**Iqra National University**

**Assignment : Principles of Management**

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**Summary of DARAZ.PK**

**EXECUTIVE SUMMARY:**

Online shopping is increasing the output every passing year and is trending all over the world. In Offline shopping, costumer need to move personally to every store to shop items, whereas shopping is rather easy and comfortable mode of shopping for anybody. There are certain things that made online shopping more convenient these are easy access, save time and manpower, no transport problem and most important is its 24/7 availability. Many economists, professionals and corporations believed that there are pros and cons of the e- commerce which is buying and selling of commodities online. Firstly, it poses a great threat to conventional stores. Secondly they are of the opinion that e- commerce has substantial supremacy over conventional shopping due to is 24/7 availability, efficiency and easy accessibility. It is also more economical for consumers.

Muneeb Mayer, the CEO and co-founder of Daraz.pk, Pakistan’s leading online retail platform, had barely settled down in his office when he picked up the just-received 2015 operational performance report. On his way to the office, Muneeb had thought about operationalizing the decision to list international brands on Daraz.pk. He considered three options: first, to establish Daraz’s own inventory of branded products via import; second, to ask brands to hire a distributor in Pakistan from whom Daraz could then source the products; and third, to request brands to enter Pakistan, import their inventory and then sell it through Daraz, without a distributor. The first option would put a financial burden on Daraz in terms of paying import duties and inventory cost, the second would add another player to the chain, whereas the third option might discourage the brands as they would have to set a foot and invest in a new market themselves. Skimming through the report, Muneeb noticed that the rates of late deliveries and returns because of quality issues had not reduced much since the previous report, which also made him wonder about the performance of his existing logistical models. Under the pressure from the existing and potential competition, alongside investors’ targets for growth and profit, Muneeb urgently wanted to evaluate the options to offer international brands in conjunction with the on-going logistical setup. He sensed the entry of major global e-commerce players in the near future with a fear that they could dominate the vibrant domestic e-commerce market with their potentially wide assortment.

Muneeb explained the reason behind focusing on apparel:

One may think that the online content may not be sufficient for apparel purchase decisions as the feel of the product is important. Contrary to this, the highest sale through e-commerce is that of clothes. … One reason is the trust in the brand. Secondly, customers know that if the apparel doesn’t fit well, the e-commerce venture will accept the return or an exchange. … The first online purchase of a customer is most likely to be that of clothes, not a phone. A fashion item is a much easier online purchase than electronics.

Daraz considered all internet users in the country as potential customers. Majority of the customers; though, were concentrated in Karachi, Lahore and Islamabad. The proportion of male and female customers was around the same; however, the proportion differed from segment to segment. For example, there were more women keen on buying fashion products, while electronics were mostly bought by men. According to a survey, convenience was the biggest factor for the customers to shop at Daraz, followed by the prices and varieties

‘Only an authentic product qualified to be sold on Daraz.pk, in contrast to what was being sold in most of the online markets in the country, which, was grey’1 —Muneeb. Daraz differentiated itself by offering only the genuine and non-smuggled products with warranties from the brands or the official distributors. A potential seller offering authentic products could register on the website and go through the vendor management procedure for induction. Daraz also closely followed the trends to decide which product categories should grow or be added, and targeted sellers, accordingly. From time to time, sellers were encouraged through vendor management teams to sell those items and products that made it to the topselling categories. There was also a preference for sourcing products exclusively on Daraz.

The basic online system which was the core infrastructure of the website came as a standard from RI; however, there was no strict framework that Daraz had to follow to build on. Daraz acquired the services of Portugal and Germany based RI ventures for the development and maintenance of its online system. The content and product descriptions on the website were looked after by an in-house content team controlling the online content quality.

