Internship Report

on

Revenues Management of Daraz Bangladesh Limited

Submitted by:

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ID: BBA2101022062

Program: Bachelor of Business Administration

Major: Accounting

Sonargaon University (SU)

Submitted To:

Department of Business Administration

Sonargaon University (SU)

Submitted for the partial fulfillment of the degree of Bachelor of Business Administration



Sonargaon University (SU)

Dhaka-1215

Date of Submission: January 12th , 2023

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Supervised By:

Md Masud Rana

Assistant Professor & Head of Department.
Department of Business Administration
Sonargoan University

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Letter of Transmittal

January 12th , 2023
Md. Masud Rana
Assistant Professor & Head of Department.
Department of Business Administration
Sonargaon University (SU)

Subject: Submission of Internship report.

Dear Sir,
With humble honor and respect, as per partial accomplishment of the requirements for the BBA degree, I have completed internship from Daraz Bangladesh Ltd. under the supervision of you.

This report is an integral part of our academic courses in completion of the BBA program which has given me the opportunity to have an insight into the Organization. I hope this report reflects on the contemporary issues on the (Major Area) that are being Practiced by organizations in our country.

In completing the report, I tried my best to blend all my knowledge and imparted every available detail and also attempted to avoid unnecessary amplification of the report.
I humbly request you to accept this report for your kind evaluation.

Sincerely,

_____

Lian Talukder
ID: BBA2101022062
Department of Business Administration
Sonargaon University (SU)

Certificate Supervisor

This is to certify that the thesis paper on **"Revenues Management of Daraz Bangladesh Limited"** has been prepared as a part of completion of the BBA program from Department of Business Administration, Sonargaon University (SU), carried out by Lian Talukder, bearing ID: BBA2101022062 under my supervision. The report or the information will not be used for any other purposes.

……

Md. Maud Rana
Assistant Professor & Dept Head
Department of Business Administration
Sonargaon University (SU)

Student Declaration

I am Lian Talukder, a student of Bachelors of Business Administration, ID: BBA2101022062 from Sonargaon University would like to solemnly declare here that this report **"Revenues Management of Daraz Bangladesh Limited"** has been authentically prepared by me. While preparing this report, I didn't breach any copyright act internationally. I am further declaring that, I did not submit this report anywhere for awarding any degree, diploma or certificate.

Sincerely Yours

Lian Talukder
ID: BBA2101022062
Program: BBA
Major: Accounting
Semester: Fall-2022

Letter of Authorization

Certified that this project report on **"Revenues Management of Daraz Bangladesh Limited"** is the bonafide work of Lian Talukder, who carried out the research under my supervision. Certified further that to the best of my knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate.

……

Md. Masud Rana
Assistant Professor & Head of Dept.
Department of Business Administration
Sonargaon University (SU)

ACKNOWLEDGEMENT

I wish to extend my gratitude to all the people who helped me accomplish my report. At the very beginning, I want to thank my faculty advisor and internship supervisor in Sonargaon University, Md. Masud Rana, Assistant Professor & Head of Department. Who has given me precious guidance from his busy schedule. I am very grateful for all his advice in order to make my report more effective.

Secondly, I am grateful to Mr. Azadur Rahman, Head of Financial Reporting Logistic & Audit of Daraz Bangladesh Ltd. in Finance department for being my internship supervisor. He has shown me how to get things done easily and helped me a lot. I am thankful to Mr. Shishir Sharker, Senior Manager Commercial Finance of Daraz Bangladesh Ltd. for granting my internship/thesis in his department. I want to express my sincere gratitude to Mr. Mehedi Hasan, Senior Executive of Finance department for his cordial cooperation and encouragement.

Lian Talukder
ID: BBA2101022062
Program: BBA
Major: Accounting
Semester: Fall-2022

Executive Summary

The report has been set up with a reason for giving an examination of general financial procedure and functional learning of general exercises of Daraz Bangladesh. Daraz Bangladesh is an e-commerce organization which gives convenient online shopping opportunity to its buyers and an online showroom to its sellers. The organization believes that the e-commerce segment in Bangladesh will blast in near future in view of technological progression and accessibility of web. That's why it chose to get in early market of the business so it can pick up client's validity and has the first mover advantage. Nevertheless, considering some critical components like the time of delivery, product quality, value creation and price which are identified with consumer experience are analyzed thoroughly in this report by gathering information from primary and secondary sources. The study is based on the data collected from personal interviews and practical work during my tenure with the stakeholders at the finance of Daraz Bangladesh Limited. An open-ended question has been designed for that research. The sampling unit covers 60 people combining both males and females who are Daraz's employees, customers, and sellers. As the size of the population is significantly big, convenient sampling is done. I believe that this report will help those people who are willing to prepare a report on related fields. This will help the people to know about their expectations and demands from Daraz.

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CHAPTER-One

INTRODUCTION

1.1 Introduction

In Order to fulfill my BBA program with a major in Accounting, I have the experience to work in Daraz Bangladesh Ltd. After completion of the theoretical part, I was assigned to work on the Account's & Finance department of Daraz Bangladesh Ltd. Here I have given a combination of theoretical knowledge as well as practical working experience. I have tried to cover different contents of Finance during this period.

Revenues Management, the most important Task for every organizations. Each and every organization run for earning profit and the first step to earn profit is produce revenues. Daraz Bangladesh Ltd, the leading Online shopping Platform in Bangladesh. Their mail revenues sources Is Commission. Usually around 30Lac seller use Daraz Platform to sell their product over the country even some seller from abroad also use Daraz BD platform to sell their products in BD. Form all those sellers Daraz Take commission for sold each & every product through Daraz's Platform. Daraz Collect revenues in several ways, first and mainly they delivered the product by themselves and collect cash from individual customer then by keeping commission amount rest of amount deposit to seller account. Second, they provide product to 3rd party logistics, renowned courier services over the country. They deliver product to customer and submit all the collected amount to Daraz Bank account.

Daraz Revenue also earned through Banking channel and MFS also. They have prepayment facility where customer pay directly to bank when they order product. Also, they Have POS facility when delivery rider delivers the product customer cay Pay through POS machine by using debit or credit card. ** for this procedure they Need to pay 2% service charge to Bank. All the collected amount deposited to 4 Bank In owned by Daraz Account.

As I found, though Daraz received all the values for product and all the amount deposited to bank account but in Negotiations with NBR. They only recognize commission amount as revenue.

1.2 Background of the study

The internship Program at Sonargaon University is an undergraduate requirement for BBA students. The main purpose of the internship is to fulfill the requirements as part of my BBA program and also the student gets exposed to the job world. The main challenge as an intern was to translate all the theoretical concepts which I have learned in my BBA program into real-life experience. The internship program and the study have the following purposes:

- Have experience in the Corporate World
- To compare the real scenario with the lessons learned at Sonargaon University
- To provide intensive field experience allowing for hands-on computer work.
- Introduce you to potential future work environments
- To fulfill the requirement of the BBA Program.

This report is the result of three months long internship program conducted in Daraz Bangladesh Limited and is prepared as a requirement for the completion of the BBA program at Sonargaon University. This report includes information on the overall finance process.

As a student of Business Administration, I was assigned by my supervisor Md. Masud Rana to involve in this study. My supervisor has advised me to develop a thorough understanding of the Finance Process of Daraz Bangladesh Limited.

