

E-COMMERCE:

A DRIVER OF INCLUSIVE GROWTH
IN SRI LANKA?





Daraz is an e-commerce marketplace operating in Pakistan, Bangladesh, Sri Lanka and Nepal. Across South Asia, the Daraz marketplace provides 40 million monthly active users with access to 50 million products across 100 categories. As part of its commitment to providing customers with access to the best range of products and services, Daraz works with over 100,000 sellers helping both enterprise brands and MSMEs to grow their business through its platform and services. To enable the marketplace to operate efficiently, Daraz's technology enabled ecosystem also provides sellers with logistics, payment infrastructure and advertising solutions to effectively engage in e-commerce. Daraz is committed to uplifting communities through technology and creating meaningful in the markets it operates in.



Sri Lanka Association for Software Services Companies (SLASSCOM) is the national chamber for the knowledge and innovation industry in Sri Lanka and acts as a catalyst of growth. SLASSCOM facilitates trade and business, education and employment, and research and innovation, by influencing relevant national policy frameworks. Over 400+ companies in Sri Lanka with a talent base of 113,000+ employees are members of SLASSCOM. SLASSCOM drives industries of the future, especially those with the potential of becoming an export revenue earner for Sri Lanka.

E-commerce: A Driver of Inclusive Growth in Sri Lanka?

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Preface

Globally e-commerce has contributed significantly to the economic development of countries across Asia. Yet, in some countries like Sri Lanka, the benefits of e-commerce have not been fully realised. This reality must change if Sri Lanka is to increase digital transformation in business and improve its economic resilience during times of economic crisis and uncertainty. In an attempt to highlight the ground-reality and point to emerging trends in e-commerce, SLASSCOM (the Sri Lanka Association for Software Services Companies) and Daraz joined hands to bridge crucial data gaps and point to public policy needs. This first survey will be useful to both business and government and help generate a serious debate on what needs to be done to make this industry a success and one that emulates the performance of e-commerce in dynamic Asian countries.

Globally, the digital economy is incredibly important, but in Sri Lanka inadequate attention is paid to catalytic industries like e-commerce, and more often than not, these service industries are under the radar. Despite these challenges, e-commerce is an islandwide transformational industry and the emergence of this industry marks a dramatic but important shift in the country's economic journey that comes at a landmark in Sri Lanka's history - the country's 75th day of independence on 4 February 2023.

This study is also an outcome of a wonderful team effort. Ms. Anishka De Zylva, Head of Corporate Affairs and Public Policy, Daraz, coordinated the work and co-wrote the report with Dr. Ganeshan Wignaraja, Professorial Fellow in Economics and Trade at Gateway House, Mumbai and Senior Research Associate, ODI Global, UK, who also advised on the design of the survey. Mr. Adrian Hakel, Senior Manager Consumer Insights at NielsenIQ Sri Lanka, with the assistance of Ms. Tharusha Hewavasam, Executive Consumer Insights at NielsenIQ Sri Lanka, managed the survey team, under the supervision of Ms. Therica Miyanadeniya, Country Director, NielsonIQ Sri Lanka. And Ms. Gabrielle Philips designed and illustrated the report cover.

More importantly, we are most grateful to the survey respondents and businesses, who contributed their valuable time and insights to the betterment of the industry and the country. And our thanks also goes to Ms. Sandra De Zoysa, Group Chief Customer Officer, Dialog Axiata PLC Sri Lanka, and previous Chairperson of SLASSCOM and Ms. Chamindā de Silva, Executive Director, SLASSCOM who initiated this invaluable effort with Daraz and NielsenIQ.

Rakhil Fernando
Managing Director, Daraz Sri Lanka

Ashique M. Ali
Chairperson, SLASSCOM

Executive Summary

Sri Lanka's economy is at a crossroads with heightened interest in sectors that can provide new economic dynamism and jobs in these difficult economic times. The economy was at its lowest point in 2022, and the country is still in the throes of the worst economic crisis in 75 years of independence, weighted by the combined effects of the COVID-19 pandemic, the Russia-Ukraine conflict, conservative business practices and inward-oriented national economic policies. Meanwhile, a diverse set of Asian countries have witnessed the accelerating use of digital technologies and e-commerce in recent years, which has propelled economic transformation and prosperity.

A critical question facing business and government is how can the power of digital technologies and e-commerce be similarly harnessed for Sri Lanka's economic revival over the next few years. However, data gaps mean that little is known about the micro-level behaviour of the e-commerce sector and the

appropriate public policy framework needed to support the expansion of this nascent sector.

This report is the first in-depth study on the e-commerce sector in Sri Lanka during difficult economic times. It is based on the painstaking collection of primary data through a large-scale island-wide survey of a sample population of 4,670 undertaken between March 2022 and July 2022. The survey collected information in areas that are relevant to making business strategies and public policies: (i) the use of e-commerce across provinces and districts; (ii) the types of goods and services purchased; (iii) purchasing behaviour during the pandemic; (iv) user behaviour by different characteristics; (v) types of devices and payment methods used to make online purchases; (vi) factors discouraging online shopping; (vii) online seller profiles; and (viii) the influence of government policy on e-commerce transactions from both a seller and consumer perspective.

The main findings from the e-commerce survey for Sri Lanka are the following:

1. E-commerce is an island-wide phenomena for purchasing goods and services. Encouragingly, over 50% of the survey respondents in all provinces say they use e-commerce to purchase goods and services. Additionally, provinces close to and further away from the Western Province are not lagging behind in terms of e-commerce adoption.
2. Reflecting the early stage of e-commerce industry development, online shopping is dominated by consumer goods and a number of services such as phone and data bills, taxi services and food delivery, and new goods categories like groceries are trending. There is growing awareness of the wide range of goods and services available for online purchasing, along with an interest in diversifying into new e-purchases.
3. The COVID-19 pandemic and lockdowns ushered in a new era for e-commerce for those sampled. There was an increase in purchasing goods and services online due to necessity. This shift seems set to remain and grow in normal times even as physical shops have opened.

4. E-commerce use is positively linked to education and household income. Households educated to at least secondary school level and with some financial means tend to undertake more online purchasing than lower-income households with limited education.
5. Interestingly, there is little gender bias in e-commerce purchasing with both men and women shopping online. This result suggests that traditional social behaviours are altering with more men and women sharing household income and electronic devices.
6. The most used device for online shopping is the smartphone, with 95% of e-commerce users using their smartphones to make online purchases.
7. Payment for online purchases is largely cash-on-delivery, due to mistrust and a lack of education around e-commerce and digital payment methods. This outcome fits with the country's early development stage of the e-commerce sector.
8. Survey respondents say that they are discouraged from shopping online because of a lack of requisite knowledge and skills to do so, worries about the quality of online purchases and poor customer experiences.
9. Online selling of goods and services has increased since the COVID-19 pandemic, and this increase is linked to low start-up costs and the need to diversify livelihoods.
10. Over 89% of e-commerce users say that a coherent policy framework can support the growth of the country's e-commerce industry. Important actions include raising awareness of the benefits of e-commerce, training on how to buy and sell goods and services online, better cyber and online security and reforms for a trade and tax regime that takes the e-commerce industry and its export potential into account.



The findings of this e-commerce survey underline the fact that e-commerce has emerged as a vibrant economic sector in Sri Lanka. While it still largely operates under the radar, the above findings suggest that it can stimulate retail trade on an islandwide basis and help transform economic trajectory of the country. It is up to business and government to work together to translate that development potential into concrete reality to improve the lives of all Sri Lankans in these difficult economic times.

Introduction

According to The World Trade Organisation (WTO) e-commerce is understood to be the "production, distribution, marketing, sale or delivery of goods and services by electronic means. An e-commerce transaction can be between enterprises, households, individuals, governments and other public or private organizations." ¹ The phenomena of e-commerce is related to the so-called third wave of globalization of the world economy based on trade in data, which began around 1989 and continues to the present.² Key drivers of this wave of globalisation include: (i) foreign direct investment (FDI) growing twice as fast as global trade, (ii) the global digital revolution based on microprocessors, personal computers, the internet and mobile phones, which can bridge long geographical distances, and (iii) the start of the movement of professional workers who transmit new ideas and business practices. The developments have been accompanied by the global economy gradually shifting from a dominant role played by the USA to an increasingly multi-polar world economy, triangularized by the USA, the European Union, and China. This wave signifies that trade in goods may have peaked and services, particularly those based on the production and exchange of data, are on the rise globally.

A diverse set of Asian countries have seen an acceleration in the use of digital technologies and e-commerce in recent years. Beyond China, others in Asia include: Japan, South Korea, Indonesia and Vietnam in East Asia and India in South Asia.³ These experiences suggest e-commerce offers an opportunity to transform the lives of ordinary people in Asia, especially in the contemporary post-COVID world economy. E-commerce has altered the way consumers shop and increased the range of providers of goods and services to consumers. It has contributed to increasing competition in retail markets, improving consumer choice, and stimulating innovation in distribution, while also positively transforming businesses by reducing costs and prices, spreading new organisational practices and making doing business more efficient. At the macroeconomic level, e-commerce is a powerful engine of growth, job creation and prosperity in Asia.

Digital technologies and e-commerce could potentially play a similar role in transforming the Sri Lankan economy.⁴ There is little doubt that the country enjoys important advantages for the development of a vibrant e-commerce sector. Sri Lanka is strategically located off the Southern coast of the huge and dynamic Indian economy. It enjoys a time zone advantage for e-commerce and other digital economy activities such as back office processing services. It has the highest levels of literacy in South Asia and among the highest rates of mobile phone penetration. It has a respectable base of digital and e-commerce companies covering the various facets of e-commerce from food and consumer goods to health and other services.

On the flipside, however, Sri Lanka is in the middle of an unprecedented economic crisis with a default on external debt, a contracting economy in 2022-2023 and high inflation. The causes of this crisis are analysed elsewhere⁵ but suffice to say that it is in part due to the influence of external shocks like the COVID-19 pandemic and Russia-Ukraine crisis, which exacerbated weaknesses in macroeconomic management. There are signs that the country is attempting to tackle its underlying economic vulnerabilities through various policy measures including a US\$2.9 billion IMF programme to stabilise the economy, debt restructuring talks with its creditors, requesting bridging finance from friendly countries and promoting tourism and exports to earn foreign exchange. Once these measures begin to take effect, it is expected that the economy will stabilise and gradually begin turning around with business confidence returning.

¹ World Trade Organization. "MC11 IN BRIEF Electronic Commerce." WTO, 2017, https://www.wto.org/english/thewto_e/minist_e/mc11_e/briefing_notes_e/bfecom_e.htm.

² Palley, Thomas I. "Three Globalizations, Not Two: Rethinking the History and Economics of Trade and Globalization." *EconStor*, Düsseldorf: Hans-Böckler-Stiftung, Macroeconomic Policy Institute (IMK), Forum for Macroeconomics and Macroeconomic Policies (FFM), Mar. 2018, <https://www.econstor.eu/handle/10419/181476>.

³ Kinda, Tidiene. "E-Commerce as a Potential New Engine for Growth in Asia." *International Monetary Fund*, 1 July 2019, <https://www.imf.org/en/Publications/WP/Issues/2019/07/01/e-commerce-as-a-Potential-New-Engine-for-Growth-in-Asia-46950>.

⁴ De Zylva, Anishka, and Ganeshan Wignaraja. "Is Sri Lanka Sitting on the Bench of Asia's Booming Digital Economy?" *The Lakshman Kadirgamar Institute*, 14 May 2018, <https://lki.lk/publication/is-sri-lanka-sitting-on-the-bench-of-asias-booming-digital-economy/>.

⁵ These include: running persistent twin fiscal and balance of payments deficits, high levels of foreign borrowing for low return infrastructure projects and excessive money printing, among other factors. See IMF (2022), Devarajan and Kharas (2022), Weerasinghe (2022) and Wignaraja (2022).

Sectoral studies suggest⁶ that the digital economy has grown from a low base and contributed to the structural transformation of the Sri Lankan economy over recent decades, alongside the larger garments and tourism sectors.⁷ However, little is known about the structure and performance of the e-commerce sector since COVID-19 pandemic and the 2022 economic crisis. In 2019, LIRNEasia⁸ published some useful insights on e-commerce awareness and use, and in 2020, the Commonwealth Secretariat provided a rapid appraisal of e-commerce readiness among businesses in Sri Lanka and the legal and regulatory framework.¹ The report published by the Commonwealth Secretariat also suggests that while some companies offer goods and services online, the offering is largely restricted to the tourism and hospitality, fashion and electronics, and it recommends the need for the formulation and implementation of a strategic plan for e-commerce development in Sri Lanka.

These are useful preliminary insights on the e-commerce sector in Sri Lanka but have attracted industry criticism of paying insufficient attention to challenges faced by e-commerce users and business.⁷ Furthermore, basic published statistics on the value of the e-commerce sector, exports and employment are not available from official sources.

This study seeks to unlock the ‘black box’ of the e-commerce sector in Sri Lanka by reporting the results of a large-scale islandwide survey of 4,670 e-commerce users undertaken between March and July 2022. Appendix 1 contains the characteristics of the survey and the sample methodology. This is the first study to look at the effects of monumental recent developments on the e-commerce sector in Sri Lanka including the COVID-19 pandemic and the debt-induced economic crisis. The survey included questions on several pertinent topics: (i) the use of e-commerce across provinces and districts; (ii) the types of goods and services purchased; (iii) purchasing behaviour during the pandemic; (iv) user behaviour by characteristics such as income, education and gender; (v) the types of devices and payment methods used to make e-commerce purchases; (vi) factors discouraging online purchasing; and (vii) the influence of government policy on e-commerce transactions.

To encourage easy absorption of the survey results and to stimulate public debate about the potential of the e-commerce sector in Sri Lanka, the findings are analysed and presented in a distinctive manner.

The remainder of the study sets out some stylised ‘**priors**’ about the state of play of e-commerce in Sri Lanka in uncertain economic times.

‘Priors’ are taken to be commonly held views (or stylised misconceptions) about the state-of-play of the e-commerce sector in Sri Lanka. The survey data are then distilled to test the validity of these priors. In some cases, the ‘priors’ will be confirmed by the survey data or partially confirmed. In others, the ‘priors’ will be rejected by the data. This kind of ‘priors’ based approach has been used internationally to highlight research findings on a new topic or industry such as e-commerce.

⁶ Wattegama, Chanuka. “Digital Economy of Sri Lanka: National Goals and Lessons from the South.” *United Nations Conference on Trade and Development*, UNCTAD/BRI PROJECT/RP15, 15 Oct. 2021, https://unctad.org/system/files/official-document/BRI-Project_RP15_en.pdf.

⁷ Wignaraja, Ganeshan, and Angela Hüttemann. “Assessing Sri Lanka’s Economic Transformation Pathways, 1977-2019.” *Supporting Economic Transformation*, ODI, 20 Oct. 2020, <https://set.odi.org/assessing-sri-lankas-economic-transformation-pathways-1977-2019/>.

⁸ “AFTERACCESS Asia Report 3.0.” *LIRNEasia*, 28 May 2019, <https://lirneasia.net/2019/05/afteraccess-asia-report3/>.

⁹ “E-Commerce Readiness Assessment Report Sri Lanka.” *Sri Lanka Export Development Board*, The Commonwealth, Mar. 2020, <https://www.srilankabusiness.com/ebooks/sri-lanka-e-commerce-readiness.pdf>.

The Adoption & Use of E-commerce in Sri Lanka

Prior 1

There is limited use of e-commerce in Sri Lanka, as a purchasing means for goods and services. The use of e-commerce tends to be confined to the Western Province, which has the best conditions for the development of this industry, such as the best digital infrastructure, disposable income and skills.

This prior view is only partly supported by the data gathered from the survey. The Western Province accounts for only a share of Sri Lanka's e-commerce users, and there is similar penetration and use in other provinces across the country. Over 50% of the survey respondents in all provinces use e-commerce to purchase goods and services. Additionally, provinces close and further away from the Western Province are not lagging behind in terms of e-commerce adoption.

