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## Ecommerce in Pakistan: Challenges & Opportunities

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**Abstract:** Ecommerce has been promoted across the globe as one of the key enablers for youth entrepreneurship and employment. Despite a favorable internet and mobile demographics and increasing ecommerce adoption, Pakistan's ecommerce market size remains tiny compared to other similar countries. As part of a larger study aiming to explore the challenges and opportunities in Pakistani ecommerce, we conducted a qualitative study with 10 e-entrepreneurs to explore the factors hindering ecommerce growth in Pakistan. We identify that along with the challenges related to customer, payments and logistics; the absence of institutions and trade bodies to support and promote ecommerce, are hindering explosive ecommerce growth in Pakistan. We suggest that development of a rational ecommerce policy based on field data and ground realities; and effective implementation of such policy has a pivotal role in providing the enabling environment for ecommerce growth. Therefore, we propose an in depth inquiry into the nature and size of ecommerce market in Pakistan, based on which ecommerce policy guidelines will be developed for ecommerce growth in Pakistan. Should an enabling environment be provided for ecommerce growth in Pakistan, a huge opportunity for youth and female entrepreneurship and employment can be created.

Keywords: Ecommerce in Pakistan, Ecommerce Policy, Challenges in ecommerce

### 1 INTRODUCTION

These paper reports initial findings on an exploratory study aiming to discover current state of the affairs on ecommerce in Pakistan. The study is being conducted in two phases, a qualitative study followed by a quantitative survey. In this paper, we discuss our initial finding from the qualitative study. We interviewed ten e-entrepreneurs operating B2C ecommerce business in Pakistan to explore that how the traditional barriers in ecommerce have been overcome in the last decade, current barriers which are hindering future growth in ecommerce, and ecommerce's potential for entrepreneurship and employment for youth and females.

Ecommerce has been promoted across the world as a key enabler for youth entrepreneurship and a catalyzing factor for job creation <sup>[14]</sup>. Despite a favorable internet and mobile demographics and increasing ecommerce adoption, Pakistan's ecommerce market remains tiny compared to other similar countries like Indonesia and India. The true potential of E-Commerce could not be realized in Pakistan due to a number of economic, sociopolitical, and cognitive barriers. However, with more than 36 million internet users, over 40 million smart phone users, over 30 million mobile internet users, increasing coverage of 4G LTE services, and rapid social media adoption; Pakistan has all the right indicators to kick start an explosive growth in ecommerce. Recent acquisition of Daraz.pk, Pakistan's largest online marketplace, by Alibaba group may create a huge impact for the growth of ecommerce in Pakistan.

A growing trend in B2C and C2C ecommerce has been observed in recent years aided by increased internet access, higher bandwidth, improved logistics penetration and delivery services, availability of alternative payment methods such as COD and mobile payments. The evidence of this can be seen in the increased traffic on B2C and C2C websites; dozens of which are now amongst top 500 websites by traffic in Pakistan. Diversification of organized retail sector into ecommerce, and increasing number of ecommerce portal with multimillion dollars investment, such as Yayvo.com, 24hrs.pk and Daraz.pk is further evidence to this fact. Furthermore, rapid adoption of social media both by the consumer and almost every known consumer brand provides further confidence that ecommerce is taking off in Pakistan.

## 2 BACKGROUND

### 2.1 Barriers to ecommerce in developing countries

A number of challenges as in barriers to ecommerce in developing countries have been reported in the literature. These barriers have been categorized as economic and technological, cognitive, sociocultural, and legal and political. While economic, technological, and legal and political barriers are those posed by external environment and cognitive barriers are internal to organizations or individuals. Molla and Licker<sup>[9]</sup> suggest that cognitive factors in a country play more important role than environmental factors in the initial phases of ecommerce adoption and as ecommerce adoption increases, environmental factors become more critical. Nevertheless, a combination of cognitive and environmental factors is at play in ecommerce adoption.

Economic and technological barriers reported in the literature include internet infrastructure and diffusion rate, logistics infrastructure, scale issues, and credit card penetration and availability of online payment methods.