1.3 Scope of the Report

The main purpose or intention of this report is to analyze the finance process of "Daraz Bangladesh Ltd." here I can manage to gather knowledge about how an organization conducts its financial reporting and segregate its cost and revenue unit, effectively, and the practical experience about that. After working with them I can understand that the nature of revenue and its classification is a must for any business growth. Now I know how and why Finance plays an important role in any business. Daraz has taught me a great deal about how departments operate in this quickly developing and dynamic sector. Here I manage to gather knowledge about how an organization work and identify their revenue and cost and other aspects of finance.

1.4 Objectives of the Report

Broad objectives

The broad objective of this report is related to the real-world and professional world. For learning from experience how E-commerce enterprises Daraz Bangladesh Ltd manage their Revenues.

Specific Objective

- To see how Daraz Bangladesh Ltd Manages their Revenues.
- To Find the different sources of Revenue collect by Daraz.
- To have a general understanding of Daraz Bangladesh Limited's Revenue Collections Procedure.
- To learn different strategies about how Daraz Bangladesh Manages Revenue in Different ways.
- To identify the factors that affect Revenue Fluctuations.
- Financial Planning and Reporting process of Daraz Bangladesh.

1.5 Methodology:

The preparation of internship report which gives the understandings on "Revenue Management and its classification and other Finance process of Daraz Bangladesh Limited. The information is collected from two type of sources

- Primary sources
- Secondary sources

Primary sources are: -

- Information collected by working with reporting, cash collection & prepayment teams.
- Information collected by interviewing key stakeholders
- Information collected by observing during the working period.

Secondary sources are:

- Information collected from Annual audit report, management report.
- Daraz.com.bd
- Publications of different dailies and internet resources
- Various books, daily newspapers Training articles, compilations etc. regarding Daraz.
- Research papers on E-commerce industry.

1.6 Limitation of the study:

There may have some limitation in this report. Both data limitation and study design limitation are available in this report.

- It is difficult to get the actual data online. Many internal Data were not allowed to be used due to organizational policies.
- As it is a growing sector, the change in this industry is unstable and sometimes rapid. So, the findings can be changed.
- Time limitation is one of the big factors for this research. It was difficult to get all relevant data on time.
- The busy environment of the office sometime had been a problem for data collection. Not enough reports available on the current situation of E-commerce in Bangladesh.
- Lack of knowledge was a significant limitation. As a student, in the research field, I have no past experience of data collection, data processing, data analyzing, integrating and presenting. So, it is a limiting factor for obtain accurate information.

CHAPTER-Two

PROFILE OF DARAZ BANGLADESH LTD.

2.1 Historical Background.

The Rocket Internet Group created Daraz Bangladesh (The Future Startup Dossier: Daraz Bangladesh - Future Startup, 2021). It began operations in 2015 in Bangladesh. Daraz Group joined Alibaba Group in May of 2018. Chinese E-commerce giant Alibaba acquired Bangladeshi E-commerce site Daraz Group (Alibaba-Owned Daraz Acquires Bangladeshi Food Tech Startup HungryNaki, n.d.). This deal comes nearly two years after Alibaba purchased Lazada Group, which was also a Rocket Internet Group-owned business in Southeast Asia. Among other enterprises, Alibaba Group owns Redmart in Singapore, Paytm in India, and Tokopedia in Indonesia. Daraz has risen to the top of this economic sector due to its quick growth.

2.2 Corporate profile

Daraz Bangladesh employs a combination of youthful, passionate, and entrepreneurial people. Innovating internet ideas in a quickly changing Bangladeshi market excites the duo. Daraz is now focused on increasing its commercial activities in Bangladesh.

Daraz is a medium for sellers and buyers where the vendors get to display their products and buyers get the opportunity to get everything at once. It is an online B2C kind of offering and this business model seems to have taken a positive view from the customers‟ side. By adding more sellers to the website, Daraz is focused to increase its customer range even more. It is a place where the buyers can find vendors easily and choose from a large selection of products. There are eleven broad categories of products available at Daraz now and these are:

1. Fashion products
2. Phones & Tablets
3. Sports & Travel
4. TV, Audio & Camera
5. Computing and Gaming
6. Home & Living
7. Baby, Kids and Toys
8. Beauty & Health
9. Appliances
10. Grocery item

These categories are constantly being modified to meet the customer demand. Moreover, the grocery items have been added in the mid of 2017 and has seen a big success in the Bangladeshi market. Daraz always tries to make the buyers feel as

comfortable as possible and tries to make the system as convenient as they can. For example, there are many payment options from which buyers can choose their preferred method such as, Bkash payment, card payment etc. Dara also have a 7 days' product return policy from which customers can even get cash back offer.
A marketplace that unites sellers and buyers, Daraz allows merchants to promote their items and shoppers to purchase everything in one convenient location. It is a business-to-consumer (B2C) service, and the customers seem to be delighted with its business plan. Daraz hopes to increase the number of businesses on its platform and expand its customer base.

2.3 Vision

The company's vision is to get the highest feasible proportion of online customer buying spending.

2.4 Mission:

Daraz's mission is to expand its operation all over Bangladesh, get the greatest possible market share in the E-commerce business, and make all of its customers' demands easily accessible. Daraz also aspires to recognize the most successful merchants in the country and feature their products on the Daraz website.

2.5 Strategies

In a short and simple way, the strategies of Daraz Bangladesh Ltd. can be described with **7p's**. Which are-

- **Product:**
  Daraz is a B2C platform. It has different category of products for customers. Such as: Man's fashion, woman's fashion, Phone and Tablets, TV's Audios, Cameras, Computing, gaming, Home appliances, Home and living, Sports and Travel, Beauty and Health, Baby products, Grocery items etc.

- **Place:**
  As Daraz is an online shop, the purchase happens on through website. So, in this case the place of the sale is the website/ virtual marketplace. Link: https://www.daraz.com.bd/

- **Price:**

  It has a huge number of products of different category. So, the price range varies. But as it's a competitive market and a growing one, Daraz tries to bring maximum amount of offers to its customers. Prices are set by the sellers. Daraz gets commission of every sale and that's how their revenue is generated. Whenever there is sale Daraz gets its commission.

- **Promotion:**

  Daraz does its promotions mostly through online. Their Facebook page, Instagram or Email marketing. They also do a lot of PR activities. There are write-ups about them in newspapers on regular basis. They also have a personal selling method, where they have agents who get commissions for the amount of order they place on behalf of customers through their account. There is also scope of affiliate marketing. However, in recent days their Facebook page promotional activities have increased in significant number.

- **People:**

  Daraz has 8000+ employees. They are growing every year. They do their delivery through their own platform (DEX). Also, they have 3rd party delivery companies associated with them. Such as: Paper fly, Pathao, REDEX, MGX, Ecourier etc.

- **Physical evidence:**

  They do not have a physical shop. But the brands which consumers can purchase through the website are:

  - Bata
  - Apex
  - Samsung
  - Miyako
  - Shimizu
  - Beauty Bazar
  - Timezone
  - P&G
  - LG
  - Redmi
  - Sports World
  - Body Shop and many more.

