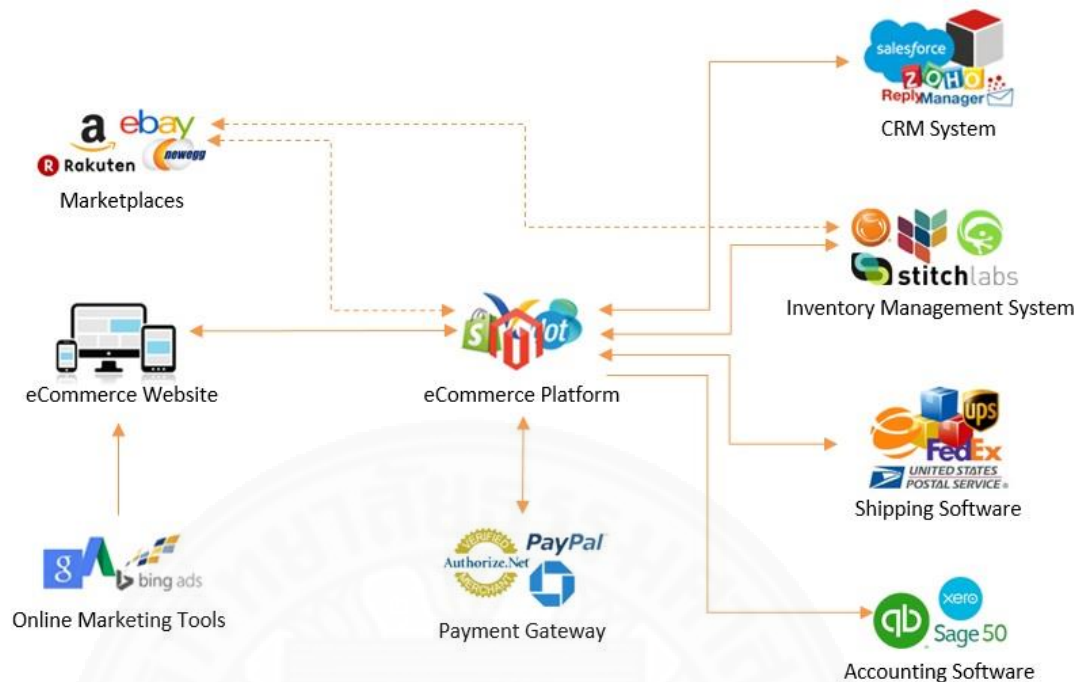


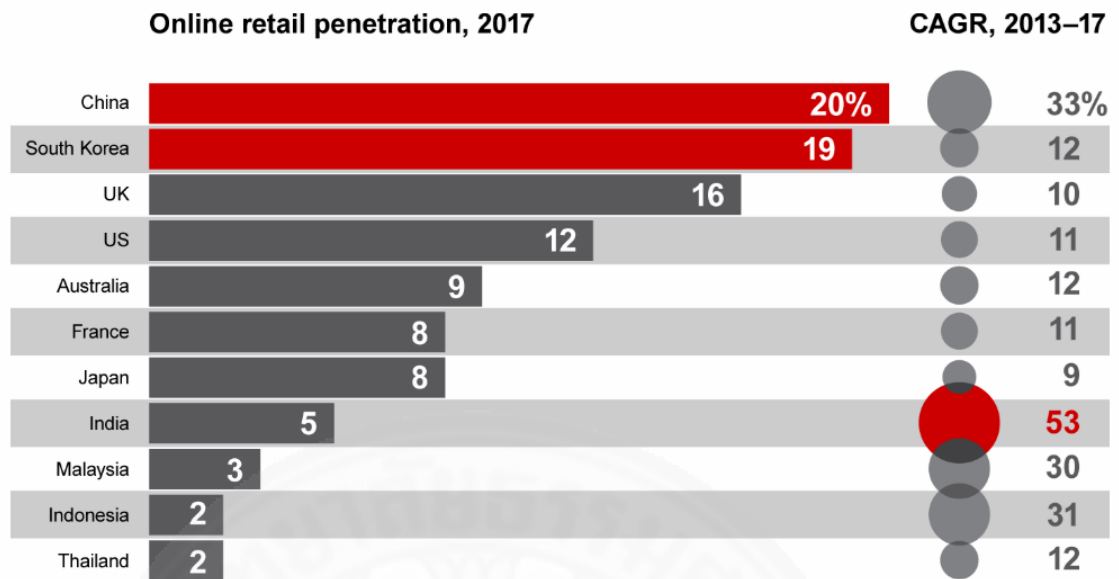
Figure 2.3 Example of a mid-size company e-Commerce ecosystem.

Source: <https://ecomconsultant.com>

Not necessarily all the e-Commerce business uses all the above-mentioned tools but e-Commerce Platform, Online Marketing, Shipping Software, and Accounting software are the core elements of the e-Commerce ecosystem. In contrast, medium-sized companies have the most complex e-Commerce ecosystems which in order to provide seamless operational flow integrates multiple systems (Chan D., 2019).

2.6 E-commerce Retail Business in India and China

Peter Drucker, the famous enterprise management master, once said, “Nowadays, the competition between enterprises is not the competition of products, but the competition of business models. In this modern society, the influences brought by business models are especially obvious in e-Commerce and cyber economy”. According to the Euromonitor, the country like “China”, “South Korea”, and increasingly “India”, are at the forerunner of internet retailing in South Asia.



Source: Euromonitor

Figure 2.4 Example of a mid-size company e-Commerce ecosystem

Based on the 2018 Global E-commerce Report published by E-Commerce Foundation, this research intends to study the bestselling e-Commerce retailers like Flipkart from India and Alibaba's Taobao from China.

2.6.1 Flipkart: An Introduction

Wall Street Journal, 2016 listed Flipkart as one of the top 10 unicorns for market capitalization in India. The company valuation as of 2019 is \$ 22 billion. It is a homegrown startup from India started by alumni members from the Indian Institute of Technology, Delhi in 2007. Since its inception, the company has enjoyed success similar to that enjoyed by Amazon globally (Euromonitor, 2019). Flipkart was started as an online bookstore and got popular in the following year just by word-of-mouth. With the platform's growing user base, the founder Sachin Bansal and Binny Bansal launched 24x7 customer service and closed the year of 2009 with 3400 shipments successfully. In two years, from 20 successful shipments in 2007 to 3,400 shipments in 2008 was an exponential growth for this business.

The intrinsic growth of this startup attracted the venture capital firm, Accel Partners who invested \$ 1million in Flipkart. This investment gave rise to the expansion of business and its workforce by 150 people in 2009.

The Flipkart pioneered cash on delivery payment solution in 2010 by introducing this as a payment alternative, allowing consumers pay for their ordered items only on receiving the goods. In the same year, they launched Ekart, a logistics component in their supply chain to handle the order and shipments for the increasing demand for goods. A return policy of 30-day was added to their logistics. In addition to this, they diversified their product assortments to the categories like Mobiles, Music, Movies, Games and Electronics. The year 2010 marks their first acquisition of 'weRead', which is the popular social book recommendation portal who had a potentially huge customer base. The steady growth of Flipkart continued with the expansion of more shopping categories including Stationery, Cameras, Computers, Laptops, Large Appliances, Health and Personal Care in 2011. In the process, the company also adopted digitization by acquiring the Bollywood content portal "Chakpak's digital Catalogue" and music streaming and digital content platform "Mime360". This did not end up here, but Flipkart network expanded its deliveries in 600 more cities across India (Dutta, N., & Bhat, A. K.,2014).

Another digital expansion follows when this platform received PCI DSS certification, which allows them to store payment card details with security and giving users 'Saved Card' feature during checkout. In 2012, they again acquired the electronic retailers Letsbuy. On the service offerings, in 2013, Flipkart adopted the marketplace model allowing third-party sellers to do the business in the platform that immediately took the hype in the market. Online payment solution PayZippy was another milestone to increase transactions in the platform through merchants and customers. The growth was followed by international expansion when they started accepting international cards on transactions (Dutta, N., & Bhat, A. K.,2014).