The main reason behind slow internet diffusion rates in the developing countries has been the unreliability and lack of telecommunication infrastructure<sup>[16]</sup>. Power shortages and poor quality of electricity infrastructure, for example in Tanzania, has also been attributed to low internet diffusion rates<sup>[16]</sup>. Internet diffusion rate ultimately translates into number of people engaging into ecommerce. Scale issues and low return on investment have also led to low internet diffusion in many small developing countries such as Caribbean<sup>[15]</sup>. Slow internet speed and limited availability of bandwidth to internet users has also been reported as a barrier related to telecom infrastructure; as most ecommerce sites heavily rely on high quality images to showcase their products and services. Slow internet speed results slow downloads of these images on a webpage, thus causing inconvenience to the consumer. Over the past years, however, rapid expansion of telecom companies in developing countries has exponentially increased internet diffusion rates. For example, according to PTA, in March 2014 the total tele-density in Pakistan has reached to 78% from just 4.31% in 2003 and number of broadband internet subscriber (both fixed and wireless) has reached to 3.34 million from just 26 thousand in 2006. Similarly, number of mobile subscriber has reached 136 million from 0.5 million in 2004. This has resulted in growing ecommerce adoption among Pakistani consumers.

Unavailability of credit cards to large proportion of population in most of the developing countries has also resulted in slow ecommerce adoption. Studies in India and South America show that low credit card penetration rates posed as major hurdle in ecommerce activities<sup>[19,20]</sup>. Therefore, in most developing countries ecommerce heavily relies on cash-on-delivery payment method<sup>[18]</sup>. In addition, banks in developing countries are reluctant to support online credit card payments; therefore, online merchants have to rely on overseas payment gateway which results in extra operational overheads<sup>[21]</sup>.

Road and logistics infrastructure and delivery services have a pivotal role in online selling of goods. Poor logistics have traditionally been major hurdle in growth of ecommerce in most developing countries<sup>[17]</sup>. In the developing countries, local courier services lack scale and penetration; while major international courier services such as FedEx and DHL are too costly to be used by internet retailers. For example, TCS in Pakistan, the largest courier company is the only one with logistics penetration across Pakistan (excluding most parts of Balochistan). Even TCS has to rely on subcontracting with local courier companies to deliver in some far off villages and towns. Rest of the companies such as OCS, Leopard, Speedex and many others have either regional reach or directly serve only main towns and cities of Pakistan. Furthermore, poor quality of delivery service in terms of late deliveries, inaccuracies in cash collection, and loss and damages to goods have also been reported to be a hurdle in adoption of ecommerce<sup>[19]</sup>. Therefore many internet retailers in developing countries are compelled to develop their own delivery network in bigger cities or adopt a franchising model. For example, Shophive.com delivers to customers using its own riders in Lahore and Islamabad. Similarly, in India

Babyoye.com has developed its own delivery network in bigger cities such as Mumbai and Delhi, whereas in many smaller cities it uses its franchisees to both store the inventory and deliver the goods to the customers.

Sociocultural barriers are those related to social norms and practices. Both sociocultural and cognitive barriers tend to be more difficult to overcome than technological or political barriers <sup>[22]</sup>. In Asian cultures, for instance, personal relationships and face to face interactions are very important in business. The impersonal nature of ecommerce makes it difficult for people to engage in a transactional relationship with a business or person <sup>[46]</sup>. This results in low trust on ecommerce and low willingness to buy online. Similarly lack of trust on courier and delivery services has also been reported to be among sociocultural barriers <sup>[15]</sup>. The element of trust is also related with poor rule of law and poor legal framework for ecommerce.

Cognitive barriers are the mental maps and habits of individuals <sup>[14]</sup>. Cognitive barriers include lack of awareness, knowledge, and skills about use of internet and ecommerce, linguistic barriers. Since most of the web content and software tends to be in English language and majority of the population in developing countries cannot read or write English language; thus majority of the population misses to engage in ecommerce unless the web content and software are provided in national language <sup>[17]</sup>. Relatively higher adoption of ecommerce in China can be attributed to the fact that most of the Chinese websites use official language for communication with their customers. Similarly lack of command in English language also results in lower computer and internet literacy. Thus lack of capability in English language or unavailability of web content in official language results not only in lower ecommerce adoption rate but also lower internet diffusion rate. In addition to these, cognitive barriers related to organizations have been reported to be unwillingness to change, limited use of internet banking and web portals by SMEs <sup>[23]</sup>. Moreover, difficulty in finding and retaining qualified people with ecommerce skills and qualification has also been reported as a hurdle for SMEs to engage in ecommerce <sup>[24]</sup>.