- **Process:**

  Online purchase process is different but easier or less time consuming then going to shops. Below I am stating Daraz's online purchase process: To maintain the process they use different type of software. Such as seller center, X-Space, Warehouse module, LOP.

  - Seller Center: this software helps the seller to update their stocks and prices by coordinating with the contact person from Daraz. It also helps the business development team and the sales team of Daraz to coordinate the offers and keep count of the sales, stocks and manage the stocks.
  - X-Space: This software helps customer service department to cater inbound and outbound call efficiently. Also, other software is included such as LMS, ZOHO for internal and agent to customer communication.
  - Warehouse Module: There is a ware house and order management system to make it easier for pick-up of products, stocks, delivery process.
  - LOP: it helps the 3rd part provide tracking to the company of deliveries their making and their status.

2.6 Objectives

Several objectives must be completed to achieve the mission and vision. Daraz Bangladesh aspires to reach its full potential by concentrating on several objectives.

- Assure a good client experience while expanding their business with a solid partnership with merchants.
- As a consequence of the effective and efficient fulfillment of orders, the customer experience will be improved.
- It will be important to execute excellent recruitment, training, retention, and coaching when it comes to achieving Daraz's objective and providing considerable resources to the business
- Believing in quality and excellence in service.
- Supporting the creative diversity and sharing of ideas

- ❖ Building a culture of learning based on leadership, teamwork, accountability, and cooperation.

2.7 Service areas

Daraz has its complex business models where its sometimes own a product and sometimes it won't. However, based on the business need Daraz sources its products based on various business models. In simple terms Daraz has three types of business model

1. Marketplace
2. Retail
3. Consignment

2.7.1 Marketplace: Under Marketplace-model Daraz doesn't own any products but sells products its sellers' products of its sellers. In that case, Daraz only gets commission. This commission amount is the revenue for Daraz. So in terms of revenue recognition, Daraz only recognizes the commission as its revenue. However, 80% of Daraz's business model consists of this type of model.

2.7.2 Retail: Retail is the section of the business where Daraz purchases products from a vendor. It happens when a vendor is a big player and doesn't want to participate in a commission-based revenue model. Daraz then purchases the products and stores it in this warehouse and uses it self FBD team to sort and manage the inventory. Daraz has a state-of-the-earth inventory management system that it automatically fulfills a product. After that, it gets handed over by the Last mile line haul service.

2.7.3 Consignment: Through the consignment model Daraz doesn't own the product but stores it in its warehouse. This is a hybrid model of retail and consignment. Daraz charges its vendor based on the warehouse space that they use to make their sales. However, the risk of the product lies with the vendor. If a product gets returned it goes directly to the vendor for reimbursement.

2.8 Organogram of Daraz Bangladesh Ltd.

E-commerce organogram is very different than many other companies. Without the correct authoritative strategies, it turns out to be hard for the association to actualize operational procedures and accomplish the objectives. The major departments of Daraz Bangladesh are listed underneath:

1. Administration
2. Business Development
3. Customer Service
4. Commercial
5. Category Management
6. Graphics and Design
7. Human Resources
8. Information Technology
9. Issue & Resolution
10. Finance
11. Operations
12. Onsite and Content Management
13. Sales Management
14. Marketing
15. Public Relation

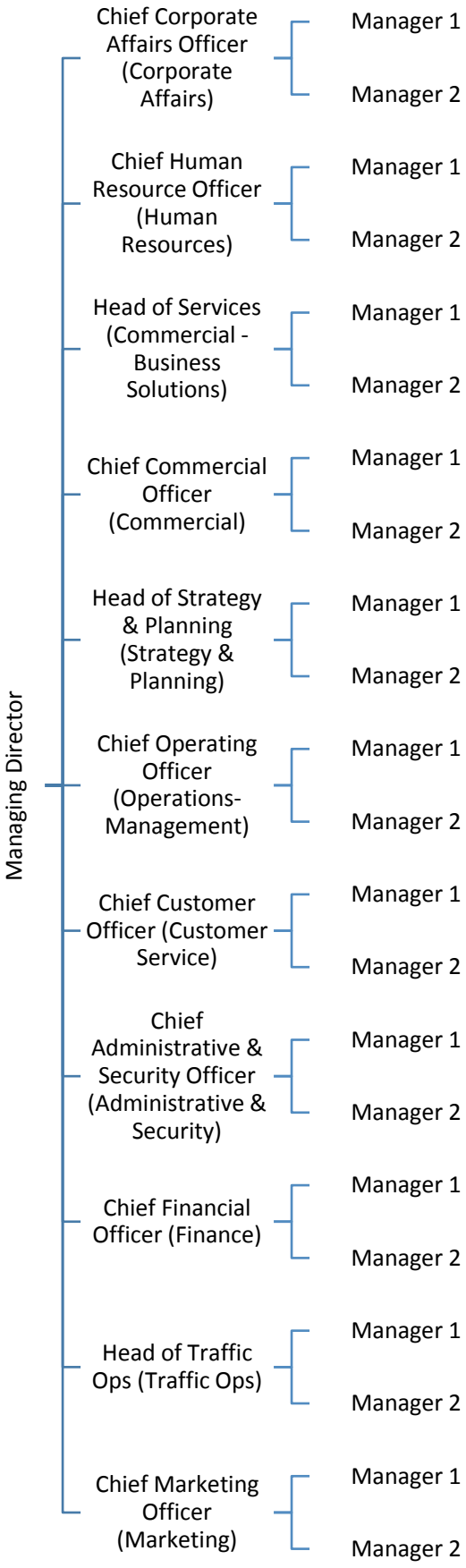


Figure: Organogram of Daraz Bangladesh Ltd.

Chapter-Three
Theoretical Background
On Revenue Management for Daraz Bangladesh Ltd.

3.0 Theoretical Background

IFRS15 provides a comprehensive framework for the recognition, measurement, and disclosure of revenue and Finance Process. Guidance is provided on the timing and amount of revenue that should be recognized on a contract basis. Under this standard, ***the recognition of revenue depicts the transfer of goods or services to customers in amounts that reflect the consideration (i.e., payment) that the entity expects to acquire in exchange for those goods or services***.

IFRS 15 outlines the accounting treatment for all revenue arising from contracts with customers and provides a model for the measurement and recognition of gains and losses on the sale of certain non-fi-financial assets, such as intangible assets, property, plant or equipment or investment properties. The core principle of IFRS 15 is that an entity will recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer, which requires entities to apply a five-step model as follows:

1.Identify the contract(s) with a customer.

2.Identify the performance obligations in the contract.

3.Determine the transaction price.

4. Allocate the transaction price to the performance obligations in the contract.

5. Recognize revenue when (or as) the entity satisfies a performance obligation.

For the purposes of first-time adoption of IFRS 15, entities can choose to apply either a fully retrospective approach for all periods presented in the period of adoption (with some limited relief provided) or a modified retrospective approach. At the time of writing this chapter, IFRS 15 is mandatorily effective for annual periods beginning on or after 1 January 2018 with early adoption permitted.

IFRS 15 was developed and published in 2014. But since this IFRS is not an easy one to implement, both the accounting standard-setting bodies (IASB and FASB) decided to defer the effective date of this IFRS to January 1, 2018; so that the firms may have enough time to modify their existing accounting information system to meet the requirements.