In the year 2014, Flipkart acquired the famous online fashion retailer Myntra with majority stakes in after-sales service provider Jeeves and payment platform Ngpay. Flipkart was the first Indian internet retailer firm to register the Gross Merchandise Value (GMV) of \$1.9 billion with the company valuation of \$11 billion. The year 2015 was again followed by new launches like additional categories, Ad Platform and data-light mobile website Flipkart Lite. The company also acquired the mobile advertising company Adlquity, mobile marketing firm Applterate, and payment services startup FX Mart, as well as investment in delivery locker service startup Qikpod. By the year 2015, Flipkart turned out to be the first Indian mobile app to cross 50 million users and crossing 100 million registered customers. In addition to this, Flipkart also launched unique services like No Cost EMI where customers can buy premium products in installments without any burden of additional fees or interests, and Flipkart Assured where customers are assured of 100% high quality with quickest delivery options. This platform also launched India's first unified payment interface app "PhonePe" (Dutta, N., & Bhat, A. K., 2014).

Another great year for Flipkart was 2017 where it raised \$1.4 billion from Tencent, eBay, and Microsoft and acquired eBay India in exchange for equity. Also, Softbank's vision fund invested \$1.5 billion in Flipkart to become its largest shareholders. In the year 2018, all the offices of Flipkart started operating from one campus called Embassy Tech Village with 130,000 third party sellers on-board and having its business expanding to 80 million products climaxing with Walmart acquisition worth a \$16 billion (77% stake in Flipkart) as the biggest M&A deal ever in the history of the Indian startup ecosystem in the year 2018 (Kalyani, P., 2018).

2.6.2 Flipkart: Business Characteristics

Flipkart was registered in Singapore and not in India (Kaliappan, B., 2015). There were many factors considered before taking this decision by the Bansal's to move their backend office to Singapore. First is the Foreign Direct Investment (FDI) policy of the Indian Government which did not permit FDI in the B2C business in the commerce segment. Due to this limitation in funding for the foreign venture capital, Flipkart decided to get registered in Singapore and move its backend office. Similarly, in the context of taxation policy, had it been registered in India, the company would have to pay the tax at the rate of 34% while Singapore only had the corporate tax rate of 17%. This also avoided them from paying double taxation. One in the form of corporate level and the other in the form of dividends. Also, Singapore is a transit trade that contributed to a lot of savings for Flipkart as there is import duty implied to only a few imports like petroleum products, tobacco, etc. and no export duty (MyOnlineCA., 2019).

The continuous commitment towards the customer's satisfaction was key to the Flipkart's success. This was visibly seen during their "Big Billion Day" sale. This was a promotional strategy offering the online buyers with steep discounts aimed at gathering \$ 1 billion in revenues in a day in almost all the product categories. This day was a fortune for the Flipkart as they did not even have to wait for a whole day, but a mere 10 hours to achieve their goal. This was marked on the date 6/10 in 2014 which had a very catchy and significant promotional strategy. This 6/10 marked the beginning of an e-Commerce website in a flat no. 610. On one hand, Flipkart achieved their goal of raising their target revenue, but on the other hand, huge orders flourished in such a way that it broke their server down. Orders got canceled automatically due to heavy traffic in the network. This downfall ignited the traditional retailers to even protest on predatory pricing with huge discounts offered during this promotion.

The Bansal's won back this nightmare by ultimately gaining back the trust of its customers through various strategic moves. They went public with apologies via. Media, social networking sites, emails, and newspapers. They offered gift coupons for the customers who were unable to buy the products at earlier promoted prices. Flipkart even sourced additional stocks in some categories and offered the customers the same advertised price to re-gain the trust and loyalty of the customers. Another impressive strategic move was, they reloaded Rs. 500 (INR) in the customer's wallet as a token of apology based on the type of orders. They also credited additional amounts to the e-wallet for the customers who bore loss due to credit card transactions (Jamnani, A., 2016). They have the culture of correcting the flaws in their business with innovation at its peak. Flipkart is a trendsetter for all those companies looking for a name in the market.

Omni-channel merchandising ought to be structured to create a supply chain that is both cost-effective and most importantly that caters entirely to customer needs. Hybrid structures should be designed to use both the online and offline channels. Flipkart sees great worth in providing a seamless shopping experience to its customers (Chopra, S., 2015). For this, they started developing Omni channel presence. Flipkart started this by opening fulfillment stores in more than 19 cities, in order to fulfill the orders for the customers who were unavailable during the delivery. This initiative aims to address issues of unavailability of the customers during the time of delivery, restricted entry of delivery boys to IT parks, gated communities and educational institutions. In fact, this acts as an alternative to door delivery in small towns where it is difficult to locate the home address. Recently in 2019, Flipkart opens the first furniture experience center realizing the behavior of the customer to see and touch the furniture before the purchase. This introduces a brand new facet to the e-Commerce business, which is not based on prices, discounts, and cash backs however making their niche (competitive advantage) in a very totally different scale. Flipkart explored these possibilities to win 'profitably' within the market (Jhunjhunwala, R., Datta, S., & Gupta, V., 2018).

The choice of either online or offline channels depends on factors such as price, variety, and convenience. Hence, to keep pace with customer demands, e-Commerce players like Amazon and Flipkart have devised sales events. In India, the period October to December is usually considered as the main “festive season”, which covers important festivals such as Dussehra and Diwali. Due to the attractive deals and deep discounts, the festive seasons have earned great hype in online shopping. In India, over the last two years, Big Billion Day Sale by Flipkart and Great Indian Festival Sale by Amazon became major shopping events for e-shoppers, because of the deep discounts and heavy promotional campaigns organized by these two players (Euromonitor, 2019).

India was demonetized on November 9th, 2016. Due to demonetization, the e-Commerce business had a great impact both on the consumer end as well as the business end. Flipkart started offering more discounts on online payment and zero cost EMI. Due to the cash crunch, the customers started adopting the online mode of payment through credit and debit cards. They installed a POS machine to assist Cash on Delivery when people had no option of paying in cash. This increased the sales and also provided the efficient means of digital transaction that is transparent and more convenient for both the buyers and sellers in the e-Commerce retail business. Customer’s ease, trust, and satisfaction for e-Commerce have also increased over the years (Gambhir, S., 2018).

In the business end, the series of Mergers and Acquisitions like Letsbuy, chakpak, weRead, Mine360, Myntra and lately by Walmart has expanded the capabilities and existing resources of acquired companies for Flipkart. Similarly, owning its own logistic service E-kart and payment gateway like Payzippy has helped the company to take control over its supply chain and online transaction which is critical for the e-Commerce business (Kaliappan, B., 2015).

2.6.3 Taobao: An Introduction

Founded by Alibaba Group Holding Limited (hereafter Alibaba), a Chinese multinational conglomerate specializing in e-Commerce retail, internet, and technology, Taobao is an e-Commerce platform primarily started with the motive of facilitating the C2C retail service in 2003. At present, Taobao is the largest online retail website in China offering both C2C and B2C shopping platforms providing a holistic shopping experience to its customers. Taobao is among Jack Ma's first attempts to find e-business opportunities in the market of domestic trade (Deloitte, 2018).

In the year 2004, Alibaba launched 'Aliwangwang' on the Taobao marketplace. This is an instant messaging tool that connected buyers and sellers for personalized communication (Alibaba Group, 2019). This messaging tool enabled the buyer and the seller to personalize their orders, negotiate the price in the Taobao market, archive the chat records, and claim the right to investigate in case a dispute occurs. In this way, the relationship can be more conveniently built between buyers and sellers, making the interaction process more trustworthy. In the same year, 'Alipay' was introduced as a third party online payment platform and this was incorporated as an escrow into the system. This helped monitor the transaction process in a legitimate way where buyers felt confident about paying and only released funds after they received their purchase in proper order where sellers were assured on their payment post-purchase (Rodriguez Valero, L., 2016).

In the year 2006, the Taobao university program was launched which consisted of faculty of senior management from the online marketplace. This program was launched with the motive of providing e-Commerce training and education to buyers and sellers. It offered lectures on building a digital business. This was not just the promotional strategy but an effective way to help understand the buyers and merchants with the transaction process which is the critical component of electronic commerce (Fang, X., 2015).