Legal and political barriers tend to be more time consuming and difficult to overcome than any other environmental barriers due to their relation with formal institutions. Absence of legal and regulatory system, vague and difficult procedures and guidelines, lack of ecommerce standards and legislation has been reported to be the major legal and political barriers in developing countries <sup>[25]</sup>. In Pakistan, a number of legislations related to ecommerce have been put in place since 2002 such as Electronic Transaction Ordinance 2002, Electronic Data Protection Act 2005, Electronics Crimes Ordinance 2007, followed by Electronic Crimes Bill 2010 which is still pending approval in the national assembly. However, implementation and utility of these legislations remains largely questionable.

## 2.2 Internet usage in Pakistan

With a figure of more than 44 million internet users, which is about 20% of population, Pakistan currently ranks number 22nd in the world <sup>[1]</sup>. Current figures also suggest that Pakistan has over 2 million broadband/WiMax subscriptions base <sup>[2]</sup>. Moreover, out of 120 million mobile users, 30 million subscriber use internet on their mobile phones <sup>[3]</sup>. According to YouGov.com, 69% of internet users in Pakistan have fulltime jobs; 99% of them visit websites in English language and 68% of them also visit Urdu websites; and a large proportion of internet users in Pakistan tend to be young, educated, and relatively affluent <sup>[4]</sup>.

After about 2 decades of ICT development in Pakistan, we believe that Pakistan is on a tipping point for explosive growth in e-commerce. With such favorable demographics, e-commerce growth can be enabled by developing policies based on field data and ground realities and executing those policies in an effective manner. Ecommerce growth will potentially underpin youth entrepreneurship and employment.

## 2.3 Barriers to e-commerce development and current state of the affairs

In the past, the true potential of E-Commerce could not be realized in the developing economies like

Pakistan due to a number of economic, sociocultural, legal, political, and cognitive barriers. As number of studies suggest that poor ICT infrastructure, poor transport and logistics network, low credit card penetration, issues of trust, lack of training and capacity building; and weak or absent legal and institutional infrastructure are the main barriers to ecommerce growth in developing countries including Pakistan <sup>[6, 7]</sup>.

A growing trend in B2C and C2C ecommerce has been observed in recent years. This can be attributed to a number of positive improvements in last 10 years; which have gone largely unnoticed but have given a new vigor to e-commerce and e-entrepreneurs in Pakistan. These improvements include:

1. Increased internet speed and broadband/WiMax penetration to more than 180 cities in Pakistan, thus facilitating quicker access to e-commerce sites.
2. Improved delivery services and increased logistics penetration due to increased competition between courier companies
3. Innovation in payment methods such as cash on delivery (CoD) collection by courier companies, mobile payment solutions such as Telenor's easypaisa (available at 18,000+ shops across Pakistan) and UBL's Omni (available in 600+ town and cities), and internet funds transfer facility by many banks such as UBL and Standard Chartered.
4. Rapid adoption of online social networking such as facebook; which provides the sellers an interactive and feedback centric platform to engage customers, which ultimately helps resolving trust issues between seller and customer.
5. Increased educational level due to investment in higher education through HEC and increased internet literacy and user base.