Previous revenue recognition requirements under IFRS provided limited guidance, and as a result, the two main revenue recognition standards, IAS 18 Revenue and IAS 11 Construction Contracts, could be difficult to apply to complex transactions and multiple-element arrangements. Accordingly, IFRS 15 Revenue from Contracts with Customers replaces all existing revenue standards. Along with IAS 11 & 18, IFRIC 13, IFRIC 15. IFRIC 18 and SIC 31 are superseded as well.

❖ Arrangements that meet the definition of a contract

Once the criteria are met, an entity would apply the five-step model in IFRS 15 to account for the contract and it is not required to reassess these criteria unless there is a significant change in facts and circumstances.

Paragraph 9 of IFRS 15 provides five criteria, as summarized below:

(a) the contract is approved by all parties, whether in writing, orally, or in accordance with other customary business practices, and the parties are committed to carrying out their respective obligations;

(b) the entity can identify the rights of each party about the goods or services that are to be transferred under the contract;

(c) the entity can identify the payment terms for the goods or services to be transferred;

(d) the contract has commercial substance, and

(e) collectability of the amount of consideration that an entity will be entitled to in exchange for the goods and services that will be transferred to the customer is probable.

The purpose of these criteria is to help an entity assess whether a contract with its customer is genuine and entered into for a valid business purpose. If the criteria are not met, then the arrangement is not considered a revenue contract under IFRS 15.

❖ Arrangements that do not meet the definition of a contract

Paragraph 15 of IFRS 15 indicates that when a contract with a customer does not meet the criteria for a revenue contract and an entity receives consideration from the customer, the entity can only recognize the consideration received as revenue when such amounts are non-refundable and either of the following events has occurred:

(a) the entity has completed performing all of its obligations under the contract and has received all, or substantially all, of the consideration promised by the customer; or

(b) the contract has been terminated.

The standard goes on to specify that an entity must recognize any consideration received from a customer as a liability until one of the events described above occurs or until the contract meets the criteria to be accounted for within the revenue model.

Due to the complex organizational structure, Daraz has complex reporting system too. Through its own finance processing system, Daraz recognizes its revenue according to the standard of IFRS 15.

Because of that this whole study on Daraz Bangladesh Ltd. will be focused on revenue recognition from different parties and how commercial finance works for financial accounting practices. We will be looking into topics like

- How customers pay for their product
- At which point that revenue from customers get recognized
- How revenues are made from sellers
- At which points seller revenues are recognized
- How does commercial finance work for the E-commerce field.
- How commercial finance of E-commerce gets integrated into the consolidated financial statement
- At which point incomes and losses are recognized

Several prior studies investigate revenue recognition as earning management practice, but the literature body is rather poor.

Plummer and Mest (2001) examine discretion in earnings management by using distributional tests and find that the firms manage earnings upward to meet earnings forecasts by overstating revenues and understating operating expense, therefore not reflecting their findings through the prism of discretionary revenues recognition.

Caylor (2009) test use of discretionary revenues aimed at avoiding reporting negative and surprising earnings in forecasts. He finds that management uses discretionary revenues affecting accounts receivable and deferred revenue to smoothen an income.

Revenue recognition and lock-in effect is often connected with capital gain taxation where capital gains are taxed upon realization that creates a distortional effect reflecting practice of deferring tax payments by deferring the asset disposal. (Rünger, 2018)

I have been working in Daraz for the last 3 months and for this internship period I chose to work in Finance Department. Daraz's Finance has one of the most complex financial management systems out there. It has its own data warehouse system, a state of the earth ERP system, Payment collection system, Vendor payment disbursement system and own reconciliation system. In my 3 months' tenure in Finance and accounting, I learnt a lot about revenue recognition and the finance process.

CHAPTER - Four

ANALYSIS AND FINDING

4.1 Revenues Sources

Their main revenues sources Are Commission. Usually around 30Lac seller use Daraz Platform to sell their product over the country even some seller from abroad also use Daraz BD platform to sell their products in BD. Form all those sellers Daraz Take commission for sold each & every product through Daraz's Platform. Daraz Collect revenues in several ways, first and mainly they delivered the product by themselves and collect cash from individual customer then by keeping commission amount rest of amount deposit to seller account. Second, they provide product to 3rd party logistics, renowned courier services over the country. They deliver product to customer and submit all the collected amount to Daraz Bank account.

Daraz Revenue also earned through Banking channel and MFS also. They have prepayment facility where customer pay directly to bank when they order product. Also, they Have POS facility when delivery rider delivers the product customer cay Pay through POS machine by using debit or credit card. ** for this procedure they Need to pay 2% service charge to Bank. All the collected amount deposited to 4 Bank In owned by Daraz Account.

In Daraz Platform Seller can sell multiple types of products, by providing different percentage of commission. Let's show the category along with the commission rate Daraz take as revenues.

4.2 Categories and Products of Daraz along with Commission.

Being the number one E-commerce marketplace, Daraz boasts of having everything that customers need. Currently, we have more than 50 million assortments and 1000+ categories. Daraz has the most complex category tree, which goes up to 9 levels. However, for the sake of simplicity, we can segregate those categories in top 5 industries

1. Fashion
2. Electronics
3. FMCG
4. General Merchandising

5. Digital Goods.

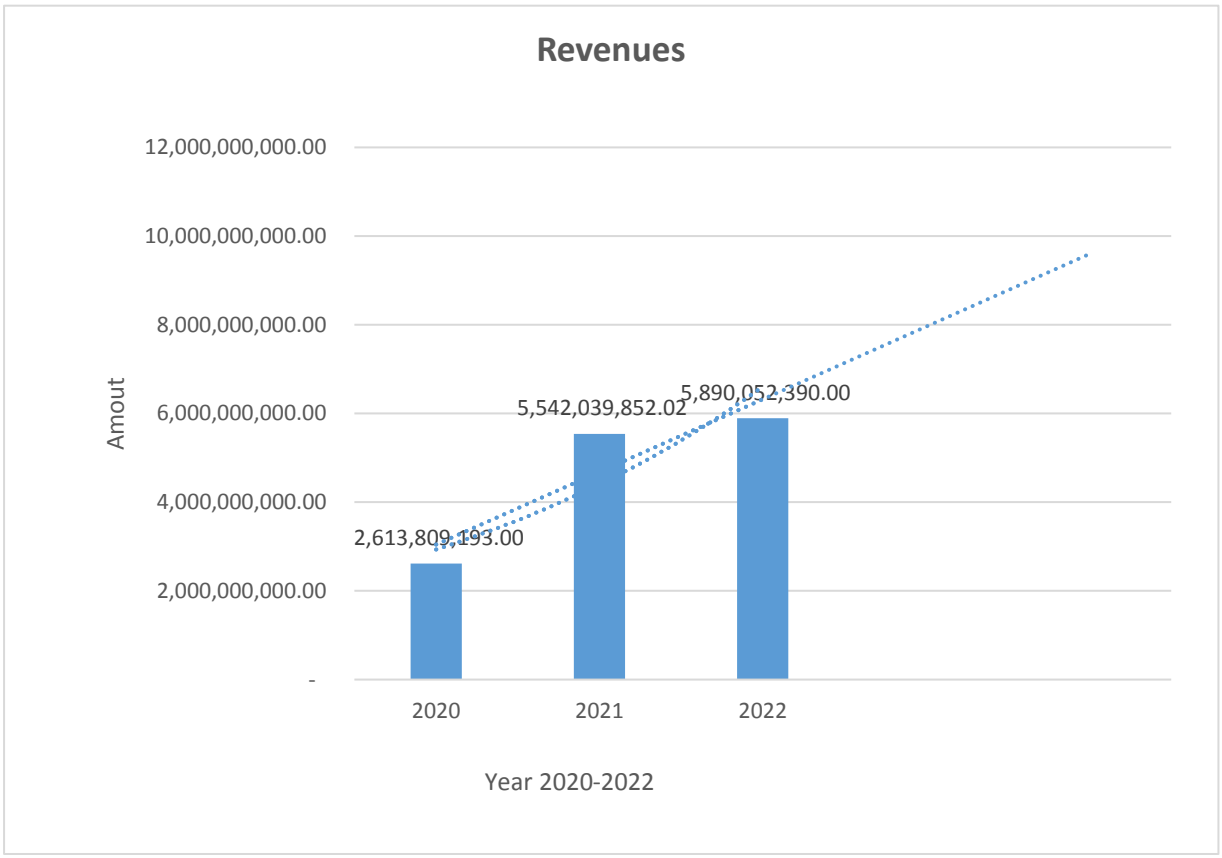
We can deep dive and get a category tree like this