Interaction with a typical seller started from the acquisition stage, Daraz conducted customer and employee surveys to gauge brands and products for inclusion in the online listing. An acquisition team was then responsible for getting the new sellers on board. The established brands were approached for business by the acquisition team with information on the logistics models, payment and return policies, commission structure and, in order to highlight business potential, the sales data. Getting the well-known brands on board was considered more important because ‘when the tier 1 brands are on-board, the tier 2 brands automatically follow,’ explained Rizwan Rafique, the head of sourcing and partner support at Daraz. Many sellers approached Daraz on their own.

Daraz’s logistical operations were managed by AIGx, an RI company itself. AIGx integrated a network of logistics providers to provide e-commerce companies with solutions for order fulfilments, with realtime tracking. As described by Umer Gul, the head of logistics at AIGx, ‘We are the marketplace for 3PL providers’. There were multiple 3PL providers listed with AIGx to choose from for a logistics job. The AIGx team managed seller pickup, seller returns, customer delivery and customer pickups.

The transportation was conducted by Daraz’s own fleet of forty-five riders, deployed only in Tier 1 cities, or through 3PL providers Tranzum courier services (TCS), Leopard and Overseas courier service (OCS), employing around 4,000, 3,000 and 700 couriers, respectively (Table 2) and having more or less the same regional coverage. Daraz’s own fleet was also used as ‘test labs’ to experiment on different strategies for fulfilling orders. The learnings from these experiments were then passed on to the 3PL partners as well.

The payment methods accepted by Daraz were cash on delivery (CoD), swipe on delivery (credit or debit card swipe on a handheld device), online payment via credit or debit cards, payment through Easypaisa2 (Figure 12), online bank transfer and payment through ATM (Figure 13). A payment, through any method, was passed on to the seller after deduction of the commission by Daraz within 30 days; Daraz took a 30-day credit from the sellers. This stringent policy, according to Rizwan, only worked because of the trust that Daraz could generate significant sales. Owing to only 7 per cent of the population having a debit or credit card and lower levels of online fraud protection and transaction flexibility, around 97 per cent of the payments were through the CoD method. CoD resulted in a higher cost, a higher supply chain complexity and a safety risk, as the riders had the extra responsibility of collecting the cash, keeping the change and depositing the amount (Deloitte, 2014). The revenue realization time was longer, unlike the electronic payments, the amount of transfer was not instantaneous.

Daraz kept itself in the limelight by organizing different promotional events. One of these was the Black Friday3 event, which proved to be very successful and a rather challenging experience for Daraz’s logistics. The event was used by retailers and manufacturers internationally to liquidate their inventory through discounts before introducing new products and models. In Pakistan, there was no such sale day event. Daraz realized that if it came up with a unique sales day, then it was highly unlikely that anyone would copy it, leaving it to be the only one advertising and celebrating the day. There would have been no reciprocation to make the day big. Therefore, Daraz opted to go with Black Friday in the hope that sellers and brands would start adopting this international event, online and offline. The marketing and PR campaign was divided into four phases: education, announcement, hype and event launch. The campaign started by educating people about the concept of Black Friday. A contest, which was launched on social media to test users’ knowledge, revealed that a lot of people already knew about Black Friday. The education and awareness phase was followed by an announcement of the launch and the magnitude of discounts on different categories to create hype and excite the customers. The message before the launch entailed getting rid of the old products and buying new ones at a highly discounted rate.

The logistical preparation, which spanned over 3 months, included auditing sellers’ inventory levels to ensure that the committed volumes were stocked and continuously updated the 3PL partners about the personnel and vehicle requirements. The cross-dock model was employed for fulfilments in which Daraz’s entire fleet engaged in the pickups from sellers, whilst the deliveries at customer locations were handled by the 3PL partners, who had their teams stationed at Daraz’s warehouses. The 3PL partners also provided dedicated vehicles so that the items could be processed and sent out throughout the day as the orders were received, as opposed to being accumulated at the warehouse. The normal practice was to have two pickups by the 3PL partners every single day (one in the morning and one in the evening).