The Incidence Rate of e-commerce users in rural provinces like the Eastern Province and the Sabaragamuwa Province is only marginally higher than urban provinces like the Western Province

Even at a district level, the penetration and use of e-commerce is widespread and not confined to districts in the Western Province. Rural districts like Puttalam (81%) and Monaragala (72%) have a higher incidence rate of users compared to the Colombo district or other urbanised districts like Gampaha. These findings indicate that the penetration and use of e-commerce may not only be driven by growing digital infrastructure in Sri Lanka but also by limited access to physical stores in rural or less urbanised areas. E-commerce is enabling consumers from across the country to easily access goods and services they could not previously access, and in some cases, even afford. For example, the share of users purchasing certain categories like consumer goods is higher in provinces outside the Western Province. E-commerce is opening new opportunities for sellers and consumers across the country in terms of pricing, discounts, offers and assortment.

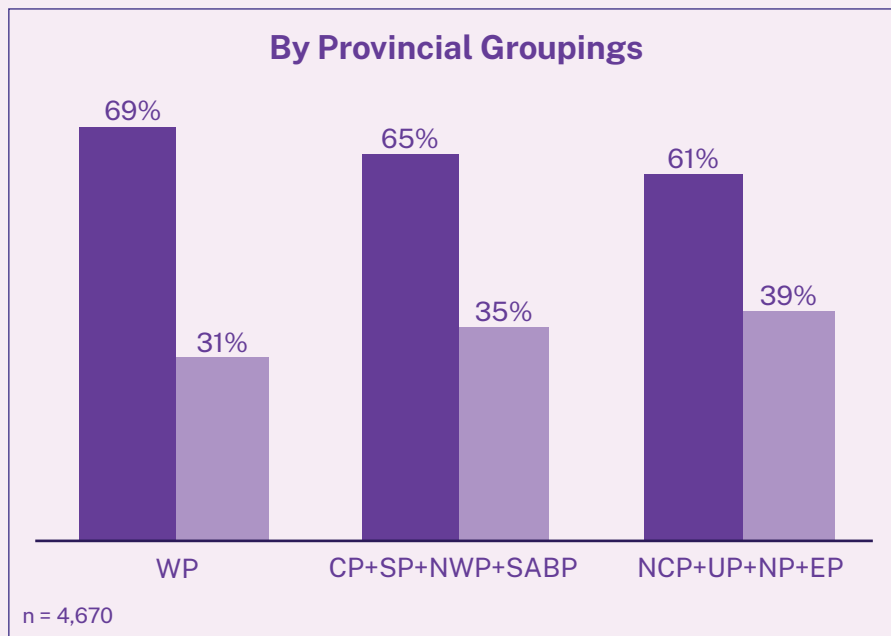
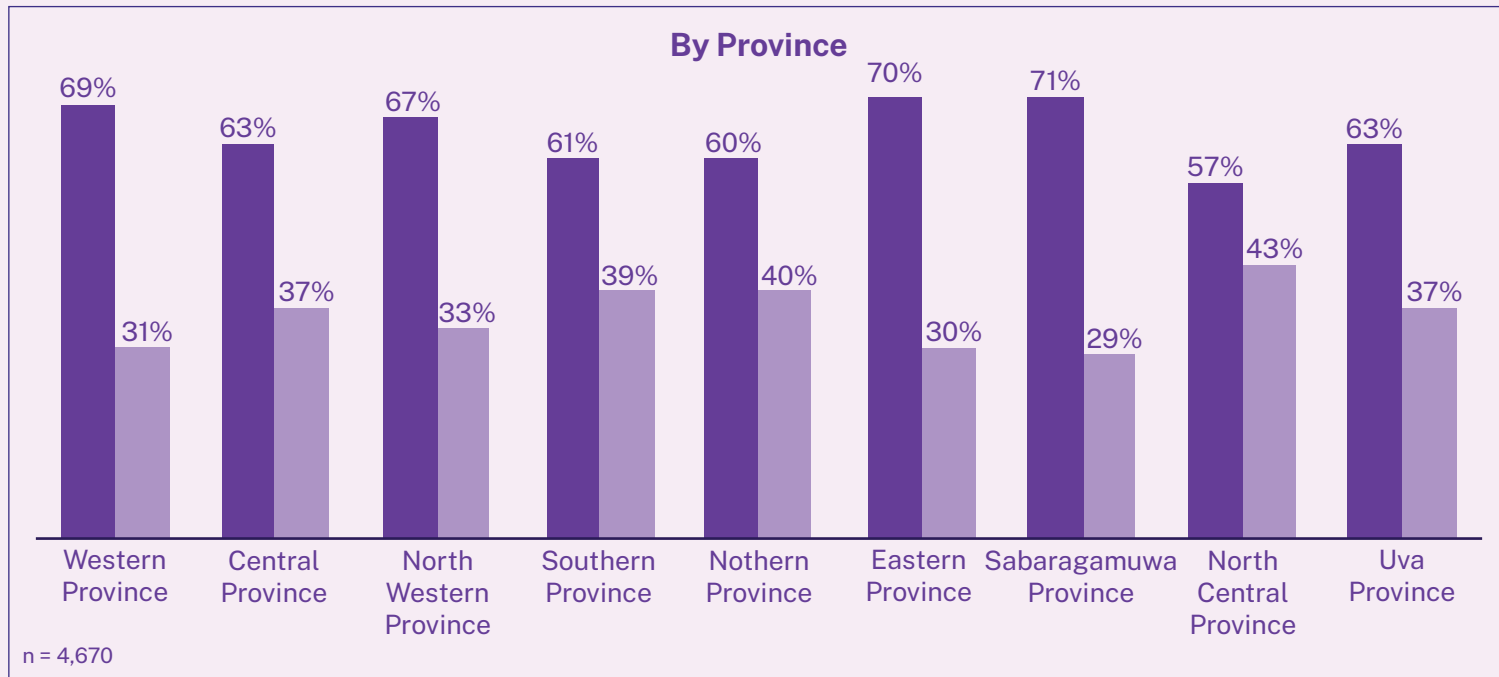


Over **50%** of the survey respondents in all provinces say they use e-commerce to purchase goods and services.



E-commerce is enabling consumers from across the country to access goods and services they could not otherwise access, and in some cases, even afford.

Incidence Rate of E-commerce Users and of Non-users



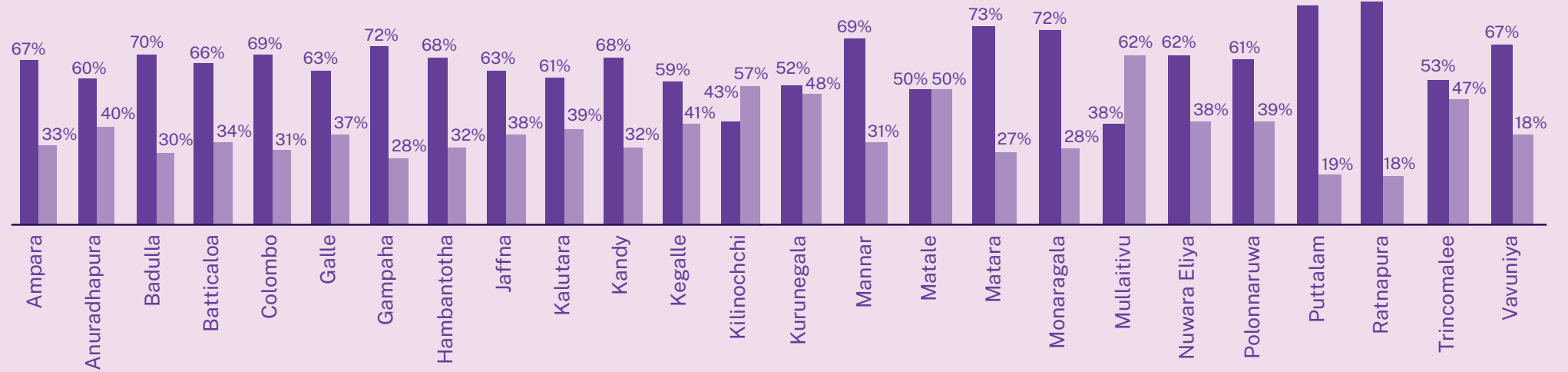
■ Users
■ Non-users

WP - Western Province

CP+SP+NWP+SABP - Close to Western Province
(Central Province+Southern Province+North Western Province+Sabaragamuwa Province)

NCP+UP+NP+EP - Away from Western Province
(North Central Province+Uva Province+Nothern Province+ Eastern Province)

By District



n = 4,670

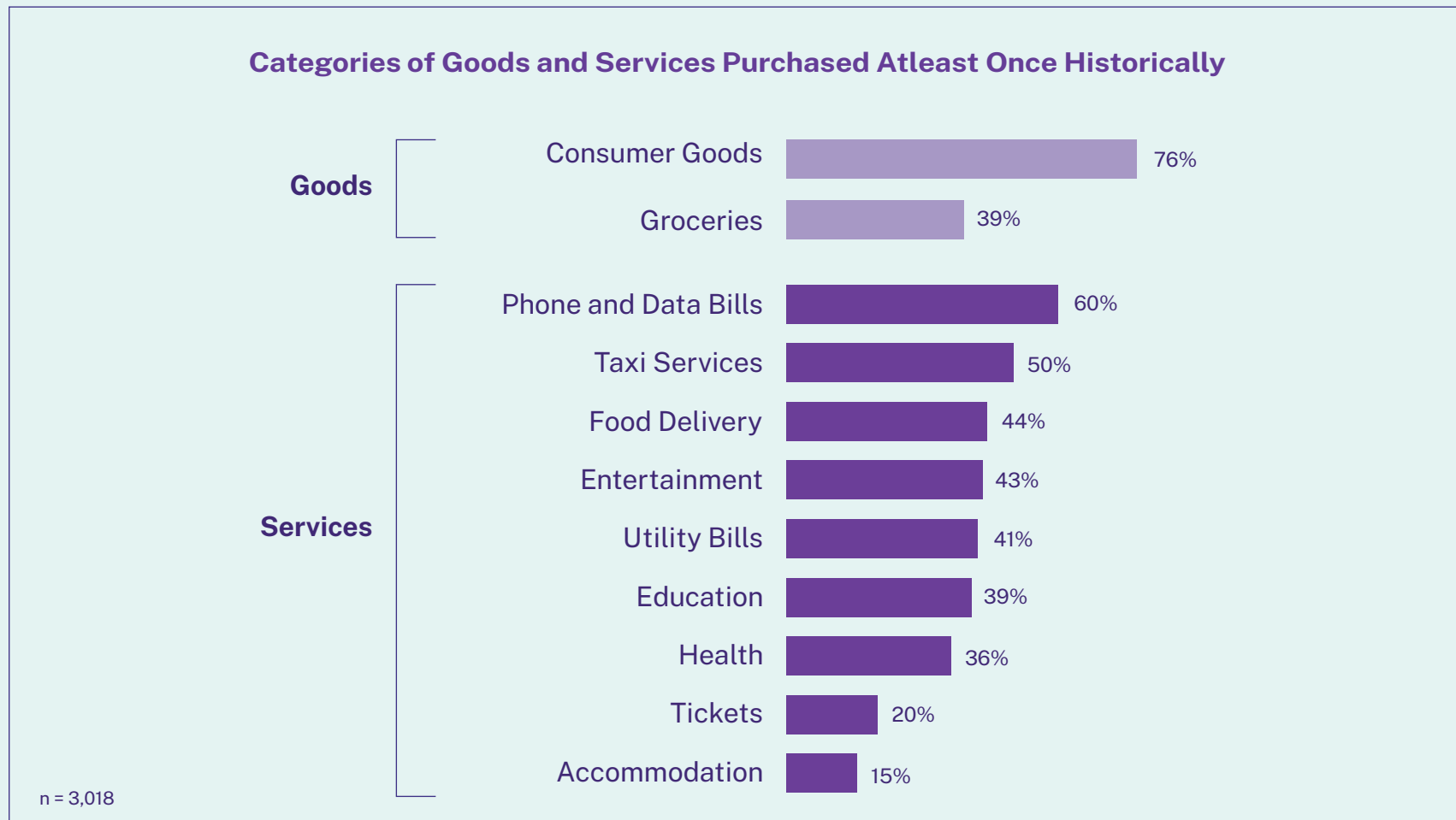
■ Users
■ Non-users

Prior 2

Reflecting the early stage development of the e-commerce industry, online shopping is mainly confined to a handful of goods, mainly consumer goods and groceries, and apart from taxi services and food delivery, hardly any services are purchased online.

This prior view is partly true. While the most purchased category online is consumer goods (76% of the surveyed e-commerce users have purchased consumer goods at least once), groceries is still a relatively new category. Only 39% of the e-commerce users purchase groceries online, even though 88% of the surveyed e-commerce users know they can purchase groceries online.

Taxi services and food delivery are major services purchased online. However, other services like telecommunication (phone and data bills), entertainment and utilities are also widely purchased using e-commerce.



E-commerce users are not limiting their purchases to a few categories. They are purchasing a diverse range of goods and services online.

More than **70%** of the surveyed e-commerce users purchased more than two categories of goods and services online in the last one month, and **30%** of the users have purchased four or more categories of goods and services online in the last one month.

Number of Categories Purchased Online in Last 1 Month	Share of Users
1 Category of Goods and Services	29%
2 Categories of Goods and Services	22%
3 Categories of Goods and Services	19%
4 Categories of Goods and Services	11%
5 + 6 Categories of Goods and Services	11%
More than 7 Categories of Goods and Services	8%
n = 3,018	

Categories of Goods and Services: Consumer Goods, Groceries, Phone and Data Bills, Taxi Services, Food Delivery, Entertainment, Utility Bills, Education, Health, Tickets and Accommodation

With digital adoption maturing across the country, e-commerce users outside the Western Province are also purchasing more than one category of goods and services online.

Number of Categories Purchased Online in the Last 1 Month	By Provincial Groupings		
	WP	CP+SP+NWP+SA+BP	NCP+UP+NP+EP
1 Category of Goods and Services	19%	28%	59%
2 Categories of Goods and Service	20%	21%	19%
3 Categories of Goods and Services	20%	11%	11%
4 Categories of Goods and Services	12%	13%	5%
5 + 6 Categories of Goods and Services	16%	8%	3%
More than 7 Categories of Goods and Services	12%	4%	3%
n = 3,018			

WP - Western Province

CP+SP+NWP+SABP - Close to Western Province
(Central Province+Southern Province+North Western Province+Sabaragamuwa Province)

NCP+UP+NP+EP - Away from Western Province
(North Central Province+Uva Province+Nothern Province+ Eastern Province)

Prior 3

The COVID-19 pandemic and curfew-style lockdowns led to an increase in e-commerce because consumers had to shop online out of necessity. This e-commerce trend seems temporary, and as normalcy returns and physical shops open, the growth of e-commerce is likely to stagnate.

This prior is false because there was an e-commerce use pattern before COVID-19 in Sri Lanka. The pandemic moved the use pattern forward and deepened the trend.



A significant share of surveyed e-commerce users were already purchasing a wide range of goods and services online before COVID-19.