Industry	Categories	Commission %
DG	Digital Goods-	4.76
	Special Digital Products	
Electronics	Cameras-	5.71
	Computers & Laptops	
	Home Appliances	
	Mobiles & Tablets	
	TV, Audio / Video, Gaming & Wearables	
Fashion.	Bags and Travel	9.52
	Fashion	
	Watches Sunglasses Jewellery	
FMCG	Groceries	4.76
	Health & Beauty	
	Medicine	
	Mother & Baby	
	Pet Supplies	
Lifestyle	Bedding & Bath	9.52
	Furniture & Décor	
	Kitchen & Dining	
	Laundry & Cleaning	
	Media, Music & Books	
	Motors	
	Sports & Outdoors	
	Stationery & Craft	
	Tools, DIY & Outdoor	

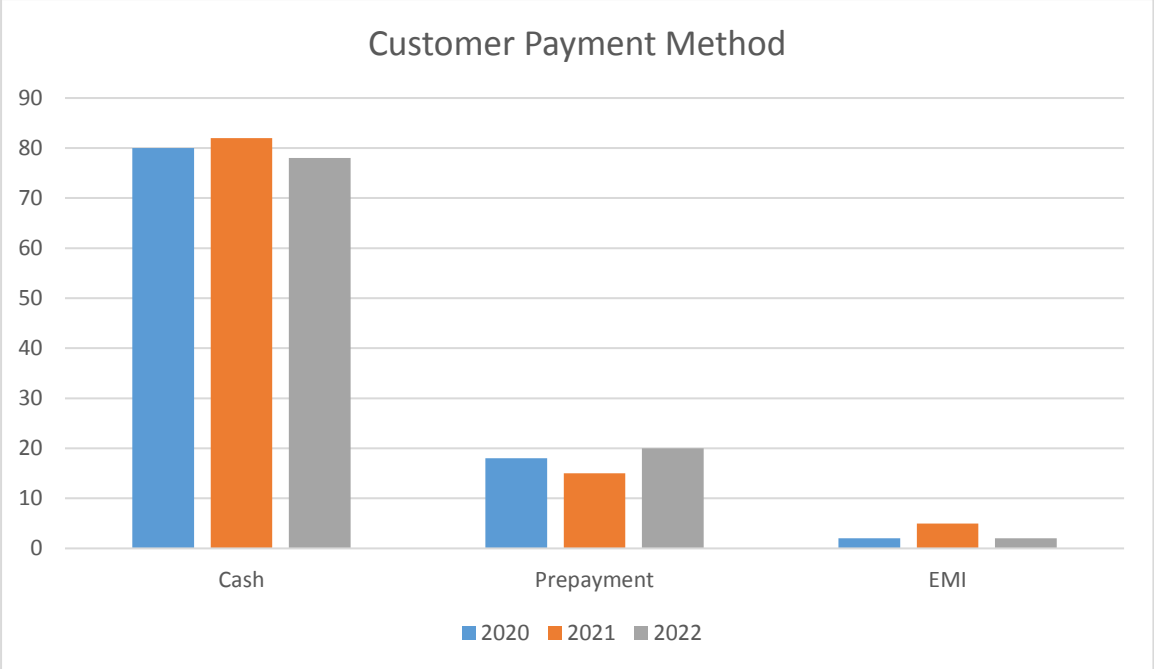
Toys & Games	10.92

4.3 Revenues Earned Comparison in last years.

As I worked with Daraz Cash collection Team, due to perform reconciliation I need to access previous Year Data of revenues. Form the collection of commission they earned a big Number of amounts through cash & Non-Cash (Bank MFS etc.)



4.4 Customer Preferred Payment Methods

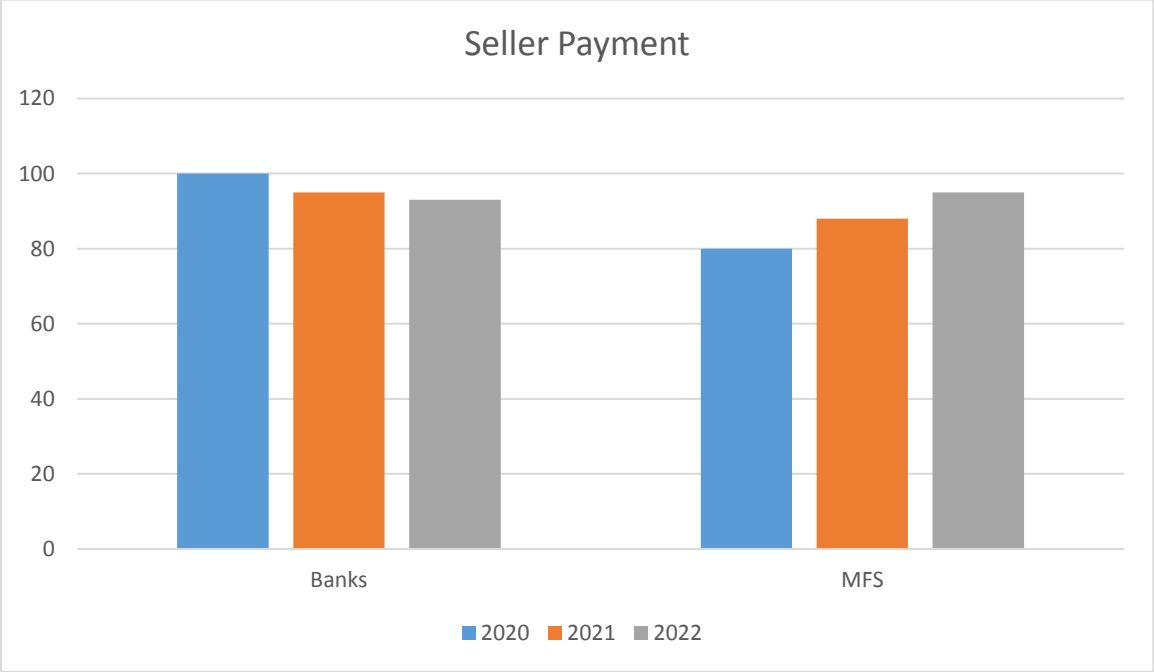


Analysis: Through this analysis, we can see that customer behavior regarding online payment is slowly improving. even though currently 78% of the customer are using cash on delivery. However, the organization is working on reducing the cash on delivery to prepayment or EMI. this is because cash transaction has always a higher transactional cost. and there is always a huge risk of maintaining a cash reserve in the local offices. The organization is trying to slowly shift customer behavior to pre-payment methods like banks and mobile banking services. in this chart, we can see that prepayment is slowly improving in the last two years from 14% to 18%.