The initial idea of Taobao was quite similar to the eBay business model where it started with creating a virtual marketplace and providing a platform connecting online shoppers and the sellers. Taobao dominated the electronic retail market by differentiating itself against eBay in various aspects. It is considered, Taobao's greatest strengths are its well-established connectivity with Alibaba's other platforms. As for example, Alibaba Group created a Cainiao Network with several Chinese logistics companies. This network was created to help the sellers in Taobao to distribute the products better. In return, Taobao achieved the aim to provide customers with quick delivery. According to Alibaba Group, 90% of the businesses on Taobao have a network with Cainiao Network in relation to delivery management. Cainiao Network provides both the online data management services and offline warehouse and delivery service to consumers and sellers (Daxue Consulting, 2017).

2.6.4 Taobao: Business Characteristics

Taobao and Alibaba are like the synonyms to the e-Commerce world today. China has become the largest e-Commerce economy globally, and much of this is attributable to Alibaba's expansion. According to Alibaba's data, Taobao and Tmall account for more than half of all parcel deliveries in China. The first thing that sets Alibaba apart from any other e-Commerce platform is its unique ecosystem that integrates almost all the vital components of the e-Commerce within its business. Their strategic move was to make sure that the e-Commerce platform was providing all the resources that an online retail business would mandatorily require and thereby support the evolution of the ecosystem for the long term as the former CEO, Jack Ma projects the vision of driving Alibaba to sustain for 102 years.

Alibaba's success is directly proportional to the seller's success and for this reason, Alibaba contributes extra effort in order to help them succeed. During the first few years, Taobao did not charge any transaction costs between the buyers and





the sellers. Instead, Taobao observed the behavior in buying and selling on the online platform. The firm created a marketing consulting wing called Alimama to assist its sellers to reach their potential target customers. The consulting firm provides services such as customer segmentation, product positioning, marketing campaign, and many more. According to the published article (Zeng, 2018) in Harvard Business Review, Alimama has helped Yan Ge Ge, a seller in Tmall to increase its sales dramatically by helping them to identify the potential pregnant women as better prospects. Before the consultation with Alimama, this business could not make any sales despite specializing in exotic products like bird's nest.

While banks were hesitant to service companies that lacked any kind of credit history or adequate documentation of their business activities, Ant Microloans launched in 2012 formed a lending operation in association with Alipay to lend financial assistance for the people who wanted to do the business in the e-Commerce platform. In this process, Ant uses the data to compare the honesty of borrowers by their behavioral and transactional data from the platform itself. The sellers are given credit scores that directly impact their business. Alibaba goes extra miles to inspect sellers and make sure they are reliable and trustable businesses. As there are many frauds and counterfeits in China, Alibaba has raised the bar for those who are allowed to sell on Tmall (B2C). A business needs to pay a deposit of as much as \$25,000 in order to set up a seller profile in Tmall which serves as an advance for Alibaba's commissions. In return, Chinese consumers trust more in purchasing products on Tmall (Wang, H., 2015).

The official verification and the seller badge certificates is mandatory for the Taobao sellers in order to sale their products as a trustable sellers in the Taobao Platform. The sellers have to go through the screening process that includes identity verification, business license validation, credit card acceptance, to the third-party quality check. The sellers profile page will be featured with the earned badge only after he or she gets certified by the Taobao (or its external partners). Likewise, the buyers will be automatically informed about the associated badge received by the

sellers. This way Taobao ensures the trust to its customers. The table below lists some examples of certification services that are popular on the Taobao platform.

Table 2.2 Example of Certification Service on Taobao Platform

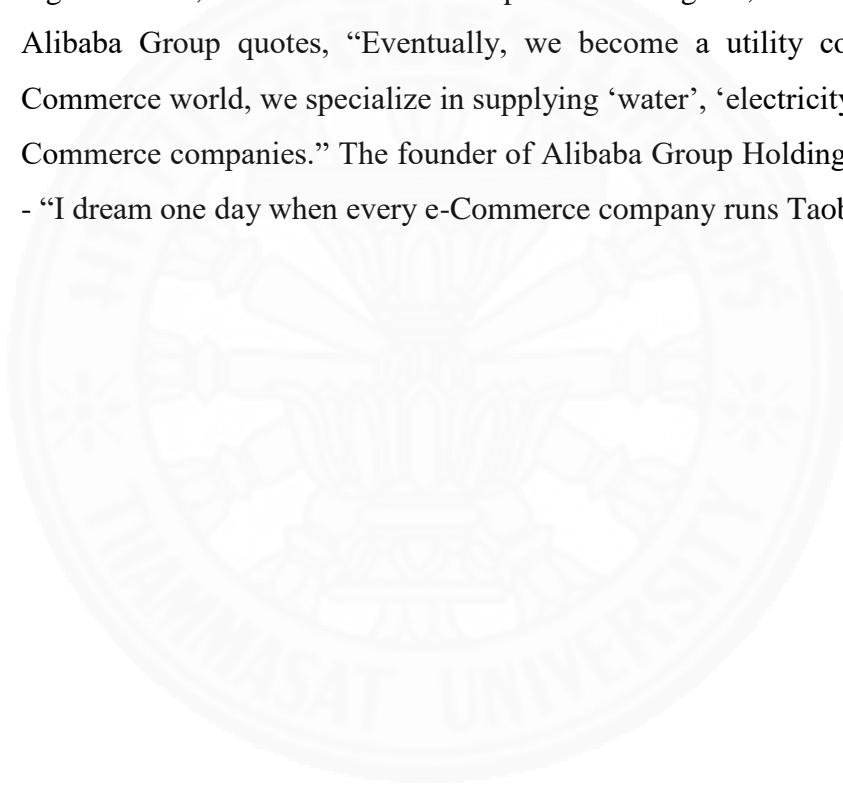
Name	Badge	Meaning
Golden Seller		1. Quality Assurance; 2. Highest Evaluation Credits; 3. Quick Service; 4. 7 Days No Reason Return
Consumer Protection Scheme (CPS)		1. 7 Days Guaranteed No Reason Return; 2. Less than 24 Hours Despatch; 3. No Counterfeit Guarantee; 4. 30 Days Free Repair Service; 5. The Third-Party Quality Check (Optional)
ID and Bank Account Verified		Personal ID checked, Bank Account verified, and Alipay registered
Quality Check Certificate		Product Quality Standard Guaranteed by a third-party.

Alibaba is an enabler to shape the development of its business ecosystem and Taobao is an essential part of it. By acting as an enabler and promoting efficient interfaces between partners, breaking down barriers for the people to do business in Taobao not only brought the business in but also recruited trustable partners for the rapid growth. It demonstrated that innovating the problem-solving infrastructure for the people, this business created the potential for new profit streams both for Taobao/TMall and its partners. The creation of a business ecosystem led to the growth of the Taobao marketplace and the Tmall e-Commerce business which have today dominated the online shopping in China (Williamson, P., & Jingji, M., 2016).

It is known to everyone in current data that the country, China is one of the world's largest investors and digital adopters which is also the home to one-third of the world's unicorns. The rapid commercialization of digital business models and a young demography who are eager to embrace digital technologies in all its forms paves way to the country's development. Alibaba is one of the three

aggressive, giant internet companies with an international outreach and touches every aspect of consumer's lives. The investors, business professionals and the consumers are highly encouraged to adopt digital innovation by the Chinese government. In addition to this, entrepreneurs are provided with environment to experiment and innovate (Woetzel, J., Seong, J., Wang, K. W., Manyika, J., Chui, M., & Wong, W., 2017, August).

The theory research conducted by (Zhang, W., Chen, M., An, W., & Zhang, J., 2018) portrays that the future of the B2C platform business is user-centric, digital-driven, Omni-channel service platform. Song Fei, the Strategy Manager of Alibaba Group quotes, "Eventually, we become a utility company in the e-Commerce world, we specialize in supplying 'water', 'electricity', and 'gas' for e-Commerce companies." The founder of Alibaba Group Holdings, Jack Ma quotes - "I dream one day when every e-Commerce company runs Taobao-inside.