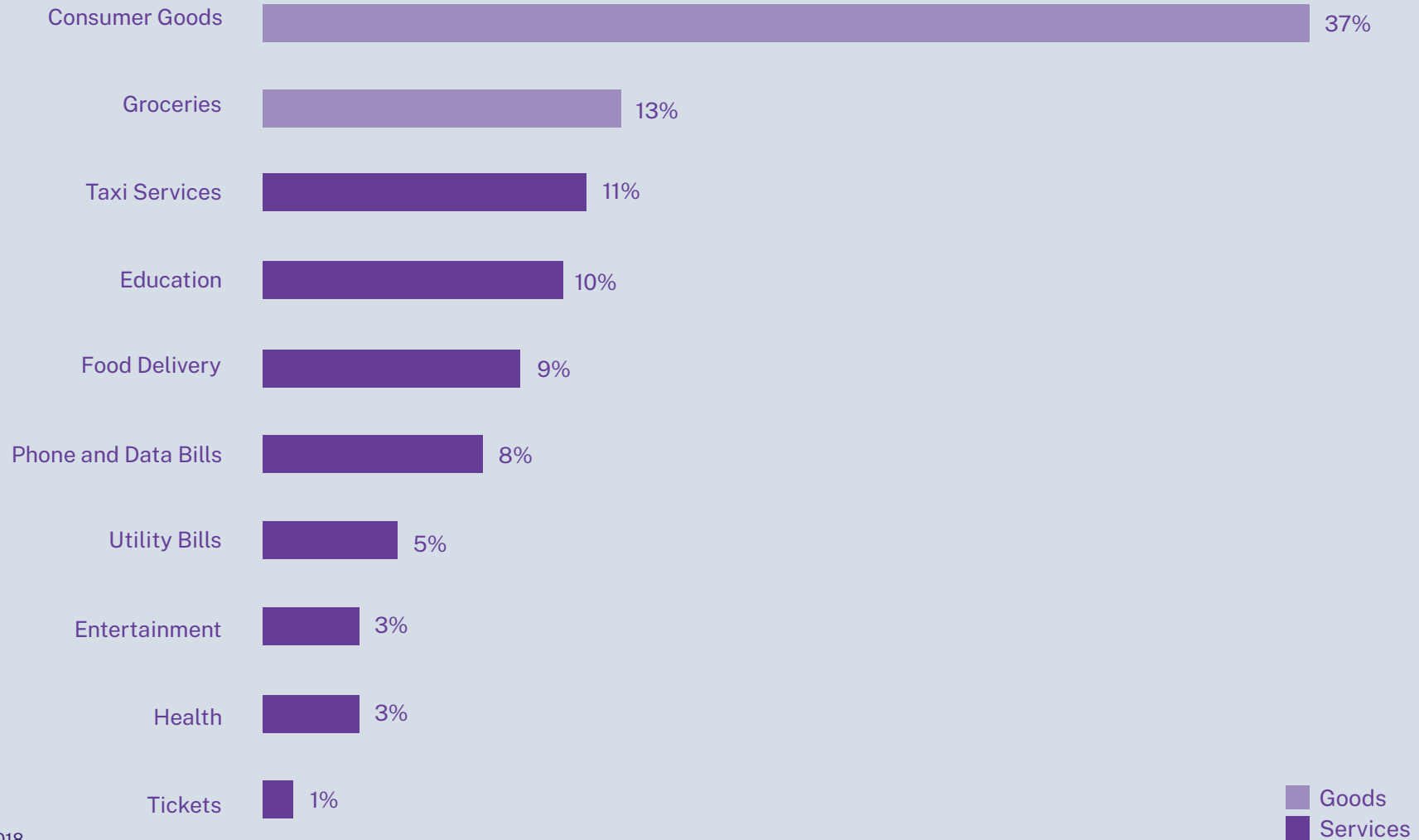
COVID-19 and the curfew-style lockdowns mainly boosted the purchasing of groceries and education online.



Sri Lanka's e-commerce trend is set to continue and is likely to grow, and be more broad based in the future.

Categories of Goods and Services	I was using e-commerce to purchase this category before COVID-19	I started using e-commerce to purchase this category because of COVID-19
Goods		
Groceries	68%	33%
Consumer Goods	45%	55%
Services		
Accommodation	85%	15%
Taxi Services	84%	16%
Tickets	81%	19%
Phone and Data Bills	81%	19%
Entertainment	81%	19%
Health	77%	23%
Utility Bills	73%	27%
Food Delivery	69%	31%
Education	46%	54%
n = 3,018		

Main Category of Goods and Services Purchased Online Since COVID-19



Q: Since COVID-19, what category of goods or services you have purchased the most using the internet?

Prior 4

Only the educated and those with a high income shop online because these consumers have the requisite knowledge and financial means to do so (for example, digital literacy, money and bank cards).

This prior view is partly true. The data shows that some level of literacy or education is required to shop online. Less than 1% of the surveyed e-commerce users fall into the education category “illiterate to Grade 5 complete,” and only 3% of the surveyed e-commerce users fall into the education category “Grade 6 to O/L incomplete.” A majority of those who shop online (97%) have completed at least their secondary level of education (the Ordinary Level examination in Sri Lanka).

The survey data also indicate that e-commerce in Sri Lanka is largely driven by the middle income households.



97% of the surveyed e-commerce users have at least completed their secondary education



88% of the surveyed e-commerce users have a household income of LKR 100,000 or below



Only 12% of surveyed e-commerce users have a household income of over LKR 100,000

NOTE: The most recent Income and Expenditure Survey in Sri Lanka carried out in 2019 by the Department of Census and Statistics revealed that the mean household income per month at a national level was LKR 76,414.

Notably, a large proportion of e-commerce users who purchase two or more categories of goods and services online have a household income of less than LKR 100,000, and this trend is reflected on an individual income level as well.

		Number of Categories Ever Purchased				
		Share of Total Users	1 Category	2-3 Categories	4-6 Categories	7 or more categories
Income level - Household	LKR 50,000 or below	42%	57%	42%	33%	28%
	LKR 50,001 - LKR 100,000	46%	41%	47%	50%	53%
	More than LKR 100,001	12%	7%	12%	18%	19%
	<i>n = Main survey user base excluding respondents who refused to disclose their monthly household income)</i>	n = 2,740	n = 797	n = 1,127	n = 606	n = 210
Income level - Individual	LKR 50,000 or below	78%	80%	81%	75%	68%
	LKR 50,001 - LKR 100,000	18%	18%	15%	20%	25%
	More than LKR 100,001	4%	2%	4%	5%	7%
	<i>n = Main survey user base excluding respondents who refused to disclose their monthly household income)</i>	n = 2,774	n = 807	n = 1,141	n = 615	n = 211
Education	Illiterate to grade 5 complete	0%	0%	0%	0%	0%
	Grade 6 to GCE O/L incomplete	3%	4%	4%	2%	0%
	GCE O/L complete	34%	39%	35%	30%	20%
	GCE A/L complete	47%	47%	47%	46%	44%
	Professional Qualification completed/ University Graduate and above	16%	9%	14%	22%	36%
		n = 3,018	n = 880	n = 1,221	n = 674	n = 243

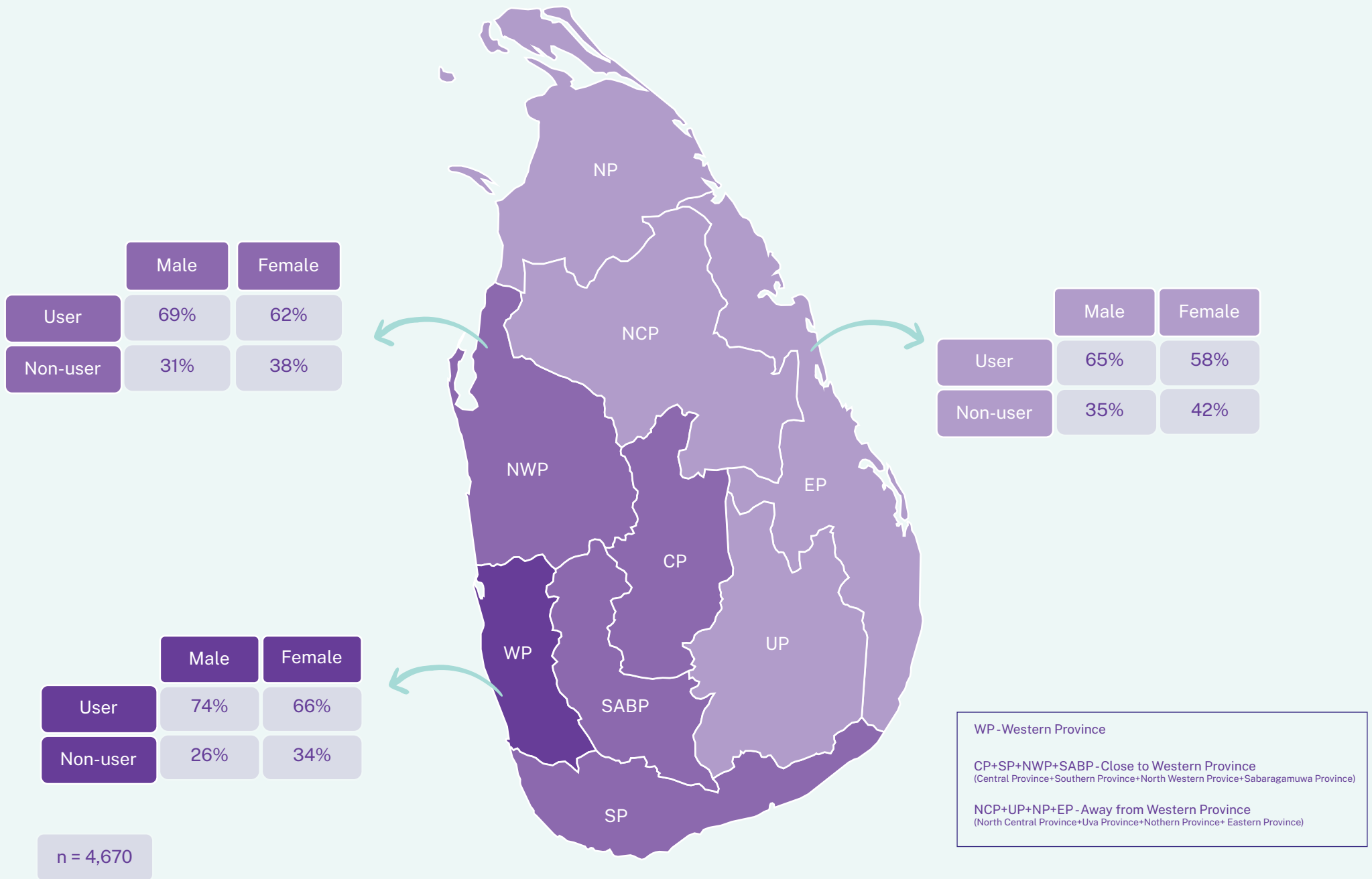
Prior 5

Men are the main users of e-commerce and women hardly shop online. It is likely that men control household incomes and electronic devices such as smartphones and laptops.


This view is false. According to the survey data, both men and women are shopping online. Women account for a significant proportion of e-commerce users, and this trend holds in both urban and rural areas of Sri Lanka.


	Share of Total Users	
	Male	Female
User	70%	63%
Non User	30%	37%
n = 4,670		


Incidence Rate of E-commerce Users by Gender at a Provincial Groupings Level





According to the survey data, male e-commerce users are purchasing more of:

- 

Phone and Data Bills
- 

Entertainment
- 

Utility Bills
- 

Tickets
- 

Accommodation

While, female e-commerce users are purchasing more of:

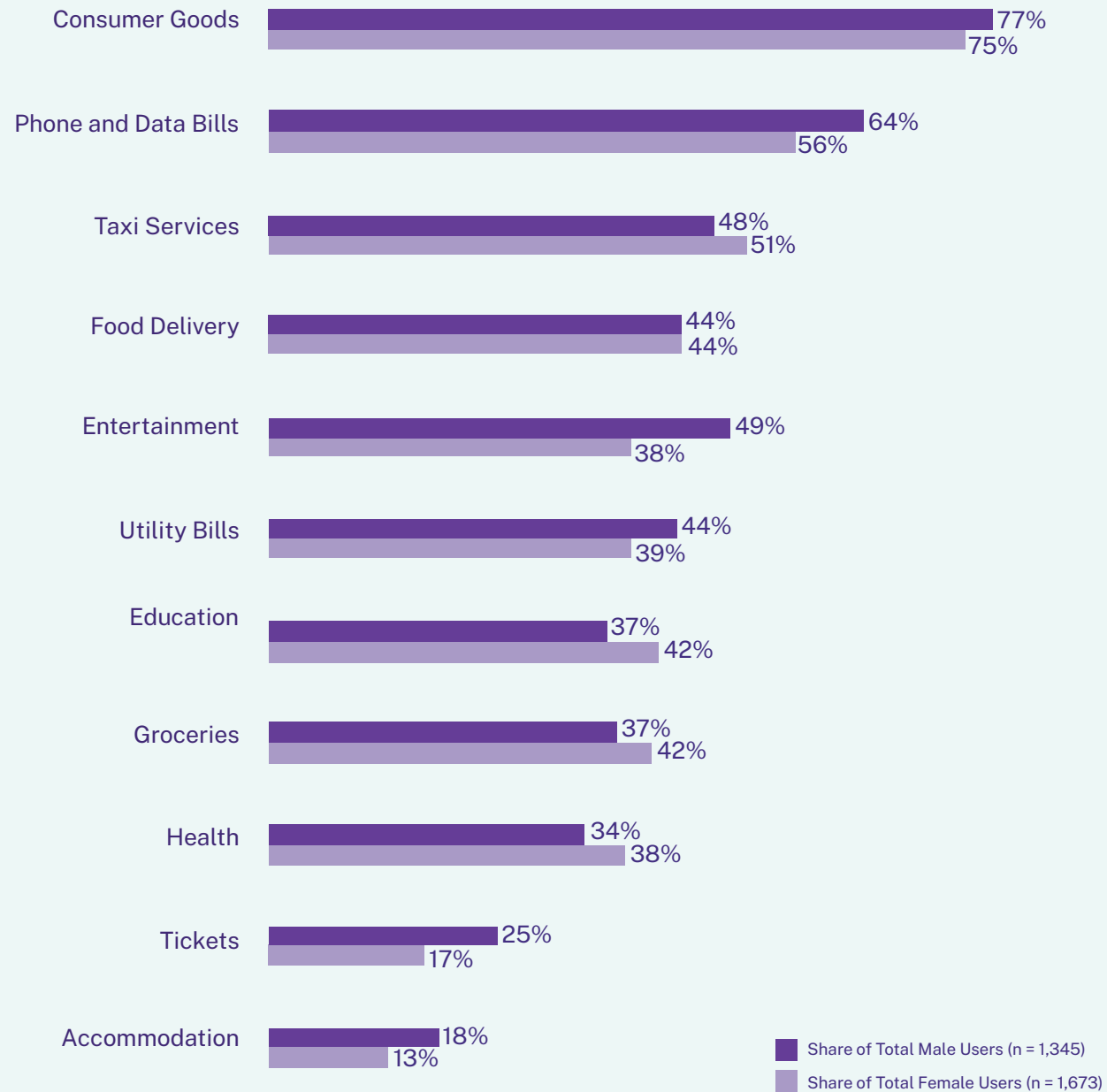
- 

Health
- 

Groceries
- 

Education

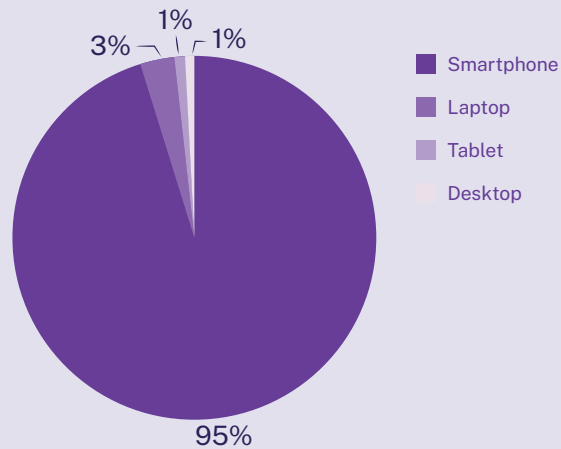
Categories of Goods and Services Ever Purchased Online by Gender



Prior 6

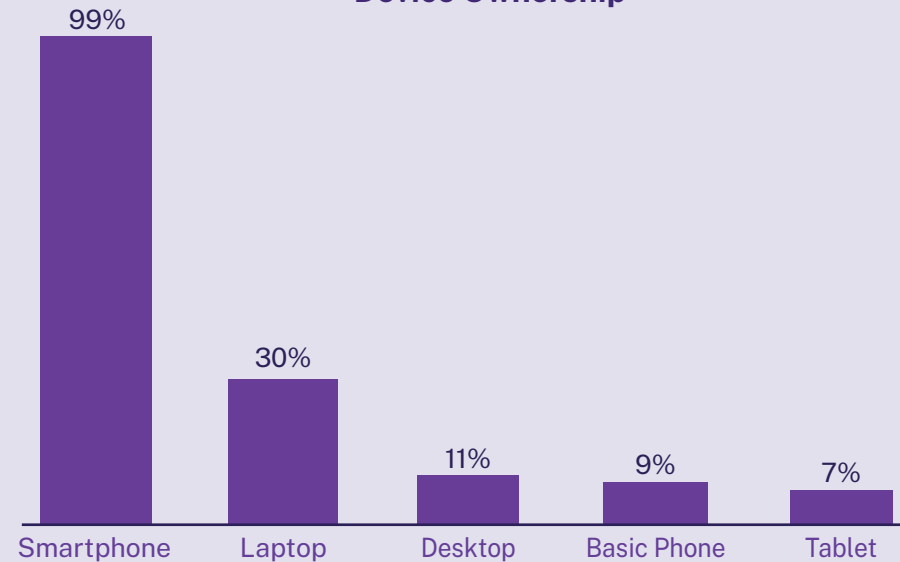
Given the rapid spread of ICT enabled devices in Sri Lanka, consumers use a mix of devices like mobile phones, tablets and computers to shop online.