However, EMI dependency (Desk, 2019) is also improving in the last two years. Banks always want to encourage customers to buy through EMI. so Daraz is partnering up with different banks and influencing customers to use payment methods like EMI and bank cards. transactional cost of EMI is a bit higher than only payment, but overall the transitional cost is lower than cash on delivery. In

terms of the revenue recognition system, it is also highly encouraged to use banks in terms of the transaction to ensure proper accountability of the stakeholders.

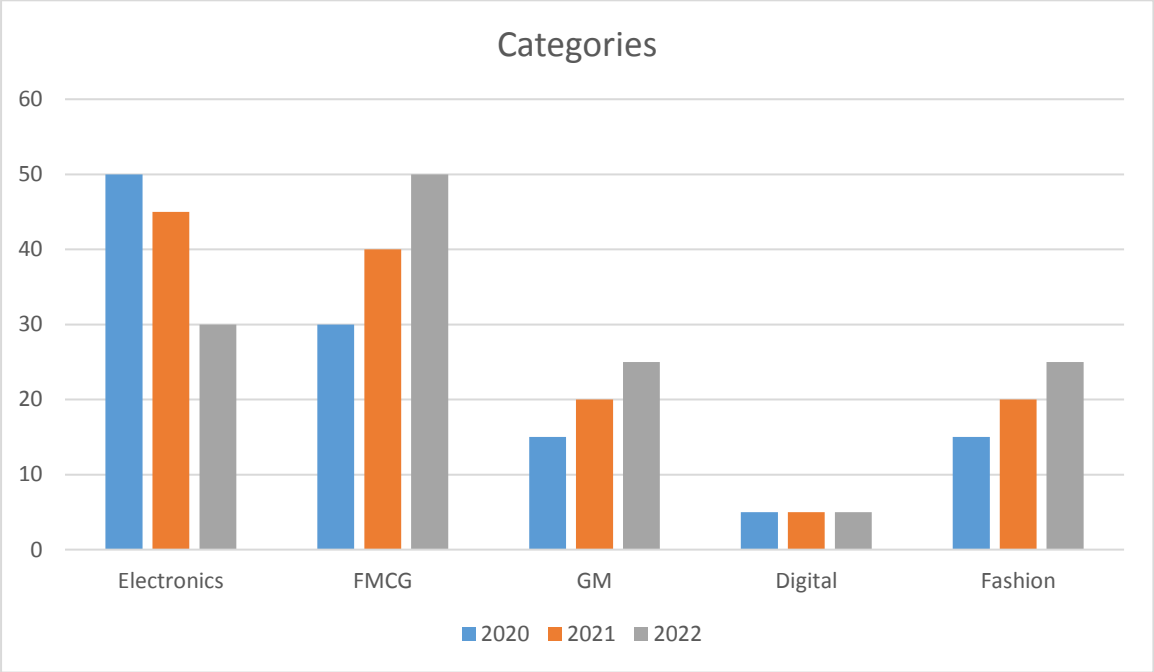
4.5 Seller Payment Tendency



Analysis: The company prohibits its vendors from making cash payments. For instance, Daraz will transmit the payment to the vendor on their bank account or mobile banking platform even if the consumer pays cash to Daraz. This is because using cash is risky and there is no accountability. However, bank transfer or mobile banking transfer leaves an audit trail (Rahman, 2021)so that every transaction can be tracked and maintained. However, the bank is the most dependable in terms of bank and mobile banking services. Bank transactions, however, move more slowly than mobile banking apps. so, if you see that draft then there is an increased tendency among the seller to use mobile banking services to get their payment fast. even though there is additional transactional cost but most small seller prefers mobile banking service over two banking services.

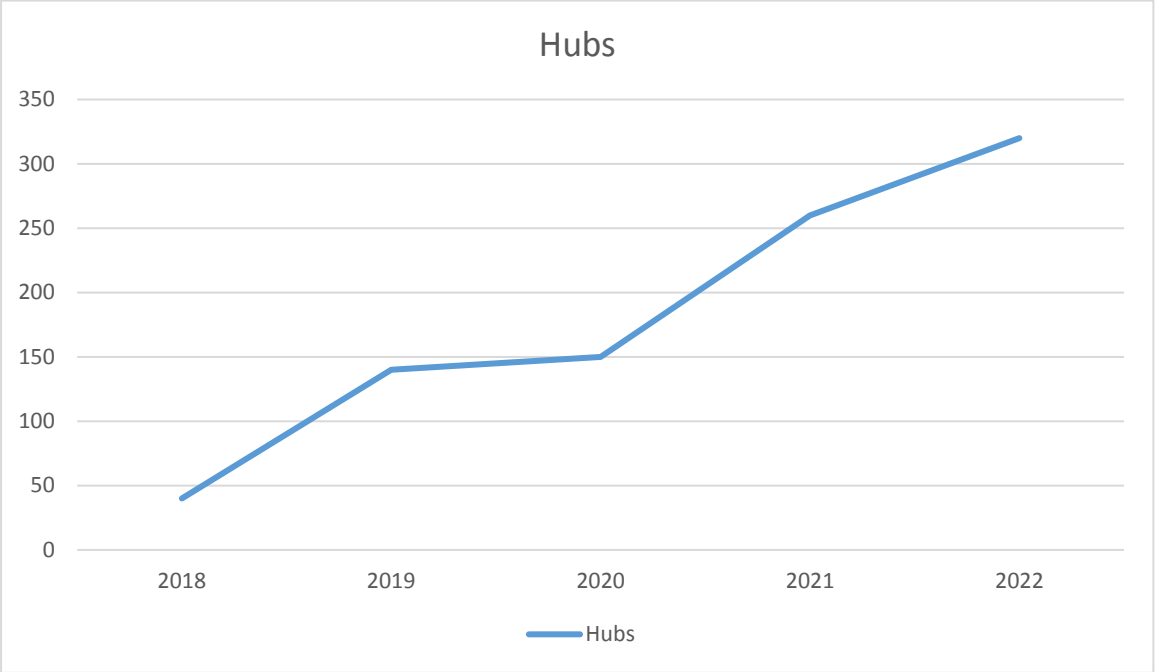
using banks helps search to identify contracts very easily. there is no scope for misunderstanding and missed audit trail. this is also implied in IFRS 15 where it is mentioned that a contract with the customer is crucial for revenue recognition.

