

## ***Status of E-commerce in Nepal***

E-commerce(electronic commerce) is the activity of electronically buying or selling products on online services or over the Internet. E-commerce draws on technologies such as mobile commerce, electronic fund transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange(EDI), inventory management systems, and automated data collection systems.

E-commerce is the booming sector with the revenue expected to grow by 9.1% annually with the market volume of US\$854.2 million by 2027.

From small startups to large enterprises, e-commerce businesses can come in all sizes.The main four we can come across are:

- **Startup**

A startup is a business or project in the first stages of development, often built by an entrepreneur to pursue an innovative business model. Typically containing less than 100 employees with the revenue of less than \$50 million.

- **Small business**

Small businesses are sole partnerships or corporations that sell products or services and make less money and have fewer employees than large multinational corporations. The small business has about 100 to over 1500 employees and have a revenue ranging from \$1 million to over \$40 million.

- **Mid-market**

Small and medium sized enterprises, also known as “mid-market”, businesses, typically have between 101-500 employees and generate between \$10 million to \$1 billion in annual revenue.

- **Enterprise**

Large enterprise businesses can have over 1000 employees and usually generate over \$1 billion in annual revenue.

### **Types of e-commerce**

Generally, there are seven main models of e-commerce that businesses can be categorized into:

#### **1.Business-to-Consumer(B2C)**

B2C e-commerce encompasses transactions made between a business and a consumer. B2C is one of the most popular sales models in the e-commerce context.For example, when you buy shoes from an online retailer.

#### **2.Business-to-Business(B2B)**

B2B e-commerce encompasses sales made between businesses, such as a manufacturer and a wholesaler or retailer. Online transaction between the raw materials factory and manufacturer.

#### **3.Consumer-to-Consumer(C2C)**

C2C e-commerce relates to the sales of products or services between customers. This includes C2C selling relationships, such as those seen on eBay or Amazon.

#### **4.Direct-to-Consumer(D2C)**

A newer model of e-commerce, D2C refers to a business that sells products directly to the end customer instead of going through a retailer, distributor or wholesaler.

One common example of D2C e-commerce is a subscription- based brand such as Netflix or Dollar Shave Club.

#### **5.Consumer-to-Business(C2B)**

C2B reverses the traditional retail model, meaning individual consumers make their products or services available for buyers.

One example is iStock, an online store where stock photos are available for purchase directly from different photographers.

#### **6.Business-to-Administration(B2A)**

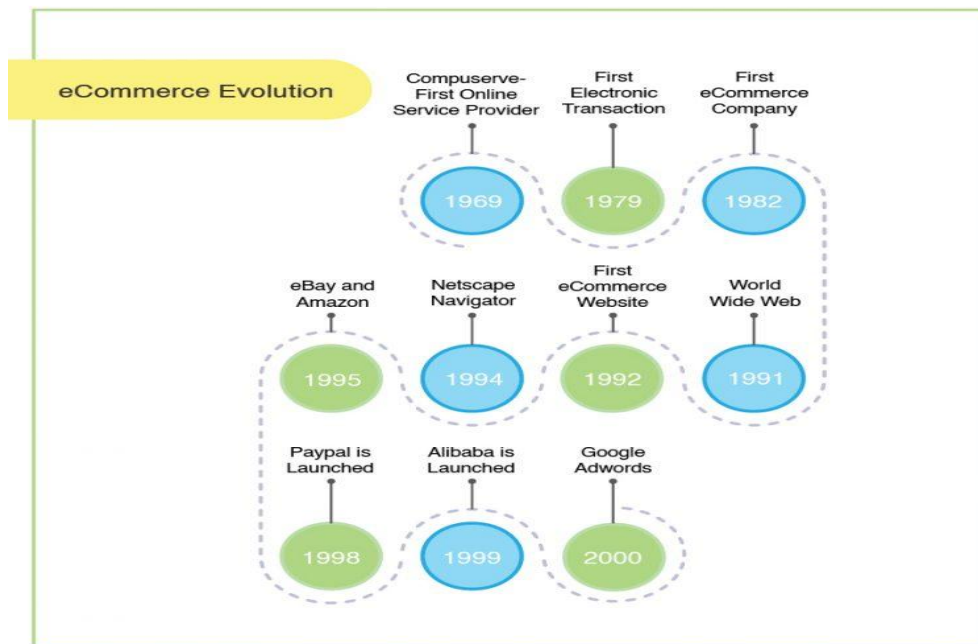
B2A covers the transactions made between online businesses and administrations. An example would be the products and services related to legal documents, social security, etc.

#### **7.Consumer-to-Administration(C2A)**

C2A is similar to B2A, but instead, consumers sell products or services to an administration. C2A can include online consulting for education, online tax preparation, etc.