CHAPTER 3

RESEARCH METHODOLOGY

3.1 Qualitative Research

Qualitative research can overcome the limitations of adopted theories and can provide more insight to the quantitative outcomes in more realistic way. The research method is tailored to explore “the black box” of organizational processes, the “how”, “who” and “why” of individual and collective organized action as it unfolds over the time (Doz, Y., 2011). The retail firms like any other industries have revolutionized the way people do business today. The retail companies are extensively volatile where leaders of yesterday find it challenging to understand the dynamics of change. While we have more data than ever today, the future seems more uncertain and complex. It is said – “The qualitative research method was originated in the social and behavioral sciences”. Every people think and perceive in a very different and often the unique way which tends to be very difficult to understand at times. This qualitative research method eases this process with more communicative and descriptive procedures.

3.2 Research Design Strategies

This paper intends to perform exploratory research using a qualitative approach. The qualitative research will be based on in-depth interviews for the data collection. “The in-depth interviews are the primary data collection method considered to be used for grounded theory, along with document examination, review of relevant literature, and informal observations” (Strauss and Corbin, 1198). The purpose of conducting this research is to study the competitiveness of B2C e-Commerce retail in the capital city of Nepal with prevailing business practices from the renowned companies like Daraz Nepal, Sasto Deal, eSewaPasal and Muncha House. The focused individuals for the interviews are the associated C-suites and the decision-maker of the associated firms. The interviews

were conducted face-to-face and lasted for a couple of hours. The recorded interview has gone through content analysis as well as the narrative analysis before any recommendations proposed at the end of this research paper.

3.3 Data Collection

In order to fulfill the objectives of this research paper, it is very important to identify the business characteristics and situations associated with the B2C e-Commerce industries in Kathmandu in relation to the outcomes of literature review based on various scholarly articles, journals, books, and websites as stated above. In relation to this context, this research paper intends to develop interview questions underlining the six major key challenges faced by e-Commerce providers (Goyal, S., Sergi, B., & Esposito, M., 2019).

1. Infrastructure
2. Government policies and regulations
3. Competition and Internationalization
4. Customer (5As): Aesthetics, Affordability, Accessibility, Availability, and Awareness
5. Customer (cognitive behavior)
6. Organizational

3.4 Interview Questions

3.4.1 Infrastructure

1. What were the key requirements for your company to enter the industry of e-Commerce?
2. What are the technologies required in the platform business model?
3. Is the infrastructure prevalent and available in the country enough to run the e-Commerce business?

4. What is the cost of running the business? Is it more or less than traditional retail?
 - a. Is access to finance (personal, financial institutional, investor) a problem for the business?
5. What are the different types of skill requirements?
 - a. Are you facing any skill shortages at any level?
 - b. Do you face resource crunch at any level?
6. Do you think it is difficult to gain the trust of the customers in this business? If no, what are the measures you are taking to build trust?
7. How does the customer pay when buying the product? What is the most preferred way of payment?
8. Is there any impact on your business with the introduction of digital payment and/or new payment wallets?
 - a. How would you like to see it shaping to support e-Commerce business in the future?
9. How much user-friendly do you consider your web/mobile interfaces are?

3.4.2 Government policies and regulations

1. Did you face any challenges while registering for the company?
2. What are the regulations you need to adhere to operate an e-commerce business in Nepal? What are the associated authorities?
3. Has the government posed any restriction in operating the e-Commerce platform?

3.4.3 Competition and Internationalization

1. How competitive is your selling price?
2. Who are your biggest competitors currently?
3. Why do you consider yourself different than other players? What makes you different?

3.4.4 Customer (5As)

1. What is the demographics of your customer? (Age, gender, income level, location)
 - a. What is the potential age group shopping in your company?
2. What is the user base of this company? How many registered sellers and how many registered customers?
3. Do the users prefer web or mobile app?
 - a. What about sellers?
 - b. What about buyers?
4. What are the most preferred product assortments in the shopping category of your platform?
5. What happens when the customer returns the order?
6. Do you have an express/prime delivery service?

3.4.5 Customer (Cognitive)

1. Are the customers in Nepal price sensitive? Or do they give more value to the quality products?
2. How different is the adoption culture of e-Commerce in Nepal compared to that of other south Asian countries?
3. Do you track customers buying behavior? If yes, what analytics do you use?
4. Have you received any complaints about the counterfeit products through your platform?
5. How do you handle complains? What are the measures taken in handling complains and let it not occur in the future?

3.4.6 Organizational

1. Could you please explain your business model?
2. How many employees does this company hold?
3. What are the sources of revenue for your companies? (sales, advertising, subscription, transaction fee, sales, affiliation)
4. What are services do you provide to the sellers? E.g.: Warehousing, Shipping?
5. Do you have in house logistics or use a partner for the same? How do you deliver outside Kathmandu valley?
6. Can you explain what happens after an order is placed using your platform? Does your company pick orders from the seller's place or sellers directly deliver orders?
7. What is the annual gross merchandise value of your company?
8. How difficult it was to get the sellers to register in your platform?
 - a. Was there any trust issue?
 - b. What strategies are you applying in order to aware or teach SMEs about the benefits of the e-Commerce platform? (training or registration, imaging, cataloging, sales training)
9. How difficult it was to get the buyers to register in your platform?
10. Does prohibited outward remittance by the central bank of Nepal (Nepal Rastra Bank) impact e-Commerce business? If yes, how?
11. How is the demand for branded products in Nepal? Are you able to cater to the needs?
12. How predictable is the market in the current scenario?
13. What performance measurements the company uses to monitor is a business performance? Based on those measurements, how is the company's business performance from the first year of operation until now?

CHAPTER 4

RESULTS AND DISCUSSION

The study identifies the current situation and challenges of the B2C e-Commerce retail industry in Kathmandu. There is no “One size fits all”. Every company operating as an online marketplace has its own business characteristics and one differentiates from another depending on various factors. The following case studies are the outcomes of the structured interview questions and are discussed based on the challenges faced by the renowned e-Commerce providers of Kathmandu.

4.1 Case Study: Daraz Nepal

Daraz is an international brand in the e-Commerce industry. It is the biggest online marketplace in South Asia which was established in 2012 by a German venture capital company called Rocket Internet. This global online marketplace has its presence in Pakistan, Bangladesh, Nepal, Sri Lanka, and Myanmar. In 2018, after a huge acquisition by the Chinese e-commerce giant, Alibaba group, this online marketplace is growing tremendously.

The company started in Nepal in May 2014 as “Kaymu” to provide an online shopping experience to the people in Nepal. Kaymu was an online marketplace originally founded in 2013, catering to the C2C and B2C products in Africa, Europe, and Asia. In its inception in Nepal, Kaymu started as an online advertising company and quickly became Nepal’s fastest growing online marketplace with more than 2500 sellers on-board and 200,000 monthly website visits. Gradually, this e-Commerce company became the talk of the town introducing online shopping to another level. In July 2016, the venture capital company Rocket Internet merged the e-Commerce site Kaymu into Daraz and hence Kaymu was rebranded to Daraz. After the merger, this company grew much bigger in terms of skilled resources, the good knowledge base of the e-Commerce industry gaining economies of scale and a big stake.

While Daraz was getting bigger and popular, it paved its way to the biggest acquisition by the Chinese giant e-Commerce, Alibaba Group in May 2013. According to Mr. Temple Pyakuryal, Commercial Head of Daraz Nepal, the company witnessed a huge growth in operation after the acquisition by Alibaba Group. When the company was acquired, the focus was more shifted towards growing the sellers and catering customer-centric services in ways possible. With huge funds along the way, the company grew in size, shape, and resources to aid huge marketing campaigns, boot camps, hiring people of various skill sets and on top of everything, a good technology ecosystem where systems talk to each other. This technical innovation introduced a seamless performance in the marketplace and grew the revenue exponentially. Today, Daraz Nepal provides immediate and easy access to 250, 000 plus products in more than 100 plus categories. More than 75,000 Nepalese use Daraz every day and it estimates that it has created 5,000 jobs in Nepal.