4.6 Product Analysis:

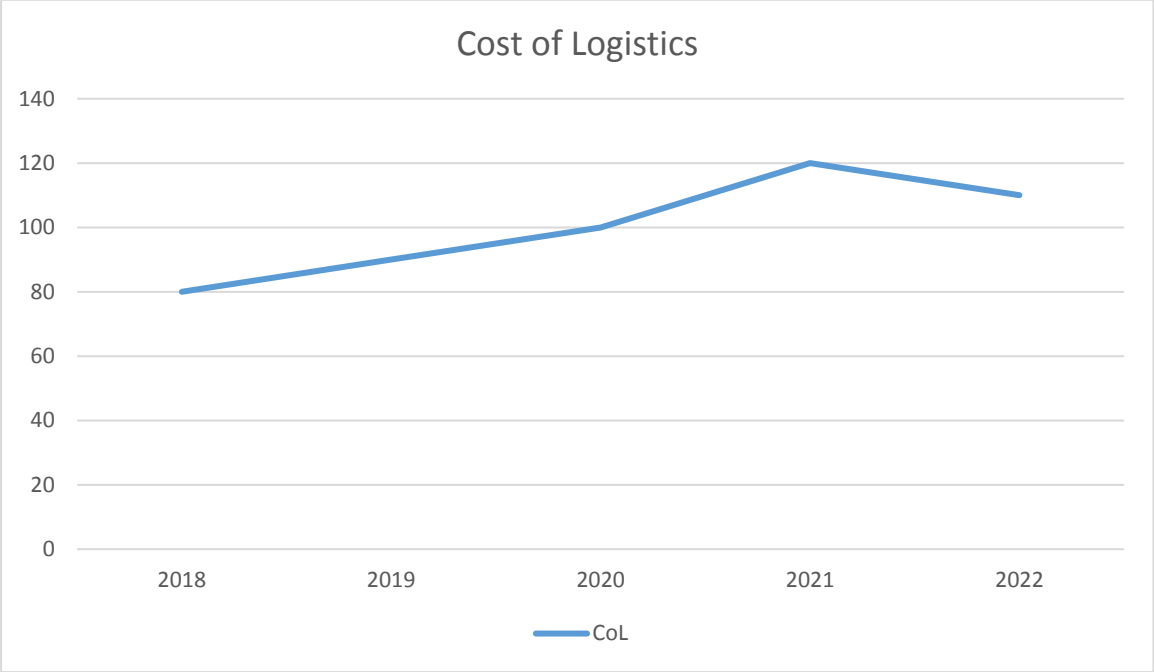


Analysis: In terms of product customer beware he's significantly shifting. customer nowadays is placing more orders for fashion and FMCG (Hoq S. , 2021) item then electronics. data indicates that there is a customer behavior shift in the overall economy. from a revenue recognition perspective (Kharpal, 2019) it is also beneficial for E-commerce to deal with fashion items. in terms of electronics, there is a cash dependency among the customers so there is a high risk of current assets like cash. however, it is seen that the trend and fashion is opposite. the customer tried to buy through prepayment when it comes to fashion and FMCG items.

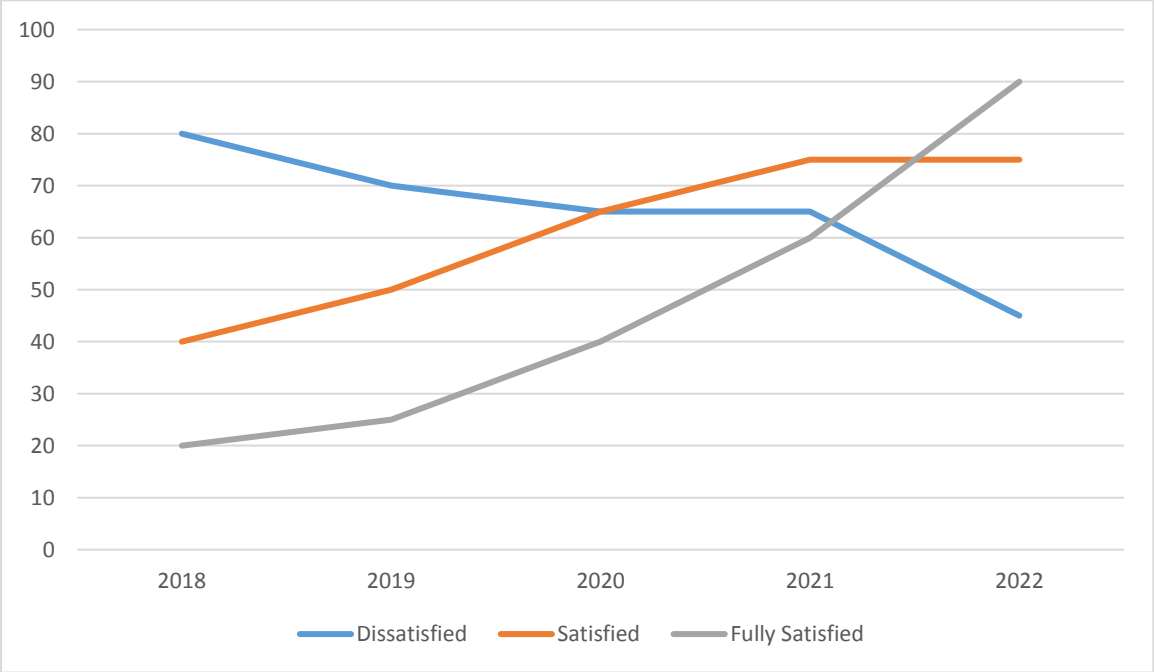
4.7 Overall Expansion:



In terms of location expansion, Daraz is highly growing. though it saw a slight decline in the pandemic days in 2020. however, when the pandemic slow down it expanded its hub expansion exponentially. currently, Daraz has 320 hubs all around the country and plans to reach 400 by the end of this year. this expansion of hubs creates more confidence among the buyer base. this buyer base is the main driver for the organization. more buyer means more people are buying from the concentrated location. (Kharpal, 2019) Daraz cluster customer helps the organization to reduce its operating cost. dose creating more hubs will increase the cost of logistics of the company but in the longer term, the overall operating expense against a single customer will significantly go down. the chart below will explain why expansion hub is directly inverse to the cost of logistics.



4.8 Customer Satisfaction:



From the survey that I did over 50 customers, I have seen that overall customer satisfaction among fully satisfied customers has been exponentially increasing. however, in the early days of the organization the customer dissatisfaction rate (Fazlyev, 2018) was really high. the 50 customers that I have taken are all more than five years old customers of the organization. this helped me to analyze how

the dissatisfaction level is decreasing and the success rate is increasing. if the organization can reach a success rate of 96% then the overall cost of logistics will be even lower than what it is now. this indicates that the cost of logistics will be balanced out and we'll reach a static level when the volume will increase. I understand that the only way of doing business of this sort where the Commission rate is significantly low volume is the only thing that can make the business profitable.