Pakistan's internet users have been mainly consumers of free contents and services related to entertainment, news, sports, education, and employment. Early successful B2C e-commerce startups (such as emarkaz.com, 786gifts.com) mainly targeted overseas Pakistanis for gifts and greetings delivery. However, in recent years, a growing tide of B2C ecommerce adoption is observable in Pakistan. The evidence of this can be seen in the increased traffic on B2C and C2C websites. For example until two years ago, there was not a single B2C website amongst top 500 websites by internet traffic in Pakistan; however, today Shophive.com selling computers and electronics ranks as 129<sup>th</sup> most accessed website in Pakistan; Daraz.pk selling fashion and apparel, ranks 198<sup>th</sup> for internet traffic in Pakistan; similarly Symbios.pk ranks at 252, Techcity.pk at 440<sup>th</sup>, and Beliscity.com at 478<sup>th</sup>. Growing interest in e-commerce in Pakistan is also evident in the number of online startups by young university graduates such as Hometownshoes.com, Hmgte.com, Babyplanet.pk and Egadgets.pk and many other. Moreover, a number of established high street apparel brands and designers such as Bareeze, Uniworth, HSY, Gul Ahmed, BnB Accessories, and Al-Karam etc. have realized the importance of online channel and opened their online shop fronts. The entry of high street brands in e-commerce is also underpinning trust in online shopping and contributing in shaping up online purchasing behavior. One of the most convincing evidence of increased e-commerce adoption Pakistan is the surprise entry of TCS in ecommerce. TCS, having an ample appreciation of ecommerce potential in Pakistan, is the premium courier company that handles deliveries of almost every ecommerce website in Pakistan. Aiming to leverage its huge logistic network and ecommerce delivery experience, TCS jumped into e-commerce as TCSCoconnect.com in May 2012 offering books, electronics, and cosmetics to Pakistani consumers.

Role of social media, especially social networks, cannot be ignored in ecommerce adoption. Interest in e-commerce is also evident in growing interest of most national and multi-national consumer brands and retailers in the social media; especially the Facebook. In last few years, almost every known consumer brand and high street retailer has made its presence on Facebook in order to engage their potential and existing customers, build their brands, provide special offers, and advertise and sell their products and services.

## 2.4 Pakistan's e-readiness

Literature suggests that ecommerce growth in any country is very much dependent on its e-readiness<sup>[9]</sup>. As Table 1 shows, Pakistan is ranked at number 66<sup>th</sup> in e-readiness compared to India at 58<sup>th</sup> which has an estimated B2C ecommerce market of \$12.0 billion<sup>[10]</sup>; and Indonesia 65<sup>th</sup>, which has an estimated B2C ecommerce market size of USD 1.0 billion<sup>[11]</sup>. The size of Pakistan's B2C ecommerce is not known, since no market data is available; however, an informed observer would estimate it way below that of Indonesia (USD 1.0 billion) given the level of ecommerce activity in Pakistan. Pakistan has all the right indicators except for 'social and cultural environment', to match India and Indonesia in ecommerce growth, should an enabling environment be provided for ecommerce.

**Table 1: Digital Economy Ranking 2010. Report from Economist Intelligence Unit in collaboration with IBM<sup>[12]</sup>**

	Overall score	Connectivity	Business environment	Social and cultural environment	Legal environment	Govt . policy and vision	Consumer and business adoption
India (58)	4.11	2.15	6.27	4.67	5.6	5.1	2.88
Indonesia (65)	3.6	2.6	6.04	3.6	4.2	3.88	2.55
Pakistan (66)	3.55	2.35	5.31	2.8	5.9	4.3	2.51

Until recently Pakistani internet users were hooked to free content and services, however, an increasing trend towards transactional nature of ecommerce is observable due to reduction in ecommerce barriers up to certain extent as discussed above. There has been no inquiry to discover that why ecommerce is still in its infancy in Pakistan despite favorable demographics and reduction in ecommerce barriers. Although increased ecommerce adoption is an encouraging sign for economic growth in Pakistan, there remain noticeable gaps in many areas where serious efforts are required to kick start e-commerce growth.

## 3 RESEARCH METHODS

We conducted qualitative interviews with ten e-entrepreneurs. Table shows the profile of each participant and their companies. The interviews revolved around one open ended questions as following:

*What challenges do you face in your ecommerce business?*

Prior to main set of interviews, two pilot interviews were conducted with two e-entrepreneurs in order to test the research instrument. Some participants were initially accessed through personal contact as e-entrepreneurs are a difficult to access population. Snowball sampling technique was used in order to get further access to the participants. As snowball sampling technique is said to be appropriate where target population is hidden or difficult to get access to. In total 15 e-entrepreneurs were contacted and requested to participate in the study; Out of which ten entrepreneurs agreed to participate. Each interview was conducted face to face with the participant and lasted for about 30 to 45 minutes. Most of the participant did not agree to be recorded for the interview; therefore, notes were taken by the author and a research assistant for. After each interview the notes taken by the author and the assistant were compared for reliability and accuracy.