Most Used Device for Online Shopping



n = 3,018

Device Ownership



n = 3,018

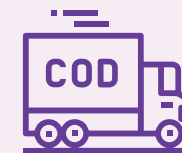
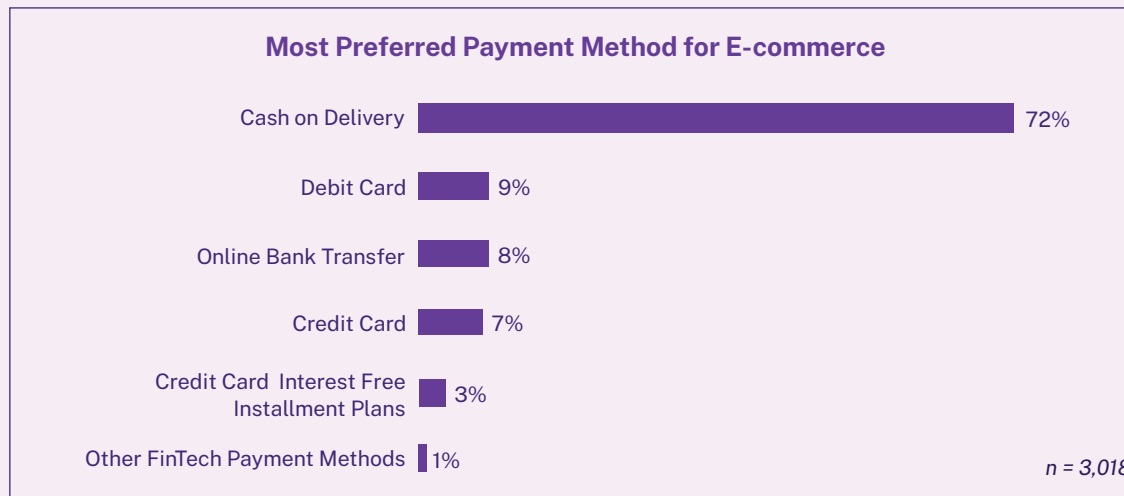


This prior is false. Even though laptops, desktops and tablets are owned by e-commerce users, the main device used for online shopping is the smartphone.

Prior 7

Payments for e-commerce purchases are largely cash-on-delivery, which fits with the idea that Sri Lanka has underdeveloped digital payment systems and financial markets, and more so in rural areas.

This prior is partly true. Yes, e-commerce users in Sri Lanka prefer cash on delivery. However, this preference is not limited to rural areas. The preference for cash on delivery is islandwide. There is very little difference in terms of payment preferences in the Western Province and outside the Western Province.



Even urban e-commerce users prefer cash on delivery, despite access to digital payment methods and digital banking infrastructure.

Preferred Payment Method	By Provincial Groupings		
	WP	CP+SP+NWP+SA+sP	NCP+UP NP+EP
Cash on Delivery	73%	72%	71%
Online Bank Transfer	6%	8%	13%
Credit Card	8%	8%	6%
Credit Card Interest Free Installment Plans	3%	4%	3%
Debit Card	9%	8%	7%
Other FinTech Payment Methods	1%	1%	1%

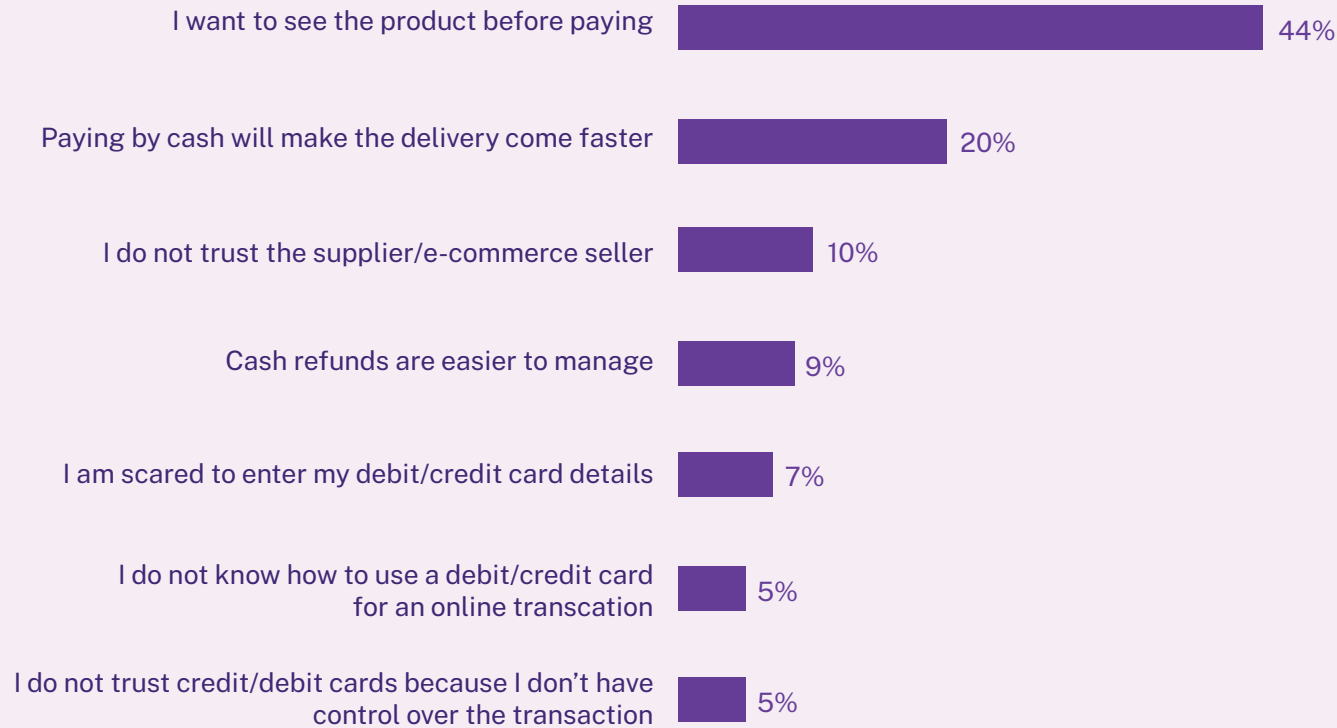
n = 3,018

WP - Western Province

CP+SP+NWP+SABP - Close to Western Province
(Central Province+Southern Province+North Western Province+Sabaragamuwa Province)

NCP+UP+NP+EP - Away from Western Province
(North Central Province+Uva Province+North Eastern Province+ Eastern Province)

Main Reason for Using Cash on Delivery as the Preferred Payment Method for E-commerce



n = 1,770, respondents who prefer cash on delivery



64% of those who prefer cash on delivery either do not trust the seller or they do not trust digital payment methods.



25% of e-commerce users prefer cash on delivery due to a lack of awareness and education.

Q: Why do you prefer cash on delivery?

It is not surprising that many e-commerce users prefer cash on delivery as a payment method for their online purchases. To help e-commerce users transition to pre-payments or digital payment options, online sellers will need to build trust with consumers and industry stakeholders will need to invest in educating consumers on how to use digital payment methods.

Prior 8

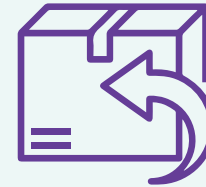
People are discouraged from shopping online because of security fears and worries about online fraud, as well as a poor customer experience after placing orders.

This prior is partly true. According to the survey data, only around 11% of those who have **never** shopped online mention security and online fraud as the main reason for not shopping online.

The main reason non-users do not shop online is because they lack the necessary education and digital skills for online shopping. Other major reasons for not shopping online include, good access to brick and mortar stores for every day needs, doubts related to the quality of e-purchases and lack of access to digital payment methods.

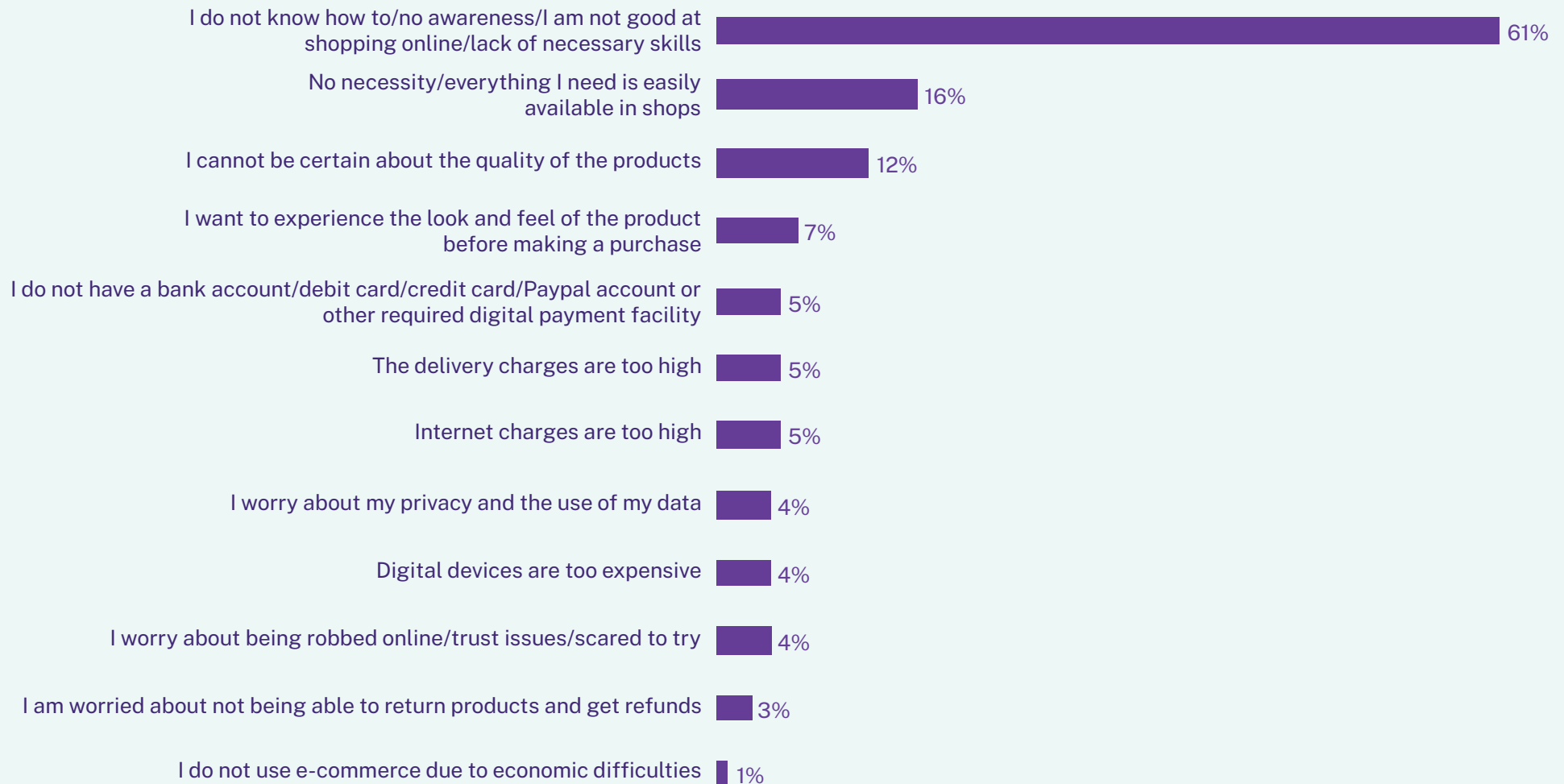


61% of the non-users don't shop online because they don't know how to shop online.



Only **3%** of the non-users mention that not being able to return products and get refunds is the main reason for not shopping online.

Reasons for Not Using E-commerce to Purchase Goods and Services



n = 1,436, respondents who are not using e-commerce to purchase goods and services

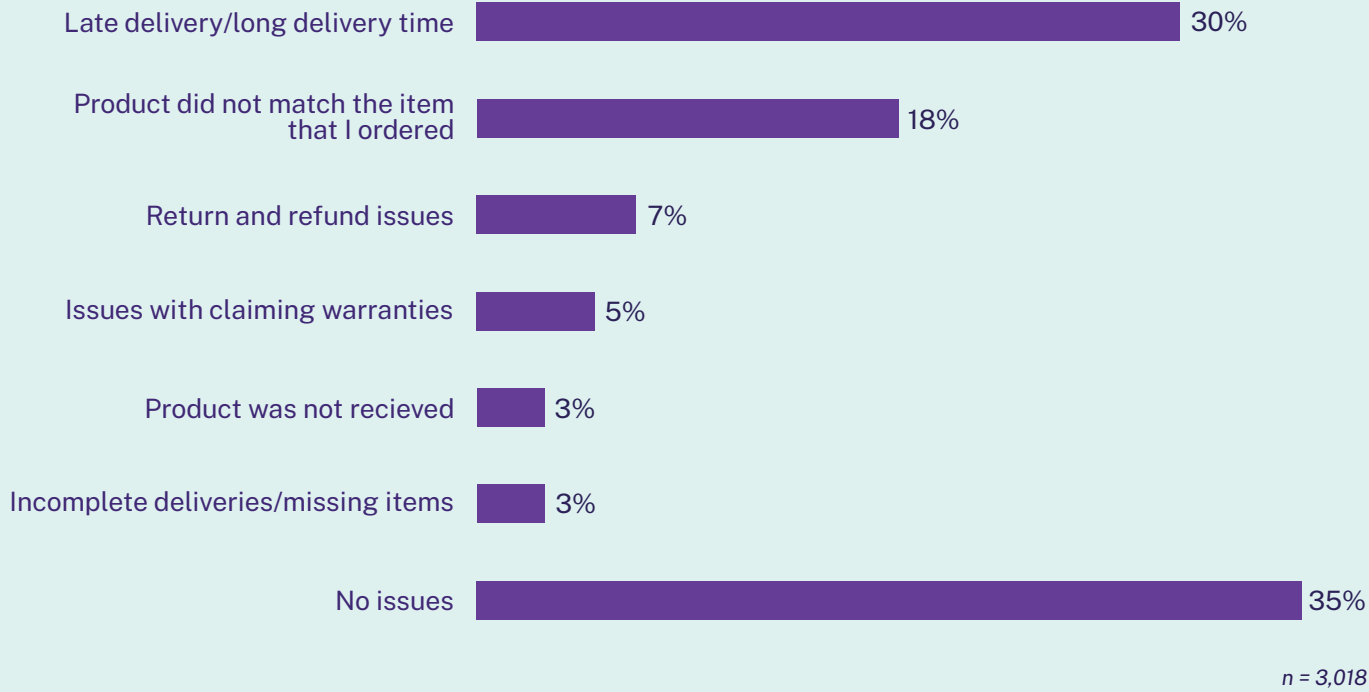
Q: May I know why you and others in this household don't use e-commerce to buy goods and services?