## Evolution of e-commerce in Global Context

The history of e-commerce dates back to 1979, when Michael Aldrich invented online shopping by connecting a television to a telephone line. The World Wide Web's introduction in 1991 made e-commerce more accessible, with the first online sale occurring in 1994. The brief timeline of the e-commerce evolution is:



**1969:** Compuserve - first online service provider - is launched.

**1979:** Michael Aldrich invents electronic shopping and makes the first electronic transaction.

**1982:** World's first e-commerce company, Boston Computer Exchange, is started.

**1991:** The world wide web is invented.

**1992:** First e-commerce website - an online bookstore- Book Stacks Unlimited is launched.

**1994:** Netscape Navigator- an online web browser- is launched.

**1995:** eBay and Amazon are launched.

**1998:** Paypal is launched, and it revolutionizes online payment processes.

**1999:** Alibaba- a frontier in e-commerce brands - is launched.

**2000:** Google Ad words - the first online search advertising tool - helps retailers advertise their products/services.

## Growth of E-commerce

E-commerce has come a long way since the CompuServe launch in 1969. Driven by changes in technology and global circumstances, e-commerce is growing and shows no sign of stopping.

- ✧ Sales in online stores are expected to reach 22% of global retail sales by 2023, compared to 14.1% in 2019.
- ✧ It is estimated that by 2024, digital wallets will account for over half of total e-commerce payment volumes.

Amazon will account for 39.5% of all US retail e-commerce sales in 2022, or nearly \$2 in \$5 spent online.

## E-commerce in Nepal

E-commerce in Nepal, like in many developing countries, has a relatively recent history and has been evolving rapidly, influenced by global trends, technological advancements, and local market dynamics. E-commerce in Nepal began to take shape in the late 2000s, but its growth was initially slow. The concept of online shopping and digital transactions was new, and both consumers and businesses were hesitant to adopt it.

### **The Early Days: Nepal's First E-commerce Platform**

The first e-commerce platform in Nepal is widely recognized to be Thamel.com, founded in 2000, was a pioneering initiative in the Nepalese e-commerce landscape. It started primarily as a platform to help non-resident Nepalis(NRNs) send gifts and other items to their families and friends back in Nepal. It became quite infamous for selling goats online in Dashain during early 2000.

Despite the challenges of limited internet penetration in Nepal during its early years and the nascent stage of online transactions, it managed to pave the way for e-commerce ventures in Nepal.

### **Rise of Muncha.com**

At the same time as Thamel.com, Muncha.com came into the landscape of e-commerce and played a crucial role in expanding and popularizing the concept of e-commerce in Nepal. It was the expansion of the traditional department store name Muncha House and focused on the non-resident Nepali market for gifts and cultural items.

### **Hamrobazar: A Different Approach to E-commerce in Nepal**

Hamrobazar was founded in the mid-2000s that directly sell products between individuals and businesses and allowed to list a wide variety of new and used items for sale, ranging from electronics and automobiles to real estate and household goods.

Hamrobazar influenced the shopping habits of Nepalese consumers, making them more inclined towards exploring online options for purchasing a wide variety of products.

### **Entry of Sastodeal**

Founded around 2011, Sastodeal started as a deal and discount platform and gradually evolved into a comprehensive online marketplace, offering a wide range of products.

### **Kaymu's Entry and Operations in Nepal**

Kaymu Nepal was another significant player in the early development of Nepal's e-commerce sector. Initially a venture of the Rocket Internet, started its operations in Nepal around 2014. Kaymu functioned primarily as an online marketplace that connected sellers and buyers, similar to the model of eBay or Alibaba. It provided a platform where small and medium-sized enterprises could create their own online stores to reach a broader customer base. Kaymu offered a diverse range of products, from electronics and fashion to household items. In 2016, it was announced that Daraz would merge with Kaymu under the Daraz brand. And in May 2018, Alibaba Group, the Chinese e-commerce giant, acquired Daraz Group.

The early 2020 period, marked by the onset of the COVID-19 pandemic, had a profound impact on various sectors globally, including e-commerce. In Nepal, the pandemic significantly influenced the growth and dynamics of the e-commerce sector.

### **The Current State of E-commerce in Nepal**

The e-commerce sector in Nepal has been showing steady growth, driven by increased penetration, a growing young population, and improved digital payment infrastructures. A significant driver for e-commerce has been the increasing penetration of internet and mobile usage. With more people having access to smartphones and reliable internet connections, there's been a notable rise in digital consumers. The development and adoption of digital wallets like eSewa, Khalti, IME Pay, and mobile banking have played crucial role. These platforms have made online transaction easier and more secure, thereby boosting consumer confidence in e-commerce.

The online retail market in Nepal in 2021 was estimated at USD 100 million. It has experienced growth rate of more than 100% CAGR since FY17. This growth has been fueled by an increase in internet penetration, which grew from 34% in FY17 to 45% in FY21, adding approximately 400,000 new online shoppers.