Table 2 shows the profile of each participant and their companies. The ten participants include 7 males and 3 females. The participants' names and the names of the companies have not been shown due to privacy reasons; however, the table lists their age, gender, education, main products, years in business, number of orders per month, average annual revenue growth and number of personnel (including the owner) working in business. None of the participant agreed to disclose their annual revenue, however, most of them agreed to disclose their monthly number of orders and annual growth in revenue; while P8 and P10 did not disclose their annual revenue growth. Most of them are university educated while P8's education is intermediate. He owns a mobile phone

shop in Hafeez center from where he also runs his online mobile selling business. Only two participants maintain office premises for business while most of them work from home. All three female participants also work from home. Participant P1 belongs to Karachi while all others participant belong to Lahore.

**Table 2: Study participants**

Participant	Age/ Gender	Main Products	Years Business	in	No. of Orders (Month)	Avg, Annual Revenue Growth	No. of Personnel
P1	35/M	Computers Laptops Cell Phones	7		2000-2500	30%	8
P2	25/M	Apparel	3		4000-5000	45%	1
P3	26/M	Shoes	2		1000-1500	25%	1
P4	29/M	Men's Apparel	4		500-700	23%	3
P5	22/F	Fashion Accessories	1		80-100	N/A	2
P6	25/M	Gifts & Greeting	3		120-150	30%	2
P7	25/F	Fashion Accessories	2		4000-5000	60%	3
P8	28/M	Cell Phones	4		200-300	--	2
P9	24/M	Baby products	6 months		150-175	N/A	3
P10	28/F	Women Apparel	2		30-50	--	1

#### 4 RESULTS

Participants were asked what challenges do they face in conducting online business and they provided a variety of answers. Their responses have been categorized into payment challenges, logistic challenges, customer challenges, and other challenges as shown in Table.

Payment challenges is one of the most cited category by the participants. Participants believe that payment challenges are one of the prime reasons for hindering ecommerce growth in Pakistan. The participants unanimously believe that unavailability of local payment gateway and low usage of credit cards online is the biggest payment challenge faced by the e-retailers in Pakistan. Other challenges include high charges by courier companies for cash-on-delivery (CoD) method, delay in payment recovery from courier companies for COD method, high transaction charges on alternative payment methods, and low usage of internet banking for online purchases.

Participant P1 believes that he can foresee a rapid growth in his business if an e-payment gateway is provided. In his words, *"we conducted a little survey of our customers and about 40% of them say that we want to use our credit card for online payment. Just imagine if 40% of our monthly 900 customers are able to pay online, how much cost and operational efficiency it will bring. You know, it is too much of a headache to reconcile and recover payment (cash on delivery payments) from courier companies... they (courier companies) delay (payment) as much as they can"*. Similar concerns were shown by many other participants.

Thus the biggest challenge, according to our participants, for ecommerce industry in Pakistan is the provision of an e-payment gateway. Due to a number of legal, social, and cultural issues banks are reluctant to venture into such an initiative. The Internet Merchant services of Citi Bank Pakistan were initiated in 2006, which is both expensive and difficult to get approved for online retailers. Moreover this service is only available to the retailers already established with a physical outlet for at least two years. P7 says, *"the cool thing about ecommerce is that I can work from home...I am a female and I work from home, how do I setup a shop and wait for 2 years to get approval... this is crazy"*. Participants believe that ecommerce industry can grow into many folds over the years, should a reliable e-payment gateway be provided to the sellers and consumers. With an

increasing scale of ecommerce, over 30 million internet user base, growing IT literacy, increased use of e-banking and mobile payment solutions; the market is now ready for an e-payment gateway that provides a smooth buying experience to the consumer. As P4 says, “*problem with cash on delivery payment method is that sometimes customer doesn’t have cash at home when delivery comes... if he has already paid online using credit card there wont be such hassle*”. Telenor easypaisa and UBL Omni are very well placed to diversify their mobile payment solution into an e-payment gateway.

