



## Third-party market markers of Nepal

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### Abstract:

Third-party market makers are websites which provide space for seller to put advertisement and information of their products and services. Lots of customers are engaged with the third-party market makers. Most of sellers and business organizations are affiliating with these market makers to grow their business. Nepal has few online market makers and are providing online services in unstructured cities to sellers and buyers in whatever possible way; point of views and perspectives of customers about these market makers are necessary factor for the growth and success of these market makers.

**Keyword:** Third-party-market, daraz, hamrobazaar, sastodeal, thulo, foodmandu

### Introduction

Ecommerce is the activity of buying and selling goods and services over the Internet (Wikipedia, 2021). Organizations make and publish their own personalized websites to sell their products and services. Several organizations like Amazon, eBay, Barnes and Noble have been selling products online for more than two decades. Amazon, eBay, Alibaba are third party market makers or third-party markets; these websites provide space for sellers to put advertisement of their products and services; facilitates sell and product/service delivery processes. Amazon, eBay, Alibaba have attracted several sellers to their online platform and are able to achieve huge success in the online business with their correct and timely business/IT strategies.

Online third-party marketplace is a web-based platform which facilitates to connect sellers like wholesalers, retailers, manufacturers with customers. An online third-party marketplace provides interface to the customers using which they can browse products, catalogues and also supports ordering, payment, logistics processes (Ince, 2004).

Grewal et al, Millious and Petrakis have mentioned that third party market makers are unbiased market who attract sellers and buyers; such market makers don't perform transactions by themselves and also don't take ownership of the products and services being transacted. The third-party market makers play an important role in the B2B e-commerce, they add values like transaction advice, conflict resolution, buyer aggregation, seller aggregation. They also help to reduce the costs of transaction and procurement cycle time (Alemayehu Molla, 2008). The success of the online business depends on several factors, some of the most important are: trust on the sellers, timely delivery of right product to the customers, amount of information made available.

Third-party markets like daraz.com.np, hamrobazaar.com, sastodeal.com are providing space to put information about services and products for the seller and customers and do trade online in Nepal. Cities of Nepal are very unstructured, tracking houses and customers is not an easily task as there are so many narrow roads; the roads and houses are not named and numbered in a structured manner. Even in this unstructured cities, third-party market makers are providing online business service to the customers.

This research work focuses to understand the perspective of customers about the services provided by the existing third-party market places of Nepal. A set of questions were prepared using google form and disseminating to the users; online articles related to the online business in Nepal were considered, and several online articles published in the online journals related to this study were considered for the study.

### **Related works**

Electronic marketplaces (EMs) or third-party market places were foreseen as intermediaries in late 1990s and early 2000 that would change the way organizations do business. EM creations grew very rapidly in that period of time, there were 1900 public EMs and only a limited number of EMs were able to do trade in sufficient volumes and sustain their business; around 400 EMs were closed. Lots of suppliers did not use EMs as they thought that there were more disadvantages of EM than advantages; they viewed price comparison across different suppliers as disadvantages and were not confident about the security and confidentiality of their data. Buyers were also not confident about the EMs security system (S. Subba Rao, 2006).

EM refers to virtual space on the Internet that allows buyers and sellers to do trade, exchange information about prices and product offerings. EM reduces search cost; search cost is cost incurred in finding perspective seller, confirming product features and availability and knowing price of the product. EM also helps to lower transaction costs for buyers as buyers can directly purchase from sellers, role of intermediaries is removed; communication cost is reduced; paper work is reduced. EM removes market fragmentation, offers buyers more choices and more information about the products and suppliers. Firms can also collaborate with each other.

Amazon was started in 1995 by Jeff Bezos, a computer science and electric engineer. Jeff Bezos saw that the Internet was growing at 2300% and this convinced him that there was a great opportunity in online business and was able to establish Amazon as the prime online store. Strong brand name, marvelous and superior shopping experience, considerable sales capacity, economies of the scope and scale were the success factors of the Amazon. Amazon started with books and then with DVDs and Videos in Jun 2, 1998 (Zana Majed Sadq, 2018). From 1995 to 2021, Amazon has grown exponentially. Now, not only books and DVDs, other many different kinds of products ranging from house hold goods, apparels, electronic goods, and many more can be purchased in the Amazon.

The increasing use of social media has helped e-commerce to grow; e-commerce companies are using social media as a tool for communicating with customers and for promoting their products and services. Daraz.pk in Pakistan considered all the Internet users as potential customers. Daraz had five types of customers: customers for whom price was important, customers attracted by variety of products, customers not living in Karachi, Lahore and Islamabad but have access to variety of products through the malls and retail stores, customers interested to get desired product before it was available in the market and customers who wanted to avoid hassle while purchasing items on sales and launch events.