4.9 Finding:

To maintain its position at the top of the internet market in Bangladesh, Daraz uses many online marketing techniques to achieve success. Determining and sustaining an effective plan for interacting with a diverse variety of consumers may be a difficult undertaking to do successfully. Daraz's online marketing and payment process automation might be significantly enhanced in a variety of ways. It is vital to establish innovative ways that are suited to satisfy the specific needs of this country to go forward. Therefore, a significant lot of concentration is necessary to identify the attributes that consumers want. The following conclusions were reached as a consequence of this investigation:

- **Finance Automation:** The analytics for Daraz have been extensively shown; the great majority of customers have used Daraz, even though many of them are not very satisfied with the payment method. So Daraz needs to address this and reduce the lead time while paying customer refunds and seller payments to increase stakeholder experience. (Times.com, 2016)
- **ERP Improvement:**

  ERP and reporting transparency can be developed even further for Daraz. Though Daraz uses a very rigorous and complex ERP system I think this can be simplified. (Insight, 2020)

- **Promotion Strategy:** The fact that most of Daraz's customers are under 35 indicates that the company's internet advertising should be targeted specifically at this group. In addition, they have customers that travel from regions other than Dhaka to purchase their products. Despite the notion that an internet market should be readily accessible to persons from all walks of life, this is not the case. When it comes to targeted traffic, Daraz should continue concentrating on the younger demographic as their primary source. (Jha, n.d.)
- **Market Leadership:** With a substantial portion of the industry controlled by Daraz, the most popular online marketplace in the world, Maintaining their position, on the other hand, is essential if they are to come up with innovative marketing ideas that will attract attention and increase the general appeal of their website page on the internet. (Capital.com, 2020)
- **Branding:** When it comes to brand recognition, Daraz has created a good reputation, with the vast majority of people being able to identify the firm just by its emblem. When people are dealing with a firm of the level of Daraz, this is an essential advantage.

During my tenure, other findings that I found while working in Finance are:

- ❖ Doller rate fluctuation is one of the problems that happen in the digital marketing campaign for media buying in Daraz, for it creates a problem in the total cost estimation in the campaigns of Daraz. (Bank, 2022)
- ❖ Sometimes vendor selection occurs as a problem for commercial team of Daraz, On the other hand controlling them has always been a problem because they try to lead the campaigns according to them not accordingly to "Digital marketing team of Daraz".
- ❖ Dollar Fluctuation also becomes a big problem when the company is multinational in nature. When unprecedented fluctuation happens, it

significantly affects the business numbers. While working capital and sales data management it becomes a big issue for the business. (Bank, 2022)

- Campaigns are for the target group, but sometimes they cannot understand or do not fully understand the campaign or misinterpretation can be a cause of a problem in digital marketing campaigns for Daraz.
- Low Customer Awareness about Daraz Business. Even though Daraz is doing business for the last 8 years however the yearly active customer base is still very low. This is because there is low customer awareness among customers about Daraz. (Fazlyev, 2018)
- Lack of customer education: With my survey, I have realized that even though the customers are aware of the Daraz existence they are not properly educated of the Daraz system. This is a big blocker for Daraz to grow even further.

CHAPTER - 5

RECOMMENDATIONS AND CONCLUSION

5.1 Recommendation

Daraz Bangladesh is the Largest E-commerce service provider in Bangladesh. Since it started its operation in Bangladesh, they are improving every moment. Still, it can turn out to be considerably greater and better than now. While making this report I have observed several concerns existing regarding the works of Traffic Operations department. Therefore, I want to mention some recommendations which can apply to Finance Department as well as to other departments of Daraz Bangladesh Limited. Those are in the below –

1. Daraz should update its information within the organization to make reporting and analysis easier to deliver. All the databases should always provide an aligned data set, so the chances of errors are minimal.
2. All the designs and plans should be predetermined and there should be a minimum amount of changes from the initial plan to avoid exhaustion and time loss.
3. The company needs to ensure product quality. Even if they have a lower number of sellers but the product quality is the good customer will shop from them longer and will not switch to other E-commerce sites easily. So, their products must be of good quality, matching their company goal. Although most of our current vendors are brand and recognized shops, there are some local vendors as well and often their products are sourced from different countries, in which case the product quality cannot be checked in those cases.
4. For certain areas, specifically outside of the central district location Daraz Bangladesh is dependent on a third-party logistics team for delivery where some mishaps happen due to less control. Daraz needs to expand its own fleet and encourage customers to prepay to ensure proper delivery and reduce loss of products as well as reduce dependency on third-party. There should also be an agreement and penalty system between third parties and

Daraz in case of any negative situation so that at least the customer can be compensated for the trouble.

5. The Customer Service team needs to be expanded and more integrated software should be introduced to provide customers with prompt and efficient service.
6. Prices should be as much low as possible with maintaining the standard quality of the items. If the same product is available at a lower price somewhere else, customers will leave Daraz. Also, if the quality of the product is not up to par with the price then customers will lose faith. If the customer satisfaction level reaches high, then the overall revenue will be more streamlined.
7. Both local vendors and customers need to be educated more about E-commerce and value for money. Bangladesh's customer base is still in a learning phase; they are still unaware or unclear about a lot of different processes that exist in an E-commerce platform. For example, a large base of customers still feels uncomfortable using online payment methods while it's convenient and easy to use. Also, the fact that value for money is still crucial knowledge is yet to be understood by the mass customer base. Many people don’t even consider that the lower the price, the lower the quality.
8. The expectation from an employee should be specific & not more than needed. They should only focus on the points that are possible to deliver.
9. Hire more workforce to ease the pressure from existing employees and prepare proper policies for employees that make it easier to work.
10. ERP and reporting transparency can be developed even further for Daraz. Though Daraz uses a very rigorous and complex ERP system I think this can be simplified.

5.2 Conclusion

Finally, I would like to finish my report with the message that Daraz Bangladesh Ltd. still has a great chance in the market to develop and acquire the maximum share of the market. From the very beginning, the company faced many challenges and difficulties to reach today's position. From a very small unit, it is a giant organization today.

Companies in the E-commerce industry should concentrate on quality products and quality services to take this industry towards further success. The Bangladesh government should also be considerable and cooperative to help businesses flourish.

As Daraz Bangladesh Ltd is a decentralized organization and core values are cherished by everyone within the organization, operating in a dynamic situation is easier than it seems. Every department works hard and has an efficient workforce with advanced technological infrastructure, Daraz Bangladesh reach the top position in the Bangladesh E-commerce industry.

The Financial Reporting and Revenue Recognizing needs some adjustment as well. Based on this strategy, the company will forecast its plans and projections. Company growth depends on it. The sound stands for the gravity of the seamless finance process necessary for the organization. (Hassan, 2021)

In this report, I have tried my level best to introduce Daraz Bangladesh Limited, its structure, its business processes, how they measure revenue and profits, and how was my experience in the Finance department. While working with my team, I learned that the activities/tasks of the Finance department of an E-commerce business are quite unique and the skills I obtained here can surely help me in the long run. Finance in E-commerce is rather a newer yet often misunderstood concept department as often people only think of payment management when they hear the term "Finance". But it is so wide that it also covers seller performance, payment

quality control, and campaign budget management. It is a rather new addition to this corporate world and working for this department has its benefits. I also got to know how each category and department are working. The activities in my department have developed my practical knowledge and provided me with an amazing experience. All these understandings that I have achieved by functioning for three months, I can surely bring for the rest of my career. (JK, 2022)

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Declaration:

I, Lian Talukder, am conducting this survey for the partial fulfillment of my BBA Degree. I am declaring that the information collected from this survey will not be disclosed or used for any other purposes.

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