The scale of Internet and mobile banking and number of credit and debit cards in circulation shows the incredible potential an internet payment gateway may unleash for ecommerce growth in Pakistan. According to a report by State Bank of Pakistan <sup>[13]</sup>, only in in Q1 (July-Sept. 2016) of Fiscal Year 2017, the Internet and mobile banking transaction have grown to over Rs. 184 billion and Rs. 54.0 billion respectively. Moreover, the same report also shows that as of September 2017, Pakistanis possessed 1.45 million credit cards and 12.9 million debit cards.

Table 3: Challenges faced by ecommerce business in Pakistan

Challenges faced	P1	P2	P3	P4	P5	P6	P7	P8	P9	10
<b>Payment Challenges</b>										
Unavailability of payment gateway	x	x	x	x	x	x	x	x	x	x
Lack of online credit card usage	x	x	x	x	x	x	x	x	x	x
High Cash on Delivery charges	x		x	x	x		x	x	x	
Delay in CoD cash from courier companies	x	x		x	x	x	x	x	x	
High transaction charges on alternative payment methods	x	x	X	x		x			x	
Low usage of internet banking		x	x	x		x	x	x		x
	P1	P2	P3	P4	P5	P6	P7	P8	P9	10
<b>Logistics challenges</b>										
Logistic coverage	x	x	x		x		x		x	x
High cost of delivery	x	x	x	x	x	x	x	x	x	
Inaccuracies in delivery	x		x			x		x		x
Product damages	x			x	x			x	x	
Theft and mugging	x				x		x			
	P1	P2	P3	P4	P5	P6	P7	P8	P9	10
<b>Customer Challenges</b>										
Product returns	x		x		x	x			x	x
Unwillingness to pay delivery charges	x	x	x			x	x	x		x
Frauds	x		x	x			x		x	
Lack of awareness		x			x		x			
	P1	P2	P3	P4	P5	P6	P7	P8	P9	10
<b>Other Challenges</b>										
Unavailability of skilled personnel	x									
Unfamiliarity with online marketing		x	x	x	x		x	x		x
Lack of training opportunities	x	x			x		x	x	x	
Lack of capital/investment	x	x			x	x			x	x
Lack of support & incentives by Govt.	x	x	x	x		x	x	x		x
Rule of law		x		x	x	x		x	X	
Absence of ecommerce trade body	x				x			x		

Along the payment challenges, the second biggest challenge for ecommerce industry is the quality of logistics and delivery services. Although logistic coverage is available for over 500 towns and cities by big companies like TCS and Leopard, nevertheless, a large proportion of population living in rural areas is not covered. P3 says that they lose at least 5% of their orders due to logistic coverage issues. Similarly P7 says that on average they lose one order due to this issue.



Among the logistic challenges, high cost of delivery is considered to be the biggest issue by participants. P1 says that our courier companies typically aligned their operations; one overnight (24 hours) delivery for mail and small packages or overland delivery (48-72 hours) for larger cargo for which they require or charge for at least 10Kg of shipment. Both options are costly for ecommerce companies in Pakistan. P8 says delivery cost is at least 10-12% of their gross profit, while typically it should be 5-7%. P2 believes that ecommerce in Pakistan can benefit to a large extent if courier companies offer overland (48-72 hour) services for small package deliveries. This will reduce their cost of business and increase their profit margins.

Participants also complained about lack of professionalism and inaccurate deliveries by the courier companies' riders. Moreover, lack of visibility of consignment further exasperate this problem. Product damages and theft and mugging is also considered to be an issue by our participants.

Among the customer challenges, unwillingness to pay delivery charges by the customers is considered to be a big problem. P1 says that customers are not willing to pay delivery charges even for overnight deliveries. Therefore, they are only left with the option to include delivery cost in the product price. However, at times, including delivery charges in product price makes the product appear costlier compared to offline retail. This problem is particularly faced by sellers selling standard or branded products such as electronics and baby products.

Lack of awareness on how to browser ecommerce sites and how place an order on website is considered a big stumbling block. P5 selling fashion accessories says that we receive more phone orders than website order because many women do not know how to browse their site and place an order using shopping cart. P7 also reports the same issue; he says that even when we try to tell them how to place an online order, they prefer doing it on phone.