Daraz.pk studied the online shopping pattern of the customers. They designed their website to match with the buying patterns of the customers. Social media were used to present personalized ads. Daraz

had very clear strategy about the management of the vendors; vendors were categorized as strategic or non-strategic based on the revenue contribution. Non-strategic vendors were those whose contribution was only 20 percent or less than 20 percent to the revenue and strategic vendors were those whose contribution were more than 20 percent to the revenue. Daraz focused on utilizing strength of strategic vendors. Cash on delivery, card swipe on delivery, online payment via credit or debit cards were the major payment methods accepted by the Daraz (M. Shakeel S. Jajja, 2019).

An empirical study on 5772 online stores to validate theoretical model which stated “online social networks, structural assurance and online word-of-mouth” affect the survival of the online stores was conducted. That study found that socialization efforts in Social network sites were not found to be effective for the store survival; structural assurance operationalized by consumer rights protection programs has a very good impact on the life of the store; positive word-of-mouth was found to help detailed seller rating (DSR) evaluations and contribute to the store survival but average DSR was found to have negative relation with the store survival (Youwei Wang, 2013).

The length of relationship between the buyer and market maker and the seller and market maker depends on the buyer’s trust in the reputation of the market-maker and characteristics of the market maker. But the longevity of relationship between buyer and seller is influenced by different characteristics of the website of the market maker; the most common website characteristic, security (Myong-Soo Kim, 2006).

More consumers are found to be associated with firms that are part of online community than firms not part of the online community. A study done considering 1500 members of the online community of herbal products showed that online communities add values for the firm and their customers. They help to build brand awareness and image, increase supplier commitment, access voice of loyal customers and generate revenue from customers (Jae Wook Kim, 2008).

The brand name of third-party market maker has prominent effect in increasing purchase conversion; it also helps to reduce uncertainty among the buyers and seller about the product and security of data. A study conducted using a data set of 9,098 shopping sessions at an online retailer’s website showed that the presence of assurance seal of the third-party increases the likelihood of purchase conversion (Koray Ozpolat, 2013).

The success of third-party market makers depends on the ability to attract a critical mass of buyers and sellers. Most of the market makers find it difficult to attract buyers which results in failure of the business. (Alemayehu Molla, 2008).

### **Some of the most popular third-party Market places in Nepal**

Some of the popular online third-party marketplaces in Nepal are Daraz, Sastodeal, Hamrobazaar, Foodmandu, Thulo. Customers can order and buy products from these platforms; cash on delivery is preferred method of payment, but digital payments like esewa, Khalti, mobile bankings, credit/debit cards options are also available with the market makers.

Daraz.com.np: Daraz is one of the most used online marketplaces in Nepal; it was started in 2013, initially known as Kyamu.com.np. Later it was acquired by Alibaba group in 2018. More than 100,000 users are registered with this site. As claimed by Daraz, it provides access to around 500,000 products of over 100 categories; categories include groceries, home appliances, apparels, electronics; and it delivers around 200,000 packages every month.

Sastodeal.com: Sastodeal was established in 2011; thousands of vendors/partners are connected with it now. Several grocery products, apparels, home appliances, electronics products from different vendors and business owners are the major products sold in this site.

Hamrobazaar.com: This site was started as customer-to-customer e-commerce site; individuals put their products in Hamrobazaar but nowadays retailers and wholesalers are also putting their products in the hamrobazaar. This site is very popular among individual sellers as it provides platform to sell products by them. This site claims that around 800,000 visitors visit the site every month. Wide range of products ranging from household goods to houses, lands, vehicles, clothing can be sold/purchased with the help of this site.

NepBay.com: NepBay was started in 2007 and offers numerous products including home décor, gadgets, automobiles, gift cards, groceries and many more. Now it is known as thulo.com.

Foodmandu: Foodmandu is online platform which provides space for restaurants to place information about their food products. It was established in 2010. It enables users to order foods and dishes from hundreds of restaurants in the Kathmandu valley. Foodmandu is able to make its mark during the lockdown also.

Source: English.onlinekhabar.com/top-e-commerce-sites-in-nepal.html, [last access: May 13, 2021]

### Evaluation of the third-party marketplaces

Several factors / features of a Website / webpages are considered while evaluating them. The most important factors are: performance, accessibility, use of best practices and search engine optimization. The contents of the website should be available easy and quickly. The webpages must open in all web browsers and devices in the best possible format; web pages must be responsive to any screen size, must be visible in the search engines, any type of input device should work with the web pages, site must be secure (Sam Richard, 2021). The third-party marketplaces were evaluated based on above mentioned four factors with the help of online tools: <https://web.dev/measure/>. This tool provides value for each considered factors; the values fall into three different ranges: 0-49, 50-89 and 90-100. Higher the value of the attribute indicates good score for the considered factor.