For e-commerce users, the top two reasons for not purchasing basic goods and services like groceries, consumer goods and food delivery online in the last one month is because of better accessibility to physical shops and because they prefer to inspect the products before purchasing.

Only 15% of the surveyed e-commerce users mention online fraud and data privacy as reasons for not purchasing basic goods and services online in the last one month. Additionally, 30% of the e-commerce users mention delivery issues and issues related to warranties and returns and refunds as reasons for not shopping online for basic goods and services in the last one month.

It is likely that a poor customer experience and issues related to online fraud and data privacy deter consumers from shopping online only after they have reached a certain level of digital maturity.

Main Issues Faced By Consumers After Placing an E-commerce Order



Only 15% of e-commerce users have not purchased groceries, consumer goods and food delivery online in the past one month because of worries related to fraud and data privacy.

Q: What is the main issue you have faced after placing an e-commerce order?

Reasons for Not Using E-commerce to Purchase Groceries, Consumer Goods and Food Delivery in the Last One Month

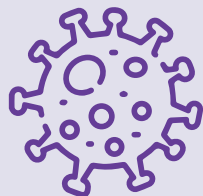


Q: You mentioned that in the past 1 month you have not purchased Groceries, Consumer Goods or Food Delivery online using the internet. May I know the reasons for this?

Prior 9

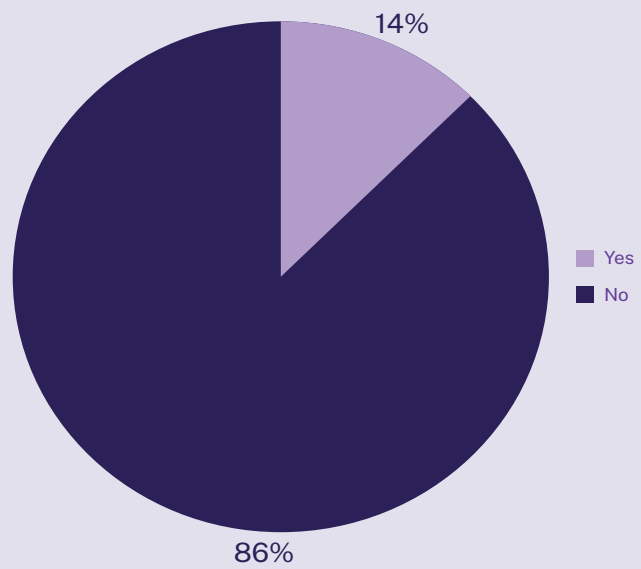
Online selling of goods and services has picked up significantly since the COVID-19 pandemic.

This prior is true. 14% of the survey respondents who shop online, sell online as well, and 43% of those who sell online, started selling online after the COVID-19 pandemic.

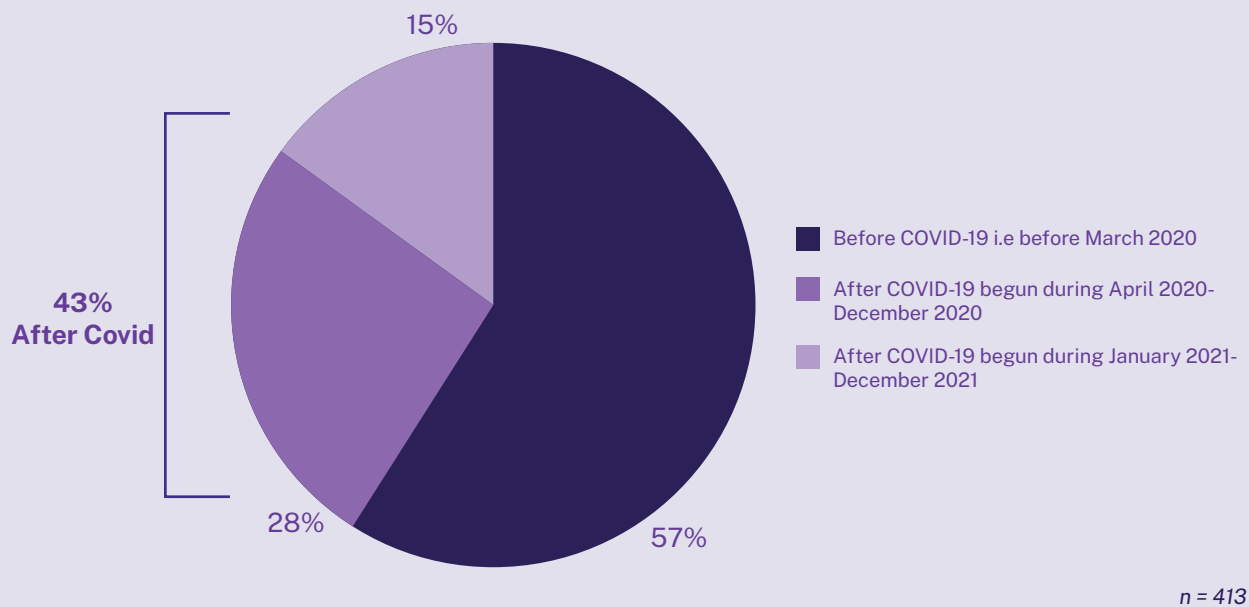


57% of the respondents who sell online were already selling online before the COVID-19 pandemic. Online selling was further boosted by the pandemic.

Share of E-commerce Users Selling Online

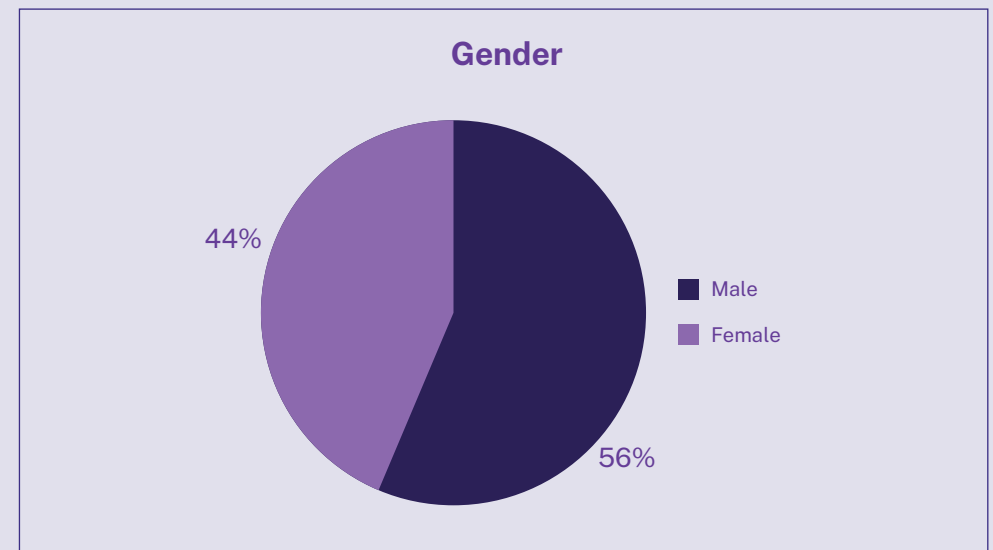
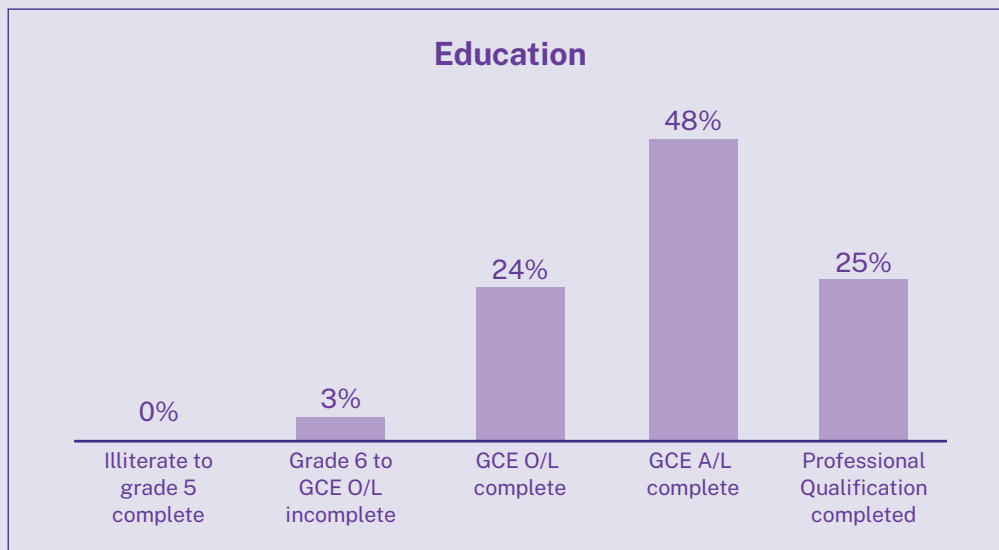
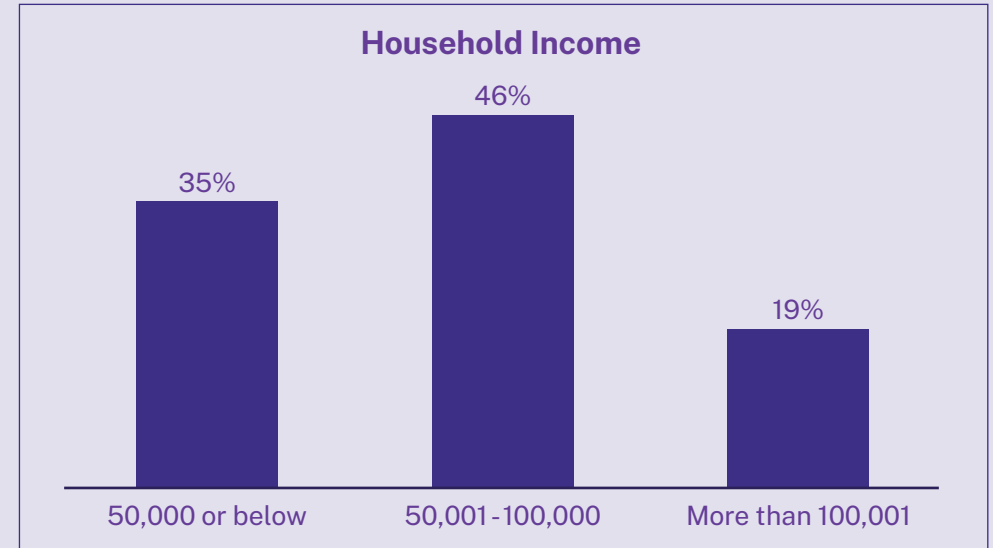
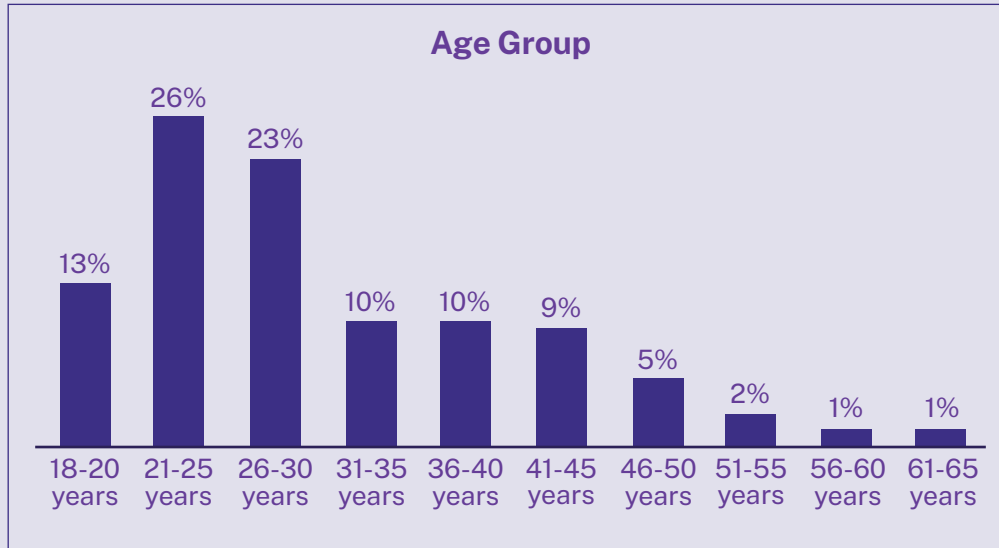


First Instance of Selling Goods and Services Online

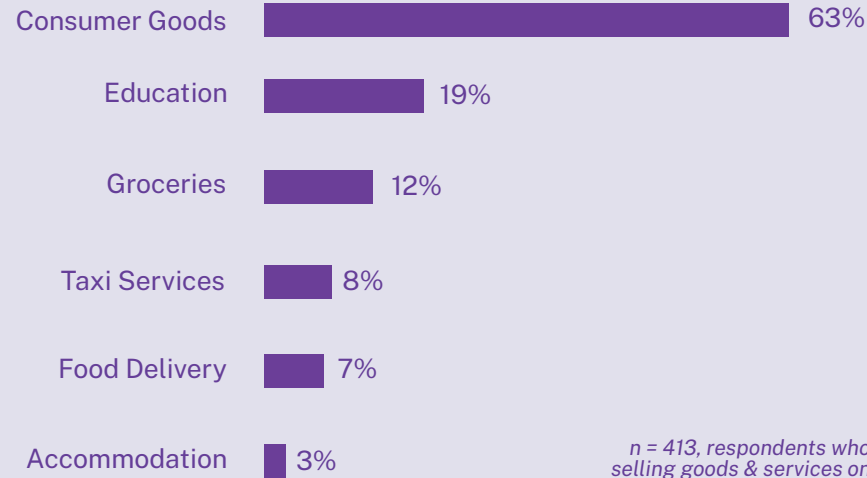


A closer look at the seller sample shows that seller respondents are largely young (ages 16-30), educated (completed at least secondary level education), and both men and women from middle income households.

Online Seller Profile



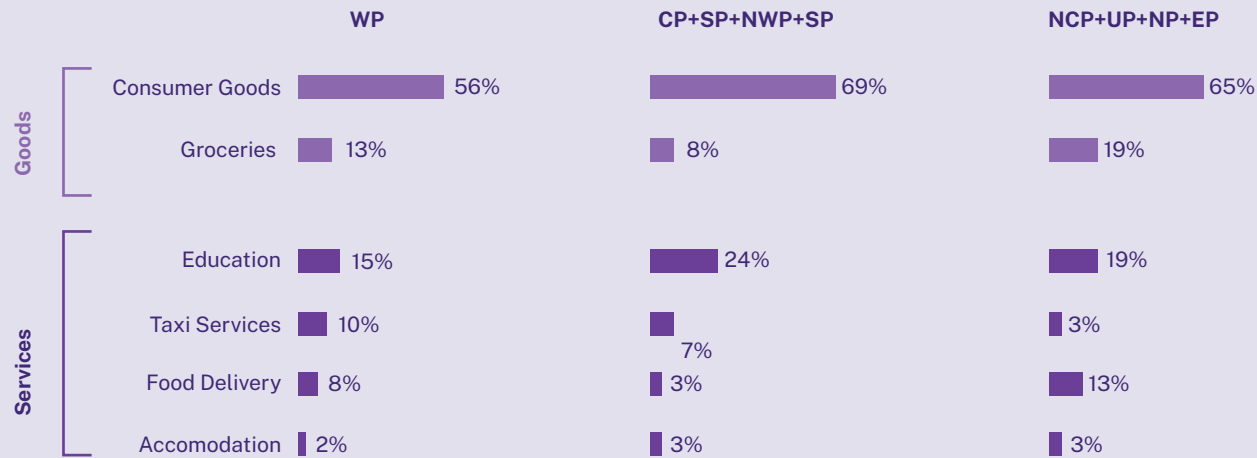
Categories of Goods and Services Sold Online



n = 413, respondents who are selling goods & services online

Q: What are you currently selling using the internet?