The sophisticated technologies where various portals and integrated platforms talk to each other has made Daraz acquire the scalability. Every part of the e-Commerce ecosystem, like user portal, online marketing, payment system, accounting software, inventory management, logistics, enterprise resource management, and various channel management software are integrated which has made the operation of Daraz Nepal very systematic and traceable to meet the industry goal. On top of this, Daraz Nepal allows its sellers to view their selling history and trends, monitor their timely growth and pitfalls, and help take better decisions on maximizing sales via. analytical metrics that can be viewed from the seller center profile. With Daraz Nepal, the seller has access to the latest, highly advanced system developed with Alibaba and this has differentiated itself from the other players in the e-Commerce industry. Currently, the payment system of Daraz Nepal allows online payment solutions in the form of credit and debit cards and POS machines. Whatsoever, Cash on delivery is still the preferred method of payment for the customers as a good number of customers are still in the early stage of adopting online payment.

Daraz University is another initiative that set this online marketplace very different from other players in the market. To educate the sellers in various dynamics of doing

business online, they conduct the webinars, workshops and offline classes where a seller will have an opportunity to interact and learn from Daraz experts and the existing sellers in Daraz. The company is also working aggressively on its logistics. It has recently started “Daraz Hubs” for easy pickups/returns and warehouse for the faster delivery. In addition to working with third-party logistics, they also have an in-house team with over 100 rides operating in the major cities of Kathmandu.

In the context of understanding the demographics of the customers in Daraz Nepal, Mr. Pyakuryal stressed out on the big segment of youths from the age of 18 through 40 where majorly, the customers were male over female. The orders come mainly from the capital city, Kathmandu followed by other cities like Pokhara, Butwal, Dharan, Itahari and so on. Daraz is looking forward to increasing its hubs to outreach more customers. It is observed that the user traffic is moreover the mobile network than the web and most preferred assortments in online shopping being the fashion apparel and electronics. The customers of Daraz Nepal are found price-sensitive when they buy books and electronics while they really depend on the quality and people’s choice when it comes to fashion apparel.

In conversation about the infrastructure availability in Nepal, Daraz seemed affirmative except for the poor addressing system in Kathmandu. This has made the delivery of the goods very time-consuming. On the other hand, delivery outside the Kathmandu is not suitable unless they meet the volume of orders due to the topography challenges. And it did not make sense to Daraz if they deliver the customer order with comparatively increasing shipping expenses. Also, despite good planning, the delivery outside the valley faces high lead time making the customer wait longer than the standard shipping days. Sometimes they do have their delivery delayed because they don’t receive the package order on time from the vendor’s end. To control this, they are trying to implement scorecards. Trust is another issue which Daraz Nepal is facing, as the last year's biggest sale 11.11 in 2018, despite being the biggest sale and talk of the town, the orders were not able to reach in the hands of customers during the allocated delivery time due to various logistic mishaps. For this reason, Daraz Nepal is holding their horses very tight this

time to keep an eye on the online traffic and logistic challenges to cater to their customers in the best way possible. When asked about any counterfeit complaints so far, Mr. Pyakuryal said – there are many counterfeit products that can be found in the market, but Daraz Nepal have measures and mechanisms in place to validate the products and if anyone found guilty selling counterfeit products, they would disqualify the sellers to sell on Daraz platform.

From the business point of view, Daraz sees the market pretty predictable and foresees how they can make their customers have a comfortable shopping experience suitable to their lifestyle. There is also a group of the population who are resistance to online shopping. So, Daraz Nepal aims to reduce this resistance in shopping as he smartly mentions, the e-Commerce industry in Nepal is rather a pull-market than a push-market. Currently, the company has 300 plus employees while two years back they only had 37 employees. So, he also points out that revenue growth is directly proportional to the resource growth that helps to build your own supply chain and manage the entire system. In regards to the availability of skilled resources, Daraz Nepal finds it not hard to find skills but hard to find the people who know about the online marketplace and how it functions. Mr. Temple quotes – “Skill will help take better decisions, but the impact that will bring into the business is all about how much you know the industry”. In order for sellers to educate about the proper packaging, Daraz Nepal is helping them to learn the packaging do’s and don’ts and additionally also providing the sellers with bubble wrappers in the subsidized price. The revenue model is fundamentally the sales and the advertising fee. Daraz also has third-party services to help sellers list their products, prepare product contents and pictures to list their products on the Daraz platform on a subsidized fee. Generally, Daraz give vouchers to the interested sellers to leverage this service within the subsidized cost.

4.2 Case Study: Sasto Deal

Sasto Deal is the second biggest e-Commerce in Nepal in terms of Gross Merchandise Value. The company was established in 2011 by Amun Thapa. He is a founder and the CEO of the company. Amun explains how the journey of Sasto Deal started and how he became an inspiring entrepreneur to the youth of today in Nepal. He recalls the time when he spent the almost whole day on Saturday just to buy a pair of shoes of his choice and returned home disappointed. Then and there he realized Nepal needed an e-Commerce. Since he had few experiences as a customer buying things in Amazon during his time in the USA as a student, he could resonate with this idea and in no time developed a thought of introducing this concept in Nepal. He injected this idea to solve the problems of people who indulge themselves in physical shopping during weekends when almost every physical shops close down before 8 pm in Nepal during the weekdays.

When Mr. Thapa studied the market back then, he realized that there were only a few handful numbers of companies who were selling their products online and that too as a gift sites without full-fledged e-Commerce system. Those companies were catering to the customer who lives outside Nepal. He found no e-Commerce company catering local market and there he saw a big opportunity which just came as rational thought. With little knowledge in information technology and coming from the marketing and consumer psychology background, he barely had an idea on website building. To start the business online, the first thing he needed was a functional website to be able to sell the products. In 2011, mostly the youths would either want to work for commercial banks or established companies. Little do they know about entrepreneurship. So, the journey was difficult for Mr. Thapa. Similar to Steve Jobs's story, he started his office from a garage with a few old furniture. In the name of an IT staff, he hired a person in promise to involve him as an equity partner as he did not have enough money to pay the salary in the beginning. He was so confident in his idea that he offered his projected equity and not salary to hire a handful of staff in the beginning. No wonder, the website developer and the website designer are his co-founders now.

When asked about the requirements to start a business, he said – had he looked for the requirements, he would not start. Back in 2011, internet penetration was just 9% and if he had researched about it, he would not have started at any point then. He defines e-Commerce as not just the web portal or web site but the whole marketplace that got transformed electronically from the traditional retail shops. When he compared the situation with developed countries, he saw people already getting used to online payments, getting products delivered at their doorsteps and many more. In Nepal, he still had to explain every minute detail to the people, wait for them to get used to it and the big challenge was and still exists is the logistic network as he points out that the address system in Nepal is very poor to locate individual houses. The culture was a big issue as people did not know what online shopping is like and how they do it. Lack of funds was the big time issue then, as no one would want to invest. The CEO explains people were interested in funding to the projects that could be seen, but e-Commerce is the service industry where it was very hard to make people understand the ecosystem involved in this business and which cannot be shown in a visible format.

Slowly with digitization and awareness in the people, the e-Commerce industry has taken good shape and Sasto Deal feels pride in being the pioneer to start this business in Nepal. It all began in December 2011, where Sasto Deal launched its website and it never had a look back since then. The domestically grown online marketplace, Sasto Deal stands second in the market today after Daraz Nepal in the industry of e-Commerce. Today, they have closer to 100 employees with a fully functional e-commerce supply chain. Sasto Deal takes pride in sharing that the company is one of the few e-commerce companies in Nepal that features all genuine products and has also been awarded as “Startup of the year 2016” by the ICT magazine in Nepal. As an e-Commerce marketer, this company has helped hundreds of small businesses grow over the years through its platform. In October 2018, Sasto Deal was hugely funded by Dolma Impact Fund seeing its great potential in the country. Dolma Impact Fund is one of the first international private equity and impact funds dedicated to Nepal.