Table 1. Performance metrics of considered market makers

	Performance	Accessibility	Best Practices	SEO	
Foodmandu	40	79	67	82	
Daraz	21	73	67	93	
Hamrobazaar	48	34	67	91	
Sastodeal	7	70	67	83	
Nepbay	21	0	87	82	

Table 1. shows that the performance, accessibility and best practices attributes of the considered websites have lower values. Higher values for these attributes are preferred. SEO of daraz and Hamrobazaar were found to be good compared to other sites.

### Findings

A set of questions was prepared to know perspective of customers about the third-party markets; how they feel about the services provided by these markets. Following were the findings of the questionnaire:

- Only 27% of the customers were found to purchase online more than twice a month.
- Lots of customers were not satisfied with the quality of the purchased products.
- Only 65% of the customers got product in time
- 73% of the customers got the actual ordered product
- 62% of the customers were happy with the return policy of the market place.
- 73% of the customers were satisfied with the responses and the services of the employees of the third-party marketplace.

Some of the online market places just provided advertisement of the products and contact information of the sellers; online purchase or ordering can't be done. Customers have to call the seller and visit the physical store if he/she wanted to purchase the product. The price of products in the physical store differed very much from the price shown in the online portals; also, the sellers used to say that the product is not currently available or very high price for the product when called the seller to make purchase.

### **Discussion and Suggestions**

The result of survey shows that the volume of customers purchasing products online is very low. Lots of customers who purchase products online are not satisfied with the quality of the purchased products. Customers purchase products by viewing the image and reading some information and comments on the product. That seems not to be sufficient as customers are not satisfied with the quality of the products. That may be because the sellers are not able to assure the quality of the products. Around 35% Customers are not getting product in time, this is a huge number. Some of the customers are not getting the ordered product also. Lots of customers are not satisfied with the return policy as it has been a time-consuming process, some customers have to wait for a month for refund. The responses and services provided by the employees were satisfactory.

From the survey results it is seen that the third-party market places of Nepal have lots of areas for the improvement; these market makers don't produce any product, they just provide online platform for retail stores and business houses to put advertisements of their products and services. So, the responsibility of these market makers about the quality of the products seems to be minimal. But to survive in this competition with the physical stores and win trust of the customers these market makers must be aware about the quality of the products and should take responsibility of the quality of the product.

For the success of the online business, the business organizations must be trustworthy; they must stand with the information provided by them on the online market and create environment of trust for the customers; they are not supposed to trick customers, but some of the seller on the online market are not standing with their own information. This kind of behavior is making online seller deceptive; the customer can't trust them. To succeed in the online business, the sellers must be trustworthy; they must update their pages with correct information and must not trick the customers.

Nepal has very unstructured city; locating houses, persons is a difficult task. The narrow roads and the increasing number of vehicles day by day have made traffic jam a routine in the city. So, late delivery of the products is not a surprise, but these market markers have to considered the reality of their city and plan and develop schedules accordingly to meet the goal of getting the right product in time to the right customers. The return policy must be good and the refund or product exchange time must be short. Data must be properly managed such that the availability of the additional products can be known easily and exchanged returned damaged products immediately for the customers.

There are lots of advantages of third-party market places; search cost is reduced for the buyers; the buyers can find product and sufficient information about the products in a very short period of time. The transaction cost is also reduced as buyers can directly purchase from the sellers. Buyers get more options as the fragmented market is consolidated in a website.

Daraz.pk has categorized vendors as strategic and non-strategic vendors. Strategic Vendors contributed more than 20% to the revenue of the daraz.pk. This means more buyers were satisfied with the strategic vendors. Daraz.pk utilized the strength of the strategic vendors to increase the sales volume. So, it will be better if the market places of Nepal can also categorize their seller as good or bad such that the trust on the seller can be improved. Youwei wang (2013) found that the structural assurance operationalized by customers right programs were found to be more effective compared to socialization with social media. The longevity of relationship between buyers and sellers is highly influenced by the strength of security system of the website (Myong-Soo Kim). The brand name of the third-party market also plays vital role in the sales volume, it helps to reduce the uncertainty among the buyers and seller about the product and security of the data. Market makers of Nepal can also think about protecting customers rights and streamline the sales process, service after sales, strengthen and make return policies efficient. Nepali market makers also think about becoming a brand with right business strategies; create environment of trust and increase the horizon of online business.

## Conclusion:

Online business has a very good scope all over the global, it has several advantages. If the sellers can assure the quality of products and services and create environment of trust with the customers then the feature of online business in Nepal is very bright. In context of Nepal, it is necessary for government and other stakeholders related to Internet and information technologies and business to create and develop better legal and physical environment for success of online businesses.

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