Categories of Goods and Services Sold Online by Provincial Groupings



n = 413, respondents who are selling goods & services online

WP - Western Province
 CP+SP+NWP+SABP - Close to Western Province
 (Central Province+Southern Province+North Western Province+Sabaragamuwa Province)
 NCP+UP+NP+EP - Away from Western Province
 (North Central Province+Uva Province+Nothern Province+ Eastern Province)

Q: What are you currently selling using the internet?

Prior 10

E-commerce users only expect the government to provide tax incentives for the growth of the e-commerce industry in Sri Lanka.

This prior is partly true. While a notable share of e-commerce users (both consumers and sellers) say that the government should provide tax incentives to stimulate the e-commerce industry, a significant share of users argue that broad-based support measures are needed to expand the industry.

The survey results indicate that the government should implement a robust policy that focuses on (1) educating consumers and sellers on e-commerce, (2) developing digital skills and (3) creating a safe and market-friendly business environment.

Given that sellers in the e-commerce industry are mostly youth in startups, it is unsurprising that there is a significant need for business development services. E-commerce is a futuristic industry and some of these business development services may need to be provided by private sector associations and other industry partners.



Only **8%** of the sellers and **11%** of the consumers mention that the government should do nothing. A significant share of e-commerce users indicate that the government can and should take steps to improve education and skills related to e-commerce.



31% of the sellers mention that the government should improve Sri Lanka's technology, systems and processes for better cross-border e-commerce.

How Should the Government Support E-commerce Sellers?



n = 413, respondents who are selling goods and services online

How Should the Government Drive the E-commerce Industry?



n = 3,018

**Perspectives from
Businesses and Entrepreneurs
in E-commerce**



Beverly Street is a fashion and lifestyle brand based in Sri Lanka that values its customers' satisfaction and strives to provide them with the best possible shopping experience. As the brand continues to grow, it has recognized the importance of e-commerce in terms of its own business development but also in terms of the development of the Sri Lankan economy as a whole.

Today, an e-commerce website is not only a platform for selling products, but it is also a powerful marketing tool that helps businesses gain and retain customers. By utilizing social media channels and creating a user-friendly website, brands can now increase conversion rates and their brand image, without incurring a huge cost. E-commerce helps businesses prioritize the customer experience from start to finish and helps brands expand their customer experience to include access to high-quality products, efficient delivery, and effective communication. For Beverly Street, taking this approach resulted in many first-time customers becoming repeat buyers and they were able to increase their online sales fourfold in the post-COVID era.

E-commerce has also allowed Beverly Street to streamline its operations and expand its reach globally. By partnering with reliable shipping agents, the business is now using e-commerce to sell products to buyers overseas. The business has grown from catering to only customers in Sri Lanka to catering to customers in India, the Middle East, and Australia.

Moreover, by embracing e-commerce, Beverly Street has been able to connect with a younger, tech-savvy customer base and provide them with the ease of purchasing directly from a website. The lower start-up costs associated with e-commerce also makes it easier for more Sri Lankans to become sellers and increase their disposable incomes or diversify revenue streams.

It is undoubtedly clear that e-commerce is a vital aspect of Beverly Street's growth and success, and is likely to be a vital source of growth to the Sri Lankan economy as well. Businesses should commit to continuing to improve their online presence and provide customers with the best possible shopping experience that takes retail experiences to new heights in Sri Lanka.

NOTE: This perspective was submitted by Beverly Street .



Cadillac & Co is an online ethnic wear store that welcomes all vibrant souls. The term ‘Cadillac’ (/’kaddlak/) is used to describe people, places or things that are “an outstanding example of its kind,” especially in the context of luxury and quality. With the aim of bringing Sri Lankan consumers the most outstanding ethnic wear and fashion, Ranganaa Wijesuriya, co-founded her business, Cadillac & Co in October 2021, in partnership with Adi Deshmukh from India.

Ranganaa is a business professional with a background in Computer Science. She worked as a Digital Media Marketer and Business Development Manager in the private sector of Sri Lanka for over 6 years, and she decided to move into the fashion and retail space because of her love for timeless elegant sarees and trending ethnic wear. She wanted to build a brand that was different from other ethnic wear shops in Sri Lanka and one that was on par with regional and global brands in India and Pakistan.

To build such a brand, Ranganaa focused on providing a unique personal shopping experience for consumers. She knew that her brand needed to resonate with customers on a personal level, ensure they feel confident to buy and wear ethnic wear and offer exceptional customer service that incorporates ideas and feedback shared by consumers. To achieve this, she launched her business as an e-commerce business and attracted customers through social media. This option was the best one for her brand because she started her business with a small amount of personal capital.

E-commerce has low start-up costs and setting up a digital store was far less costly than setting up a physical store. Moreover, Cadillac & Co was confident that they could reach their target market in a more effective way through online channels rather than through offline channels. Today, most of Cadillac & Co’s online traffic comes from Facebook and Instagram ads, and the brand uses digital marketing and targeting tools and strategies to attract the right consumer segments through digital ads. Cadillac & Co is developing a robust social media presence and using social media channels to communicate with customers and expand to new markets across the world.

One year after opening the business, Cadillac & Co has developed a vibrant online community of 12,000 followers on social media, and over 500 loyal customers both locally and internationally. The company recently started a new social media channel called Cadillac.sarees.uk for customers in the UK and other parts of Europe as well.

NOTE: This perspective was submitted by Cadillac & Co.



"Despite the challenges of global economic headwinds, the South Asian market continues to show incredible resilience. More specifically, the e-commerce industry got a major boost during the pandemic and this upward growth trend is still growing strong. In 2022, the search demand for e-commerce increased in all three South Asian emerging markets –Pakistan, Bangladesh and Sri Lanka; with Sri Lanka having a substantial increase of +19% Y/Y according to Google Trend data.

This region's 'digital decade' has just begun. A growing emphasis on sustainable growth and profitability has increased the importance of key enablers like the adoption and usage of digital financial services and having strong operating logistics in place. Moreover, to unlock the full potential, the e-commerce consumer reach will require expanding to the suburban areas and look beyond the existing core user base of urbanites. All key stakeholders –e-commerce companies, investors, government bodies and customers will have to play their part in achieving this goal for an optimistic future as the region settles into its 'digital decade'."

- Farhan Siddique Qureshi, Google Country Director for Pakistan, Sri Lanka, and Bangladesh

NOTE: This perspective was submitted by Google.



As the first supermarket chain to establish an e-commerce platform for groceries in 2002, Keells has been at the forefront of leading the charge for e-commerce in Sri Lanka. Keells continues to grow in this space by providing easy access to Sri Lankans domiciled overseas to send goods to their loved ones and by increasing the shopping convenience of the local consumer base.

With the onset of a global pandemic in 2020, the entire e-commerce landscape experienced a spike in orders like no other in history. Sri Lanka's consumer base that was largely used to only shopping at brick & mortar stores, scrambled to shop online and purchased groceries for their households and families. Many e-commerce players in the market were not geared to handle the avalanche of orders that came in, but Keells focused on the demand at hand and ramped up its a space in a short period of time to deal with a 20X increase in online order volumes, compared to pre-pandemic online order values. Significant investments were made to improve operational processes, technology architecture and

in the UI/UX of the Keells e-commerce website. Furthermore, considering customer feedback a mobile app was introduced to further enhance the user experience and bring convenience to the Sri Lankan online shopper.

According to a survey carried out by LMD, a business magazine in Sri Lanka, Keells was ranked as the top e-commerce site under the Food & Grocery category. This success is largely due to customers' trust in Keells, and the business will continue to make the right investments in people, technology and processes to transform the grocery e-commerce space and enhance the standards of online shopping to global levels, while always putting our valued consumers first.

NOTE: This perspective was submitted by the John Keells Group.

oDoc



E-commerce is transforming the healthcare industry in many ways. One of the most significant ways e-commerce impacts healthcare is by making it more convenient for consumers to access medical products and services via applications like oDoc. For example, people can now speak to doctors through virtual consultations, get medicines delivered, and do lab tests at home, eliminating the need to travel. The pandemic changed the e-commerce landscape in Sri Lanka, and oDoc has seen a 10x growth since COVID-19.

Another way e-commerce is transforming the healthcare industry is by providing consumers with more choices when selecting a healthcare provider or medical service. With the proliferation of online marketplaces, patients can easily compare prices and services offered by different providers, allowing them to make more informed decisions about their healthcare.

E-commerce is also making it easier for healthcare providers to reach new customers and expand their reach, allowing them to care for more patients without investing in additional physical infrastructure. Using e-commerce in healthcare is also helping improve the industry's efficiency. By streamlining processes and reducing the need for face-to-face interactions, e-commerce is making it easier for healthcare providers to deliver their services and expertise in a timely and cost-effective manner.

Overall, the growth of e-commerce in the healthcare industry is making good health more convenient, accessible, affordable and efficient for consumers and enabling providers to innovate and offer the best possible care. This ground-reality is exemplified through ODoc's app ratings, where 95% of oDoc's app ratings are 5-stars.

NOTE: This perspective was submitted by oDoc.



Anuradha Somarathne is the founder and owner of the e-commerce brand Swasti Ayurveda. She is a self-taught soap maker and a student of ayurveda medicine. Anuradha and her family live in Giriulla, Sri Lanka and have been in the ayurveda business for many years. Swasti Ayurveda is an extension of her family business, Wanamandawe Ayurveda, a renowned ayurveda product manufacturer that started in the 1960s.

Her journey in the e-commerce industry began during the COVID-19 pandemic and has grown significantly since then. In April 2020, she started creating herbal soaps, and much to her surprise they turned out beautifully. This motivated her to learn more about soap making, and she started doing

her own research online. She watched many YouTube videos on how professional soap makers like Katie Carson, Anne Marie and Elly make soap, and she learned everything she can about soap making. Through this effort and with the help of her family and friends, she was able to develop an artisanal range of natural and ayurveda soaps, and started marketing and selling those soaps online through her own website and social media pages.

She decided to set up Swasti Ayurveda as an e-commerce business for several reasons. Setting up a digital business allowed her to use technology to easily track and monitor sales and stocks, and she was able to easily develop an e-commerce website with the help of digital applications like WooCommerce. More importantly, e-commerce enabled her to reach a large customer base in a quick and cost-effective manner, and because of e-commerce, she has customers from across Sri Lanka (including from Galle, Jaffna, Kandy, Colombo and Batticaloa) and customers from overseas as well. Her website allows customers to easily browse products, learn about the ingredients and choose the best soap for their needs. She looks forward to growing her e-commerce business and creating more innovative skin care products in the future.



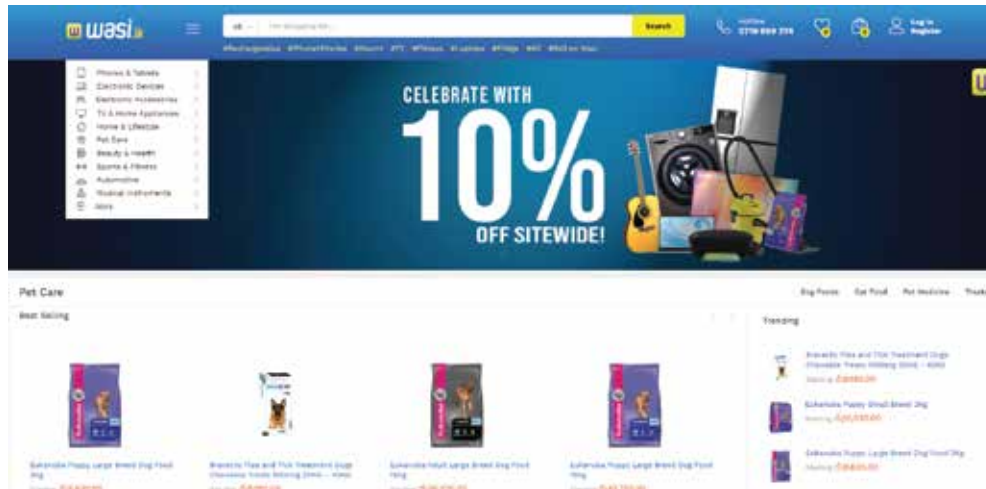
NOTE: This perspective was submitted by Swasti Ayurveda.



Being future fit has always been a top priority for Unilever. In this journey, the company has pioneered its presence in digital commerce, ranging from pure play and omnichannel presence to B2B and Direct-to-Consumer selling, to increase its accessibility to its consumers. Sri Lanka has a high internet penetration and an active social media usage rate which is above the South Asian average. Factoring in the high literacy levels, it is evident that the country is well equipped for immense growth in e-commerce. Moreover, the 2020 pandemic has phenomenally moved consumer shopping habits towards online shopping and has also been a growth pillar for the e-commerce industry. A significant retention of this behaviour is also seen post pandemic, with many businesses continuing to service consumers through the pandemic uplift.

It is now the task of industry leaders to help further accelerate the digital commerce space. Leveraging the right tools and techniques has helped Unilever grow its business at a trailblazing speed over the years. Digital selling is much more dynamic and alters indefinitely in comparison to the traditional selling that Sri Lanka is accustomed to. Understanding the specifics of changing market and shopper behaviours and translating rapid and relevant plans into action is key to thriving in the e-commerce space. In 2021, as an initiative to upskill its employees in the digital commerce space, Unilever launched its “E-commerce Accelerator” programme, which covers many aspects across business operations, digital tools, marketing and analytics, made available from novice to expert levels. As such, Unilever continues its agile acceleration in the e-commerce space, through the right investments, innovations, and stratagems.

NOTE: This perspective was submitted by Unilever



Wasi.lk is an online marketplace that has been successful in Sri Lanka and experienced 30% Y-O-Y growth. The company started as a closed marketplace in 2013/14 with only 15 selected sellers based in Colombo. Today the marketplace hosts over 200 sellers, concentrated in the Western, Southern, and Central Provinces of Sri Lanka. Compared to other online marketplaces, Wasi.lk's main advantage is that it operates a closed marketplace model. This model enables the team to thoroughly filter and review each seller, with the aim of making sure customers get the best quality products and services that are backed by warranties (if/when applicable).

Furthermore, a substantial share of Wasi.lk's sellers are based in the Colombo District, but the company is expanding its seller base

to include sellers from other Districts across Sri Lanka. This effort will not only help more sellers diversify their revenue streams, but it will also improve consumer access to goods and services across the country.

Over the last two years, Wasi.lk has seen steady customer growth in provinces outside the Western Province, like the Sabaragamuwa, Eastern and North Central Provinces. E-commerce has grown into an islandwide industry, and due to this growth, other complementary businesses like logistics partners are also benefiting. For example, Wasi.lk's logistics partner opened over 30 new fulfilment centres across the island in the last 2-3 years, and Wasi.lk has also had the privilege of being the first client of a start up logistics company that is now expanding its business across Sri Lanka.

E-commerce is transforming communities, and Wasi.lk looks forward to further expanding its business and driving the e-commerce industry forward in Sri Lanka.