In the context of the competition in the market, Sasto Deal considers Daraz Nepal as its biggest competitor. Mr. Thapa adds, Sasto Deal benchmark themselves with the Indian market as no research data is currently available in Nepal at this infancy stage and they follow the predictive analysis to what has India gone through. When asked about the reason behind keeping India as a benchmark, he explains the GDP growth trend is pretty similar and so is the consumer behavior. In addition to India, Sasto Deal also benchmarks the e-Commerce practices prevailing in Bangladesh and Sri Lanka. Although Sasto Deal cannot go as aggressive as Daraz Nepal, it believes it can leverage the outcomes happening in the marketplace. While Daraz Nepal is educating the vendors investing so much of its capital, Sasto Deal is positive to see that the vendors or sellers are getting educated well in e-Commerce. And as the market is getting bigger and complex, this could be fruitful to Sasto Deal in the coming days.

The founder of Sasto Deal considers Nepal to be a duopoly market like India. With Daraz Nepal in and Sasto Deal second to none after, it leaves a very small place to other small players to compete. He compares this situation with India where India only have Amazon and Flipkart keeping very negligible space to any other players to come in between. Big brands would only want to stay with the reputed marketplace and Sasto Deal is not an exception. There is a little or no space for third as the third marketplace would have a hard time to go through exclusive contracts, exclusive deals and pricing and many more. So the entire market is open with Daraz Nepal and Sasto Deal.

In context to the infrastructure of Nepal, Sasto Deal considers Nepal to be the most difficult country to run the e-Commerce business when it comes to topographical challenges. Nepal has mountainous, hilly and terai (flat land), so in regards to logistics, it cannot have one approach for all. For example, when washing machine orders come from the mountainous region like Solukhumbu, there is no one logistic company that can deliver this product to that region. So it cannot be done easily. While this can be done very easily in the flatlands like Kathmandu. On top of that, there are no postal codes everywhere, so it is difficult to locate the delivery despite the willingness. In terms of internet connectivity, it has improved a lot in terms of broadband and Wi-Fi is the cheapest in Nepal compared

to other South Asian countries. However, mobile data is still expensive in Nepal. Thapa points out, in India, 3G and 4G are cheap due to the telecom being able to cater so. This has boosted the economy of India a lot as they can order the products on the go. On the go shopping is still a challenge in Nepal.

When asked about the cost of running the business, Mr. Thapa explains, when we see the e-Commerce business model, it appears like it should cost less than the traditional retail as this is an online platform. However, this is not the case as it is more complicated. To manage more vendors and to manage more product assortments that undergo various 3PL during delivery, the business needs more resources and consistent system upgrades. So depending on the volume, the cost of running the business can go really high. Also, the e-Commerce business model requires experts. Unlike India and the USA, it cannot hire the people who already have worked in the e-Commerce business before as this is newly emerging in the Nepalese market. Also, to operate the e-Commerce portal there is a need for people who understand the e-Commerce architect which is hard to find. There is also a challenge of getting the right people. To resolve this problem, the consultants are hired from India which costs Sasto Deal huge money.

In the process of understanding its customers, the demography was found youthful starting from the age of 18 till 35 and mostly the male. Price doesn't seem to be the factor in purchasing behavior. Especially, not in the clothing apparel, as this assortment is more skeptical, different brands have different sizes and in Nepal, it is not like in USA or UK brands with standard sizes which is consistent for all the brands. Also, people do not want to understand the return policy. Television, washing machines, mobile phones, and other electronics sell very well in Sasto Deal. The price found in Sasto Deal claims to be 60% competitive with the market. Sasto Deal is in the process of reconstructing its mobile app to tailor the current taste of e-Commerce user interface while the web portal is doing great and is already popular among the users in Kathmandu and few other cities outside Kathmandu. It is considered that the market of Kathmandu is pretty much predictive as the market is seasonal, so it helps. Nepali brands are coming up and demand is getting higher.

When interviewed on Government policies and regulations, the CEO explained – the companies operating as an e-Commerce platform still do not have any regulations to be registered as an e-Commerce company yet. They are operating as a marketplace.

On the business end, Sasto Deal is operating like an Amazon and Flipkart business model. However, strategies might change as Mr. Thapa believes, they can do a lot in this business. Sasto Deal wants to carry its reputation with quality deliverables. In doing so, they operate their own logistics, collect the order from the sellers themselves and do the packaging themselves. The commission on sales is the primary revenue model for Sasto Deal. To help the sellers do business in their platform, Sasto Deal provides content management services, good promotion spaces in their portals, logistic delivery options, after-sales service, analytics depending on the seller's lifecycle with the company. In order to acquire business performance measurement, Sasto Deal is using the OKR (Objective Key Results) strategies, which is also used by Facebook and Google.

4.3 Case Study: eSewaPasal

eSewaPasal is a subsidiary of F1 Soft International Private Limited, a Financial Technology company since 2004. F1 Soft officially launched eSewaPasal.com in 2018 rebranding its name from bhatbhatenionline.com which was into operation as an online shopping portal since the year 2010. In the beginning, this company was catering to the products from a leading supermarket and departmental chain called Bhat-Bhateni Super Market. This supermarket is the trusted brand for all the Nepalese that caters products ranging from groceries to an extensive choice of electronics. As Nepal's largest retail chain, the customers trusted this company and its products. To improve the shopping experience, the online shopping portal was started after this name so that it is easy to penetrate the local market.

Later after operating as bhatbhatenionline.com for the last 8 years, eSewa, the leading online payment gateway (another subsidiary of F1 Soft) and eSewaPasal, an e-Commerce Portal joined hands to form eSewaPasal.com rebranding the

bhatbhatenionline.com. Since then, this company did not only rely on the supplies of retail chain Bhat-Bhateni Super Market but also welcomed all the sellers who would want to do business online through the e-commerce platform in the name of eSewaPasal. The major differentiator of this online platform is that this company is driven by the FinTech Company which is backed up by its own products like online payment gateway, digital wallet, cards management system, tab banking system, internet banking system and mobile banking system. This company already has a strong user base who are using their product eSewa since 2009. The e-Commerce portal eSewaPasal.com is also integrated into their digital wallet called eSewa upon which customers are offered cashback options or discounts in each purchase.

eSewaPasal is currently catering to the customers within Kathmandu valley with its prominent feature of home delivery within 24 hours. While Daraz Nepal and Sasto Deal only accept cash on delivery or VISA cards (debit/credit cards), eSewaPasal accepts mobile banking and e-banking from all the banks in Nepal and also offers special discounts if the payments are made via their digital wallet, eSewa. They also support international payment in case people from abroad wants to deliver the products to their friends and family in Kathmandu, especially in the form of gifts as the home delivery happens within 24 hours. Mr. Nirvik, a marketing head from eSewaPasal explains that since they are only catering to the Kathmandu Valley and delivering the orders within 24 hours, they are very conservative with delivering the orders with utmost quality. For this reason, they handle their own logistics at the moment.

eSewaPasal is a small player in the e-Commerce industry but a dominant player in groceries as it delivers within 24 hours in the Kathmandu valley. The e-Commerce portal is different for eSewaPasal. Sellers cannot register themselves into eSewaPasal at the moment. The company helps the seller to list their products with contents and the pictures for free. After they got rebranded to eSewaPasal, the company felt the need to reconstruct the mobile app. So, currently, the mobile app is not functional as the new version will be launching soon. For now, customers order it online through the web. They have nearly 280

vendors currently registered through their portal with 10,000 revisiting customer base. At present, the sources of revenue are only sales.

Since eSewaPasal is currently focusing on its niche to groceries and have limited its order request to Kathmandu only, the company doesn't seem to be facing many difficulties so far as it has not outreached to the mass market with huge product assortments. Also, the company is small to compete with any other e-Commerce companies at the moment. So, better it is learning and growing. However, seeing the growing use of e-Commerce by the dominant youths of the country, eSewaPasal is positive towards going big in the future.

4.4 Case Study: Muncha House

The pioneer of electronic retailing in Nepal, Muncha House is an online version of the 90 years' old wholesale and retail stores of Kathmandu started by the fourth generation member of the Tuladhar family, Mr. Amrit Man Tuladhar in the year 2000. Upon returning from his graduate studies from Marshall University, the USA in 1997, he decided to start his own venture. Leveraging the market access from his family's Muncha House, he started this venture of selling the products online. Little had he known, the local market was not ready to adopt online shopping practice as the cyber landscape just started in Nepal back then. The technology and the awareness in people to do online shopping was yet to mature. However, he could foresee the opportunity in the future.