Product returns and returnability is also considered to be a big challenge. P6 says, "*it becomes a headache to have the return getting picked up by the courier company. Sometimes customer is not available and sometimes courier companies simply ignore the pick-up requests*". For this reason many online businesses do not offer return and replacement services; and those which do, they ask the customer to send the return by themselves and upon receiving the returned merchandize, replacement is sent.

Amongst other challenges, most participants complaint that it is difficult to find people who have proper skills or training to manage online business. Moreover, retention is also an issue with trained employees.. Almost all participants indicate that govt. provides no support in conducting online business. Rather at times, govt. policies make it difficult to do online business. P10 believes that there needs to be some initiative by the govt. to train them with the skills required for ecommerce. P8 says govt. provides no incentives for online business. He believes that for rapid growth, ecommerce industry should also be provided similar incentives as provided to the software export industry in Pakistan. Some participants also believe that there needs to be a ecommerce trade body which should lobby the govt. to support ecommerce growth and bring initiatives to train people and facilitate new entrants.

## 5 DISCUSSION & CONCLUSION

Pakistani ecommerce market has come a long way from tiny start from early 2000s to big players like Daraz and Yayvo in 2017. Our initial phase of research has highlighted that payments and logistics remain the biggest challenges for the companies in Pakistan. Many of these issues could be reduced if effective govt. support and incentives are put in place. Our extensive search revealed no govt. or independent institution with a primary objective of developing and executing policies for ecommerce growth in Pakistan. Importance of such an institution cannot be overlooked for ecommerce growth. If an SME or an entrepreneur wants to leverage the online channel for their business, there exists no govt. or private entity to provide them impartial advice, training,

or consulting on technical (e.g. website development, setup, and maintenance) and business (e.g. business model, online business processes, and online marketing) aspects of ecommerce. Ecommerce and ICT have been promoted across the world as a key enabler for youth entrepreneurship and a catalyst for job creation [14]. Some of the most successful and high growth ecommerce ventures in most countries including Pakistan have been setup by young entrepreneurs under the age of 30.

The study consists of two phases; first phase aiming at understanding market dynamics both from seller and customer perspective and second phase aiming at developing policy guidelines for ecommerce growth in Pakistan. Based on the literature review and analysis of interviews data, two survey instruments will be developed to investigate ecommerce environment both from seller and consumer perspective.

A large scale survey of both new and established e-commerce ventures will be conducted primarily aiming to discover the size of the market, the process of ecommerce venturing, market conditions, and challenges faced by them. Established ecommerce ventures will be selected from a population of top 1000 websites by traffic in Pakistan. Since a clear sampling frame is difficult to obtain for new ecommerce ventures, these will be selected through snowballing technique.

A second survey instrument will be developed to investigate online consumer behavior, their willingness to engage in ecommerce, and issues that hinder their engagement in ecommerce. The survey will be conducted online and will target a large respondent base (up to 2000 responses) in order to increase confidence in the results. Both surveys will run in parallel. The deliverable of this phase will be a report on estimated market size, conditions, and dynamics of ecommerce in Pakistan and a speculation on the future outlook.

The second phase of research will focus on developing guidelines for national ecommerce policy of Pakistan. For this purpose, ecommerce policy literature from both developed and developing countries will be studied. India will be taken as a case in point. Experts, stakeholders in government and private organizations, and prominent e-entrepreneurs will be interviewed to incorporate their views in the policy guidelines. The deliverable of this phase will be a report identifying major stakeholder for ecommerce policy development and guidelines and recommendations in key areas that the policy should address to kick start ecommerce growth; which should ultimately underpin youth entrepreneurship and employment creation for youth in the ecommerce.

The distinguishing characteristic of this research is the emphasis on collecting data on market size, market dynamics and structure, and challenges faced by e-entrepreneurs and SMEs. An estimation of ecommerce market size will allow the policy makers to develop realistic policies based on field data and facts. Investors and entrepreneurs will be able to identify prospects in ecommerce and make informed decision based on field data available to them. Inclusion of both e-entrepreneurs and consumers perspective will help policy makers in developing a better understanding of ecommerce market structure and dynamics in order to align the policies to market conditions. Identifying and incorporating key stakeholders views will highlight the prime areas an ecommerce policy should address. Furthermore learning from our other countries especially India will also help incorporating best practices in ecommerce policy development and implementation.

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