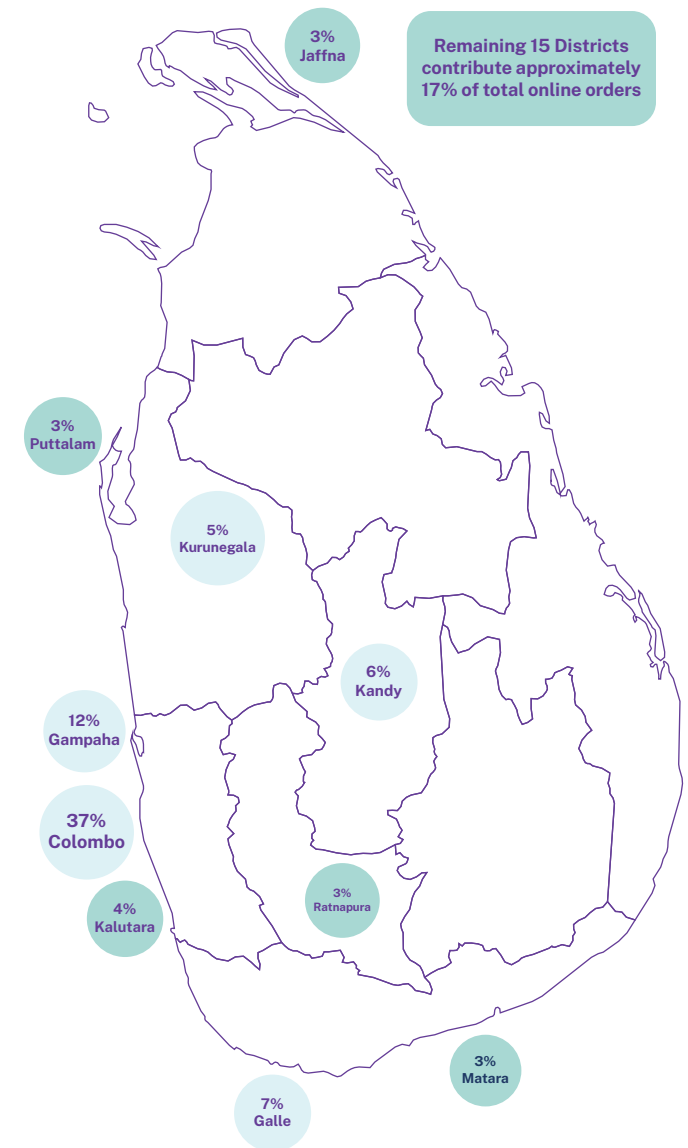
NOTE: This perspective was submitted by Wasi.lk.

As an online-led fast fashion brand, Zigzag is wildly popular among GenY (Millennials) and GenZ consumers. Since its inception in 2014, Zigzag always used a ‘Digital Only’ marketing strategy by utilising Facebook, Instagram and later Tiktok channels. Through this effort, Zigzag became an online-led fashion brand and Zigzag’s e-commerce channel gained good traction from the very beginning. Using e-commerce and digital channels also helped the brand improve its reach to potential customers. Having a website enabled the brand to easily communicate product details and visuals to customers, which helped improve product discovery in a much more efficient manner.

Moreover, a robust support network consisting of third-party logistics services for warehousing, fulfilment and last-mile delivery has emerged from Sri Lanka’s budding e-commerce ecosystem. And this outcome is further enabling Zigzag to reach customers in any part of the island, without having to set up brick and mortar offline stores (see Table 1). Zigzag operated in the e-commerce space before the 2020 COVID-19 pandemic in Sri Lanka, but the pandemic tailwinds undoubtedly accelerated the adoption of online shopping in Sri Lanka and boosted Zigzag’s online revenue growth significantly. Zigzag’s online sales grew by almost 70% during FY 20/21.

In 2017, Zigzag opened its first offline retail store to tap into the “ROPO effect,” which means “research online, purchase offline.” Many consumers are using digital channels and social media like Facebook, Instagram and TikTok to learn about products and discover new products, but prefer purchasing products through a traditional brick and mortar store. Therefore, to tap into these consumers, Zigzag adopted an omni-channel approach to increase its sales and revenue through online and offline channels.

NOTE: This perspective was submitted by Zigzag.



Appendices

Appendix 1: Sampling Methodology

NielsenIQ carried out a survey to understand the level of awareness, the level of use and consumer habits related to purchasing goods and services through e-commerce websites, digital applications and digital platforms.

The target group for this survey were both males and females, between the ages of 18 to 65 years, belonging to all Socio-Economic Classes¹⁰ and those who own a device capable of accessing the internet such as a smartphone, laptop, desktop or tablet. Interviews were carried out across all districts in Sri Lanka, and respondents were selected through random face-to-face computer assisted personal interviews (CAPI) in both urban and rural locations. Within each district, random sampling points were generated using a random selection software. To ensure further randomness, within each sample point, the selection of households was based on the right-hand rule, which means that after every successful interview, two households were skipped in urban areas and one household was skipped in rural areas. Within the selected household, if more than one individual in the household fell into the target segment, a Kish Grid was utilised to randomly select the respondent. The survey period for this exercise was from March 2022 to July 2022.

For the main survey, the target was to survey 3,000 respondents across all districts, who have purchased goods or services through e-commerce in the past one month, however 3,018 interviews were conducted.

In addition to interviewing 3,018 e-commerce users, a listing exercise was also carried out randomly from door to door to understand the level of e-commerce penetration. The listing exercise was carried out in parallel to the main survey, and covered households with respondents between the ages of 18–65 years belonging to all Socio-Economic Classes irrespective of whether they purchase goods and services through e-commerce. The listing survey covered a total of 4,670 respondents to determine the penetration level of e-commerce in Sri Lanka.

If a respondent within a household surveyed during the listing exercise had purchased goods or services online from a predefined category in the past one month, that respondent was recruited for the main survey. The survey covered a diverse range of goods and services categories: consumer goods, phone and data bills, education, taxi services, entertainment, utility bills, food delivery, groceries, health, tickets, and accommodation.

A total of 4,670 respondents across all districts were surveyed through the listing and main survey, and from the 4,670 respondents, 3,087 respondents had purchased goods or services through e-commerce. However, from the 3,087 respondents, 69 respondents did not participate in the main survey, and therefore, 3,018 respondents were interviewed for the main survey and the 3,018 respondents surveyed is the main group considered in this report.

¹⁰ Socio Economic Classifications take in to account the education level and the occupation level of the chief wage earner as well as the ownership of pre-determined list of durables in the household.

Province	District	Direct Sample	Province Sample
Western	Colombo	900	1,500
	Gampaha	450	
	Kalutara	150	
Central	Kandy	205	318
	Matale	53	
	Nuwara-Eliya	60	
Southern	Galle	102	213
	Matara	60	
	Hambantota	51	
Nothern	Jaffna	100	180
	Mannar	20	
	Vavuniya	20	
	Mullaitivu	20	
	Killinochchi	20	
Eastern	Batticaloa	60	170
	Ampara	70	
	Trincomalee	40	
North Western	Kurunegala	150	253
	Puttalam	103	
North Central	Anuradhapura	71	112
	Polonnaruwa	41	
Uva	Badulla	71	102
	Monaragala	31	
Sabaragamuwa	Ratnapura	100	170
	Kegalle	70	
		<i>n = 3,018</i>	

Note: Achieved sample for the main survey

From the sample of 3,018 e-commerce users, if an individual was also selling goods or services online, then those respondents were categorised as online sellers and a set of questions related to selling goods and services online were asked. 413 respondents were identified as online sellers.

Appendix 2

Prior 1: Table 1

E-commerce User Profile

		Share of Total Users
Gender	Male	45%
	Female	55%
Age Group	18-25 years	38%
	26-35 years	30%
	36-45 years	21%
	46-55 years	8%
	56-65 years	3%
Education	Illiterate to grade 5 complete	0%
	Grade 6 to GCE O/L incomplete	3%
	GCE O/L complete	34%
	GCE A/L complete	47%
	Professional Qualification completed/ University Graduate and above	16%
<i>n = 3,018</i>		
Monthly Income Level - Household	50,000 or below	42%
	LKR 50,001 - LKR 100,000	46%
	More than LKR 100,001	12%

n = 2,740, (main survey user base excluding respondents who refused to disclose their monthly household income)

		Share of Total Users
By Province	Western Province	50%
	Central Province	10%
	Southern Province	7%
	North Western Province	8%
	North Central Province	4%
	Uva Province	3%
	Sabaragamuwa Province	6%
	Nothern Province	6%
	Eastern Province	6%
By Provincial Groupings	WP	50%
	CP+SP+NWP+SABP	32%
	NCP+UP+NP+EP	19%
<i>n = 3,018</i>		

WP - Western Province

CP+SP+NWP+SABP - Close to Western Province
(Central Province+Southern Province+North Western Province+Sabaragamuwa Province)

NCP+UP+NP+EP - Away from Western Province
(North Central Province+Uva Province+Nothern Province+ Eastern Province)

Prior 1: Table 2

Incidence Rate of E-commerce Users and Non-users by Gender, Age, Education and Monthly Household Income



Prior 1: Table 3

Q: What categories of goods and services you have EVER PURCHASED using the internet?

Purchased Goods and Services Category	Share of Users in WP	Share of Users CP+SP+NWP+SABP	Share of Users NCP+UP+NP+EP
Groceries	49%	34%	21%
Consumer Goods	71%	81%	79%
Food Delivery	60%	32%	23%
Taxi Services	75%	34%	9%
Tickets	25%	16%	13%
Health	46%	37%	11%
Phone and Data Bills	67%	65%	33%
Accommodation	19%	14%	8%
Utility Bills	44%	45%	25%
Education	45%	39%	26%
Entertainment	54%	38%	22%
<i>n = 3,018</i>			

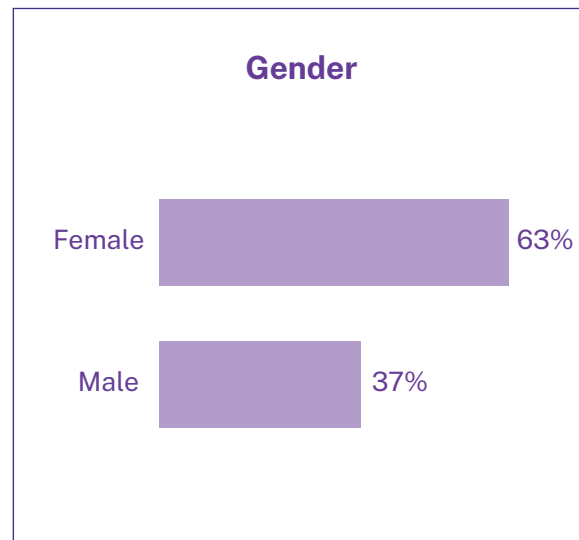
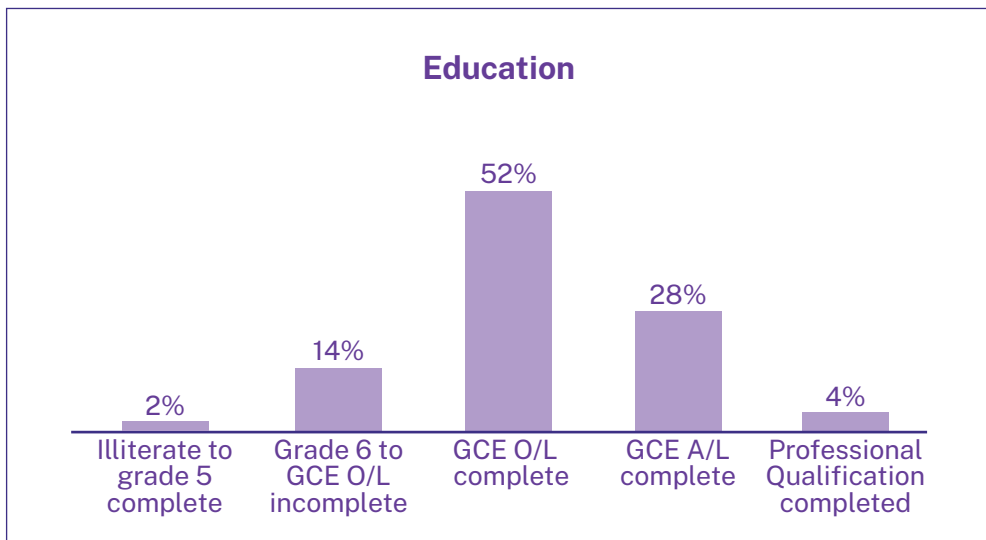
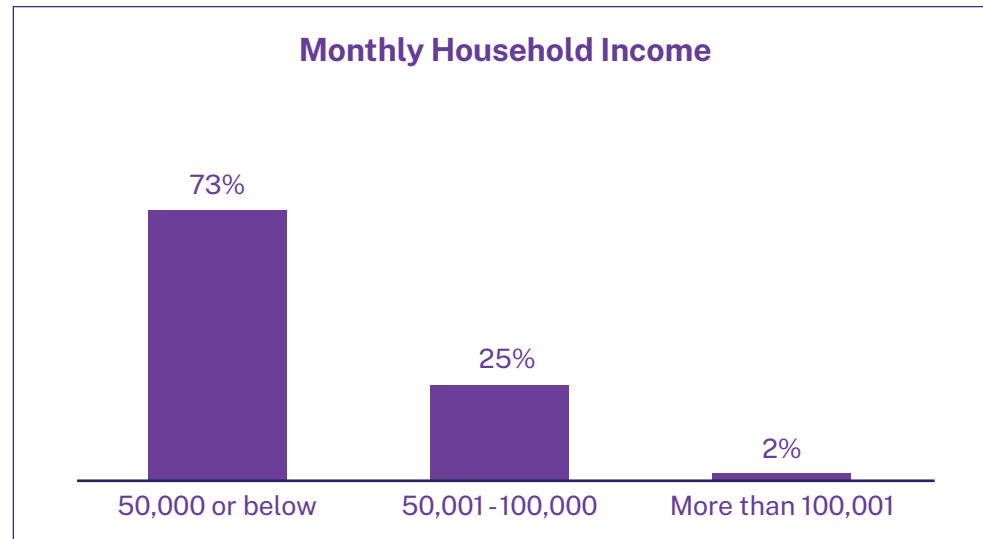
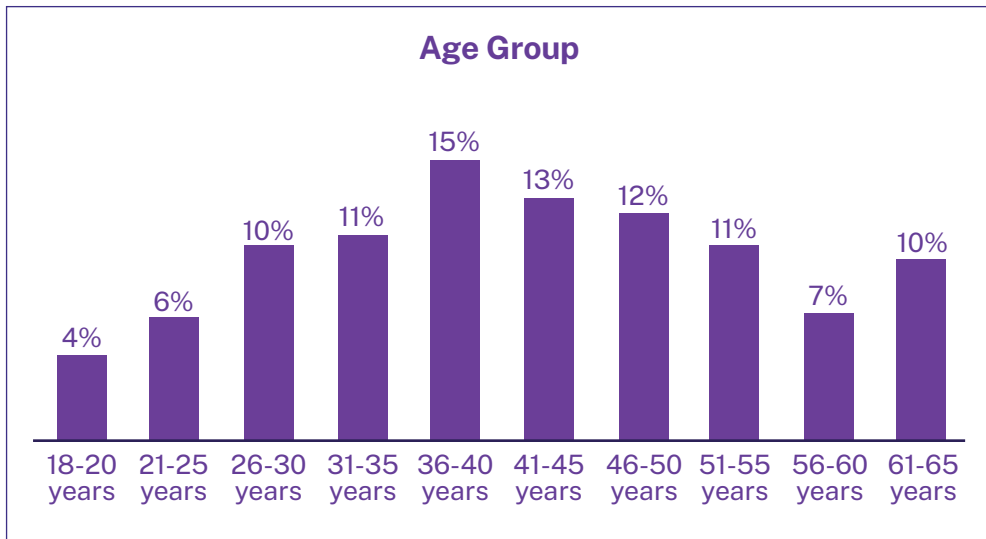
WP - Western Province

CP+SP+NWP+SABP - Close to Western Province
(Central Province+Southern Province+North Western Province+Sabaragamuwa Province)

NCP+UP+NP+EP - Away from Western Province
(North Central Province+Uva Province+Northern Province+ Eastern Province)