Realizing that the local market was not yet ready, Mr. Tuladhar chose to wait until the market mature and shifted his focus to target the Nepalese living outside Nepal. He explains that the technology was hard around that time, but still, internet speed was comparatively better than other countries in Nepal. So, he started muncha.com as a gift site where non-residents Nepalese would order gifts for their family and friends living in Nepal. Muncha House had a deep trust and recognition among the people in Nepal for decades, so it did not take time to penetrate their concept of online shopping via the online channel of Muncha House for the Nepalese living abroad.

When interviewed on the challenges, Mr. Tuladhar shares that over 19 years since then and now, Muncha House has gone through high and low. Starting with technological challenges, when he started, the internet speed was very slow (somewhere around 33kbps) and laptops were expensive. To create a website, he had to invest a lot to build one and that too was not dynamic where you can update and upgrade changes easily as required. It used to be static. Then it was followed by Load Shedding in Nepal from the year 2011 until 2016. It was very hard to run the business as expected and meet the target. Additionally, there was no proper addressing system where they could easily deliver the orders at the doorsteps. However, after the internet speed and mobile penetration getting better, the business also started getting better.

In the year 2004, with the intention of extending their services online, Muncha House also started money transfer services for the non-resident Nepalese who can send money to their family members residing in Nepal. They started catering to the people living in the USA, but gradually expanded to the UK, Canada, Australia, and 16 other European countries. With this, Muncha House was able to get into contact with many customers. This customer base turned up into the target customer for the muncha.com as well who would place gift orders to Nepal in a recurring manner. As the market matured, Muncha House started opening its platform to the aspiring sellers to sell their products online through their platform in the year 2007 but primarily focusing on their mainstream business as a gift site to the market outside Nepal. Also in the year 2010, the company started its own online payment gateway called 'iPAY' to bridge the transaction between the sellers and the buyers. In 2014, Muncha House also started an advertising platform of their own (iAds.com.np) to promote online businesses. Google advertisements and Facebook advertisements are really expensive due to the heavy surcharge for Nepal's economy. This led to the innovation of creating an online advertising platform. This advertising platform was integrated with popular online news portals. So, when people would visit the news portals to read the news, they would also see Muncha House advertisements. And the interesting thing about this portal was that the same column could be advertised for

different products and services at the same time depending on which locations you would want to target.

When asked about the competition, Mr. Tuladhar explains that the competition is always there and it is even huge in the industry of retail. The channel is only different now since it is electronic retail and technology has transformed in such a way that it can disrupt the existing ones at any minute or seconds. Muncha House has always taken two approaches to do business. One as catering to the outside market and the other catering to the local market as an online marketplace. However, after the Sasto Deal and Daraz Nepal aggressively dominated the e-Commerce market, Muncha House decided to exit the online marketplace. It only concentrated on its mainstream business operating as a gift site to play safe and avoid further risks. Currently, Muncha House is undergoing big retrenchment. He stressed a little on the finance aspect saying, for the ones who are backed up by venture capitalists, it is easy to take heavy risks but for the ones who have grown up domestically, it is hard. Also in terms of competitive pricing, Mr. Tuladhar said – it is very hard to offer the low pricing strategy when the aggressive giants are following predatory pricing taking heavy risks. As there are no regulations on e-Commerce in Nepal, this is not regulated, and the small players are suffering heavy times.

4.5 Findings: SWOT Analysis

In order to propose viable recommendations in the final chapters, SWOT analysis was very important. Having this noted, the strengths, weaknesses, opportunities, and the threats were identified from each case studies such that the problems and solutions could be distinguished in parallel in a more concise way.

The table below follows the SWOT analysis for Daraz Nepal, Sasto Deal, eSewa Pasal and Muncha House in order, respectively.

Table 4.1 SWOT Analysis of the e-Commerce providers in Kathmandu

	Daraz Nepal	SastoDeal	eSewa Pasal	Muncha House
Strengths	<p>International brand, part of Alibaba Group holdings comes with big stage, huge capital offering exclusive and broad range of products</p> <p>Technical competency (strong ecosystem to support e-Commerce supply chain)</p> <p>Huge user base and huge third-party sellers; Daraz hubs</p> <p>Big initiative like Daraz University to educate its sellers</p>	<p>Second biggest e-Commerce provider competing with Daraz Nepal in duo poly market leaves a very small place to other players to compete</p> <p>Strong local market knowledge</p> <p>Assures genuine products</p> <p>Own controlled logistics assures good packaging and quality delivery at doorsteps of the customers</p>	<p>Being a child company of a biggest FinTech firm F1 Soft, it has several options of payment solution to offer the buyers and sellers to run the business</p> <p>Assures 24 hours delivery in Kathmandu</p> <p>Diversified its service as gift site and support international payment (inbound) solution</p>	<p>Reputed physical supermarket into existence since past 90 years</p> <p>Experience in retail business trading on its own</p> <p>Diversified product lines</p>

	Daraz Nepal	SastoDeal	eSewa Pasal	Muncha House
Weaknesses	<p>An attempt in localizing the international sale concepts to tailor the taste of local market</p> <p>Currently does not accept payment methods except debit/credit cards, cash and POS payment method</p> <p>Complaints about not meeting standard delivery SLAs</p>	<p>Not enough logistics network to assure standard delivery time outside major cities in Nepal</p> <p>No drop shipping points at present</p> <p>Comparatively limited product assortments than Daraz Nepal, so not many choices available</p> <p>No mobile app</p>	<p>No mobile app, only web portal</p> <p>Focus on niche market: grocery items only (that too with very few product assortments)</p> <p>Comparatively new company in the market, with small user base</p>	<p>Inability to keep pace with current trends of e-Commerce market due to legacy practice of running retail industry</p> <p>Legacy domain and static websites</p> <p>No mobile app</p> <p>Ni enough capital to compete with e-Commerce giants</p>
Opportunities	<p>Omni channel merchandising could be beneficial depending on types of categories</p> <p>Expand and extend drop shipping points to several other cities</p> <p>Include digital wallets in payment options</p>	<p>Grow more sellers and increase product assortment to stay competitive in the marketplace</p> <p>Introduce drop shipping points to outreach places difficult to access</p> <p>Encourage POS machine transaction during delivery for COD payment option chosen</p>	<p>Extend services to other locations than just Kathmandu</p> <p>Grow more sellers</p> <p>Diversify their product lines</p>	<p>Concentrate on niche as gift site</p> <p>Revamp the entire ecosystem of retail digitally</p>

	Daraz Nepal	SastoDeal	eSewa Pasa	Muncha House
Threats	Government regulations	Neck to neck competition with Daraz Nepal Aggressive marketing and promotions from Daraz Nepal	Government regulations Comparatively small to compete with e-Commerce providers like Daraz and Sasto Deal	Become obsolete if unable to keep pace with e-Commerce trend and digital economic practice

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

The research paper explores the paradigm shift in doing business from traditional retail to e-commerce and how this online marketplace is contributing to expanding the economic potential of the country. In doing so, the researcher made an attempt to prepare multiple case studies on the reputed and popular e-Commerce firms in Kathmandu to understand the existing situation and challenges in the business. In addition, a secondary analysis was carried out from the two biggest e-Commerce giants from the neighboring countries India and China.

It is interesting to study how e-Commerce as an economic tool can reduce the disparity in the world between developed and developing countries by means of the digital economy. With the accessibility of information and communication technologies by means of internet and internet supporting devices, the way of doing retail business over the online channel has brought a huge transformation and accessibility to commodities from all over the world. Nepal is not an exception and it sees a huge potential in e-Commerce as an economic tool that can boost its economy and can reduce the existing trade imbalance. Current growth and expansion of ICT in the form of internet penetration reaching 63% and mobile penetration crossing 130% has created a solid foundation for e-Commerce prospects in Nepal. Nevertheless, a developing country like Nepal cannot refuse the fact that they still lag behind in terms of formulating the e-Commerce trade rules and regulations and improving the infrastructural challenges.

The existing firms are still facing difficulty in delivering the orders at the customer's doorsteps which is a vital part of the e-commerce supply chain. Except for some metropolitan cities, there is no provision of the proper street address and house number. That makes online delivery difficult at the doorsteps. Also, the reliable logistics companies

were found lacking and to some extent, the difficulty in locating the delivery address acts as a bottleneck. The access to the internet and the internet supporting devices may have overcome the topographical challenges but the accessibility to the physical products are still highly dependent on the topographical landscape. For example, accessibility to order the washing machine is possible from the people living in the city but still difficult for the people living in the mountainous region.

The proper guidelines for conducting online businesses are still lacking. In this situation, many firms are suffering hard times as they are not aware of the pros and cons until their business strategies have been rolled out in the market. The big companies with foreign direct investments are found ruling the market with predatory pricing strategy while the domestically grown e-Commerce is found suffering the heavy loss and are compelled to focus on their niche. The ones who are funded capital via FDI or VC are found ruling the market as the business offerings are huge and are heavily investing in customer-centric digital strategies. Despite the growing payment solutions in the form of digital wallet, VISA cards (debit/credit), integrated internet banking/mobile banking facilities from all the commercial banks, it is found that the Cash on Delivery is still the preferred way of payment for the end customers which delays the timely deposits and also do not assure the payment until the customer is satisfied receiving the orders.

In scenarios like this where some problems are visible and some are not, one of the best ways to measure the readiness of the business would be to study the past challenges and benchmark the business characteristics from the successful internet retailers' or the e-Commerce firms and learn from it. The Ecommerce Benchmark is a perfect example of how associations can create benefits that companies cannot realize on their own (Poerink, E., Abraham, J., Welie, R., Matton, R., Beek, D., Grobben, M., 2016). In the process of reviewing this literature, this paper has conducted a secondary analysis from successful retailers like Flipkart from India and Taobao from China. Nepal is highly dependent on the trade with India and China as the country is sandwiched between these two industry leaders.

With the growing user base, Flipkart increased customer services to support seamless experience to the customers. They launched their own logistic solutions to handle the orders and shipments which helped the company to take control over its supply chain and online transaction which is critical for the e-Commerce business. The company acquired PCI DSS certification that allows them to store payment card details with security and giving users a 'Save Card' feature during checkout. This increased the trust and confidence in the customers to pay online. Flipkart also innovated the data light mobile website called Flipkart Lite whereby they could outreach the rest of the population who have slow mobile connections as not everyone can afford the higher data connection. They launched No Cost EMI feature where the customers can buy the premium products in installments without any burden of additional fees or interests. It can be learned from Flipkart that Omnichannel merchandising is important to create a supply chain that is both cost-effective and most importantly caters entirely to the customer needs. To keep pace with customer demands, e-Commerce players like Amazon and Flipkart have devised sales events like Dusshera and Diwali. In facilitation to Cash on Delivery service, Flipkart also facilitated POS machine transactions during the delivery at the doorsteps. This made 'on the go' transaction much easier and efficient.

In context to the e-Commerce in China, Taobao integrated an instant messaging tool to connect buyers and sellers for personalized communication but taking into consideration that the policy stays intact with prohibited rules of now allowing them to share any transaction out of their Taobao network. This will contribute to customer satisfaction as they are assured of their order details from the seller directly. Taobao also has its own payment solution. On sellers and platforms end, this helps the company to monitor their transaction process in a legitimate way and on the buyer's end, people showed confident about paying through this channel and only release funds after they receive their purchase. Taobao's innovative idea of creating Taobao University has a huge impact on making the sellers understand the entire process that supports the e-Commerce ecosystem, enhance their business and boost their sales. To avoid the challenges in logistics, Taobao used Alibaba's Cainiao network where many other independent logistics providers

collaborate with this network to provide seamless delivery experience to the customers. Taobao is famous for its online platform that integrates almost all the vital components of the e-Commerce business. Taobao also helps its sellers to reach their potential target customers incorporating customer segmentation, product positioning, and marketing campaign by providing market consulting through its consulting firm, Alimama at a subsidized cost. It also introduced the credit scores to inspect the sellers and make sure they are trustable and reliable to only sell genuine products and deliver quality. Getting Taobao's official verification and certificates are important for the sellers to promote sales, they need to convince its potential customers that they can rely on the sellers listed in Taobao.

As e-Commerce in Kathmandu is in the nascent stage compared to that of Flipkart and Taobao, it can benchmark several past events and incidences and benefit from them. In fact, after conducting the in-depth interview with the reputed e-Commerce firms in Kathmandu, it was found that Sasto Deal is already benchmarking the business practices of Flipkart and Amazon India while Daraz Nepal being the part of Alibaba Group is already inheriting the technologies and business traits. While companies like Daraz Nepal and Sasto Deal can help propel the e-Commerce industry and raise awareness in the people using it, remaining e-Commerce companies can learn from their experiences and prepare themselves to survive in the new economic era. Sooner or later, SMEs will be compelled to adopt e-Commerce and the ones who do not adopt shall be left behind.

5.2 Recommendations

The research paper would like to make a few recommendations after the exploratory analysis of the e-Commerce industry in Kathmandu. The recommendations touch basically upon the need for proper logistics solutions, online payment alternatives, e-Commerce awareness and business characteristics.

E-Commerce has a huge potential to offer more options and services to the end customers. However, customer perceived performance is directly proportional to the order fulfillment on a specified time with quality. In the situation of Kathmandu where the e-Commerce providers face a huge problem in delivering the orders at the doorsteps due to poor addressing systems, the company can resolve this issue by introducing several drop shipping points to the major cities of Kathmandu. This way, the buyers will pick up their orders from the nearby drop shipping point. This way, the issue of returning products (reverse logistics) will also be convenient for the customers given that there is efficient customer service from the e-Commerce provider. This will provide ease and help gain the trust of the customers since the order is secured and conveniently accessible.

Apparently, the payment solutions in Kathmandu appear promising as the payment methods are increasing. However, since the cash on delivery method still wins over the online payment solutions, the e-Commerce providers can make the use of the POS machine during the delivery where the delivery of the orders is guaranteed and that the transaction is on the go. This will reduce the time delay in cash deposits.

The performance of e-Commerce is highly dependent on the performance of the sellers on the platform. In order to increase the genuine seller base, it is very important for e-Commerce providers to educate them on the benefits of the platform and how they can grow their business. Sellers were found unaware of how they can boost their products and do product positioning. Buyers get disappointed when the products are not received in proper packaging, when the products are found mismatched from what they see on the website and when the customers find the counterfeit products. In these situations, it is the platform's responsibility to educate its sellers. It is recommended that, the platform should

start providing the seller certificates or seller badge in order to assure the customers that the products they order come from the authorized sellers.

While e-Commerce legislation highly depends on political and legal procedures, there is no quick turnaround for the changes that can happen soon. However, slight changes in business practices can make a huge difference. Omnichannel merchandising is important to create a supply chain that is both cost-effective and that cater to customer needs. Hybrid structures can be adopted in the form of both online and offline channels observing the consumption of product assortments and consumer behavior. Currently, the e-Commerce providers are found to owning their own logistics to take control over its supply chain to keep track of quality control. However, the expertise in logistics was found lacking as this is not the mainstream of e-Commerce companies. Having noted this, there seems to be a very good opportunity for the entrepreneurs who would like to start the logistics company as e-logistics in the e-Commerce industry is the forerunner to moving funds and physical goods.

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BIOGRAPHY

Name	Ms. Sajana Joshi
Date of Birth	February 23, 1988
Educational Attainment	2010: Bachelors in Computer Engineering (BE)
Work Experiences	November 2019 - Present CRM Business Analyst United Nations ESCAP, Bangkok November 2011 – August 2018 Project Manager Verscend Technologies Pvt. Ltd., Nepal January 2011 – October 2011 Assistant Support Engineer Braindigit IT Solutions Pvt. Ltd., Nepal