Prior 1: Table 4

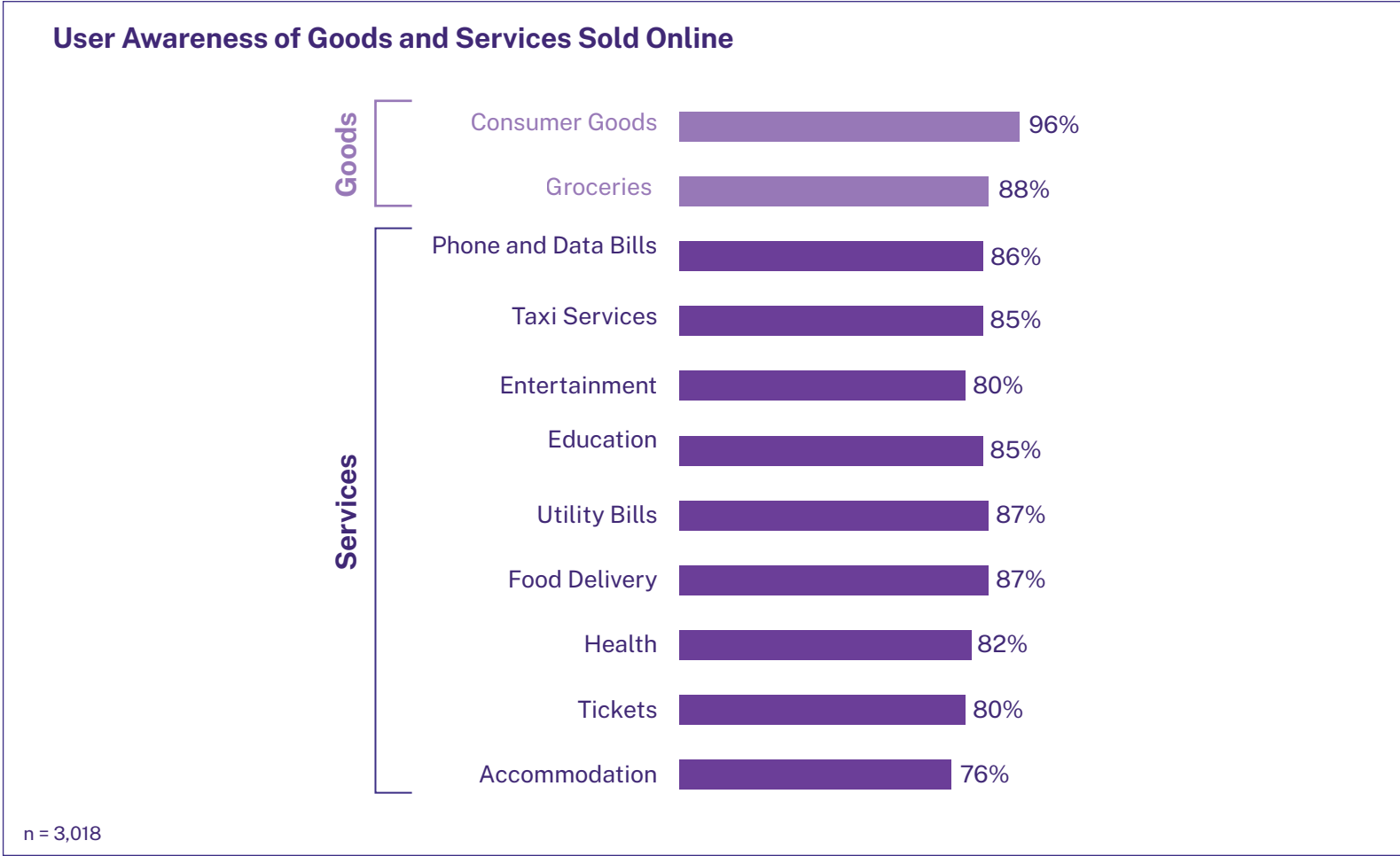
Non-user Profile



n = 1,526, respondents who have never purchased goods and services using the internet

Prior 2: Table 1

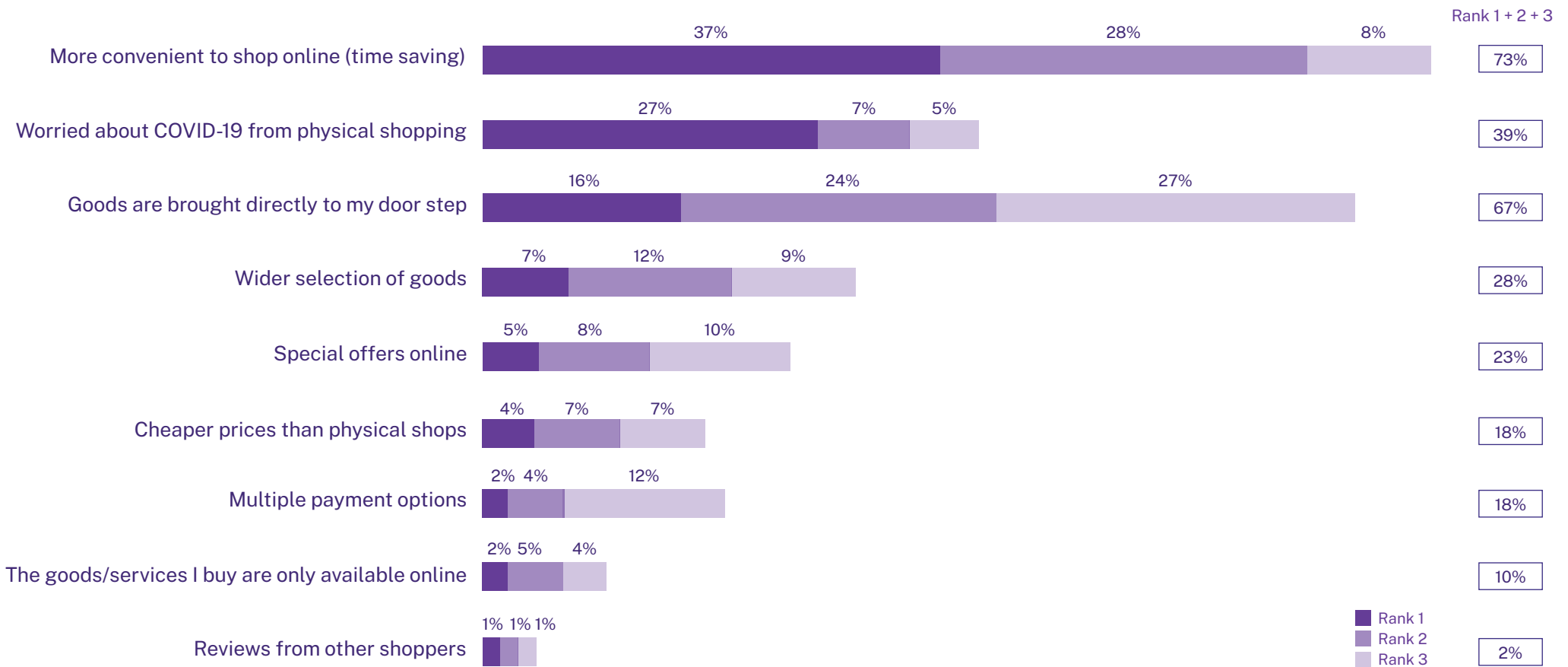
Q: Are you AWARE that you can use the internet to buy the following categories of goods and services?



Prior 2: Table 2

Q: Why do you buy Groceries, Consumer Goods or Food Delivery using the internet? Identify the top 3 reasons and rank the top 3 reasons as 1,2,3 (1 being the most important, 2 being the second most important and 3 being the third most important).

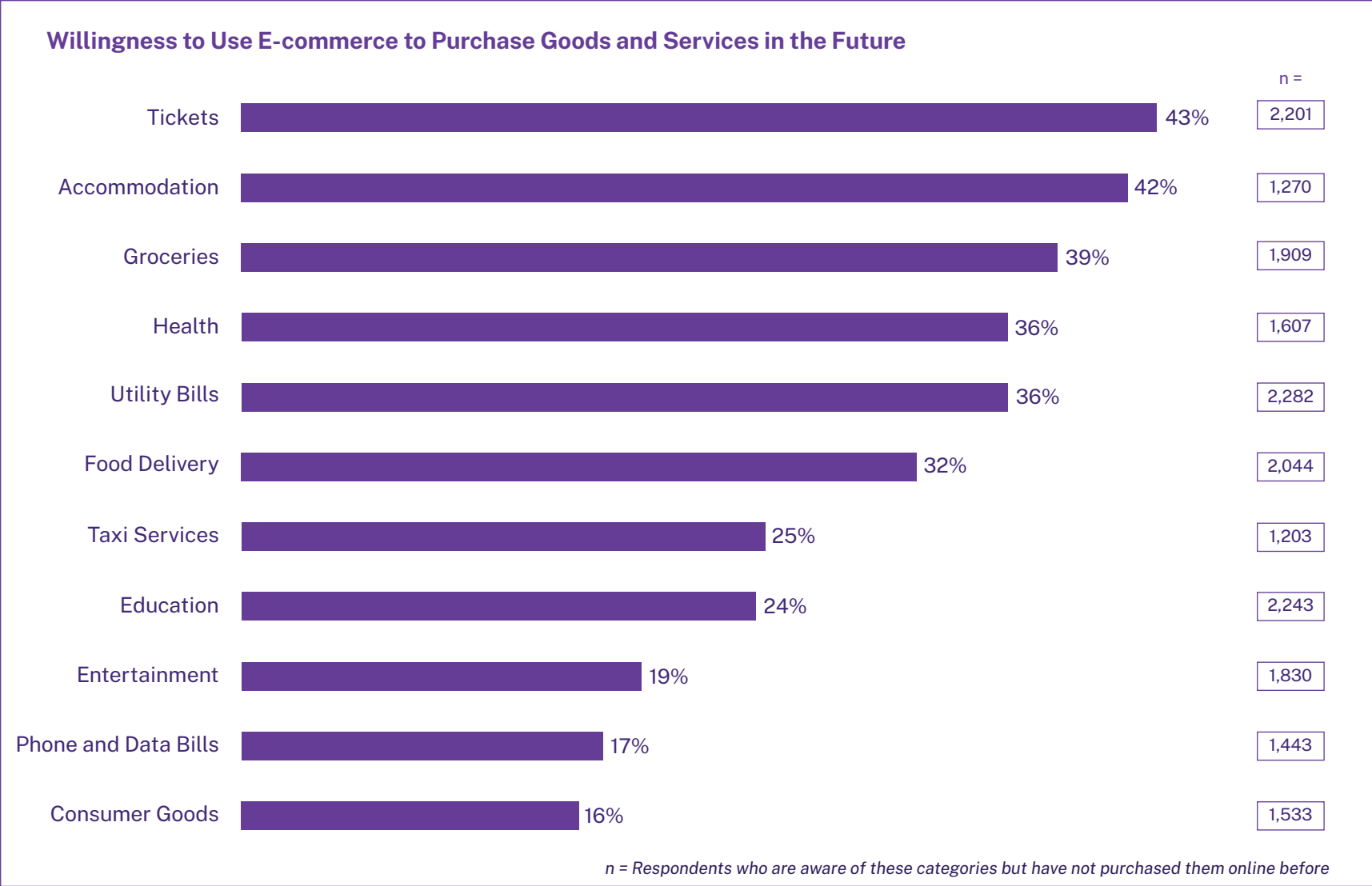
Reasons for Purchasing Groceries, Consumer Goods or Food Delivery Online



n = 2,643, respondents who have purchased groceries, consumer goods or food delivery atleast once using the internet

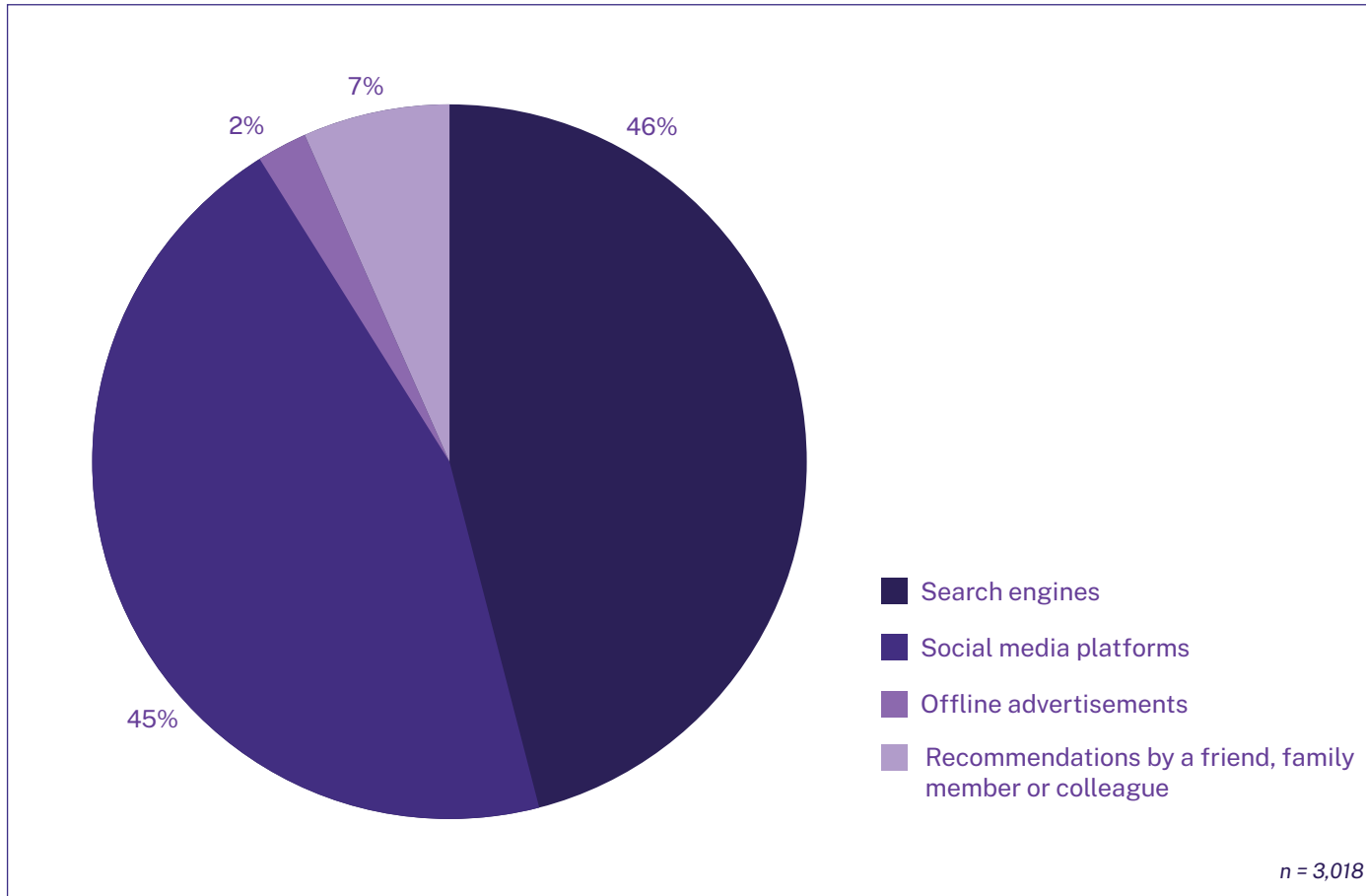
Prior 2: Table 3

Q: You mentioned that you are aware but have never used the internet to buy the following categories. Would you be willing to purchase these categories online in the future?



Prior 2: Table 4

Main Source of Information for Online Purchasing



Prior 3: Table 1

Q: When considering the goods and services you have EVER PURCHASED using the internet, did you start purchasing these categories using the internet before COVID-19 in March 2020 or after COVID-19 in March 2020?

Purchasing Behaviour – Pre and Post COVID-19		By Provincial Groupings		
		Western Province	Close to Western Province (CP+NWP+SABP)	Further Away from Western Province (NCP+UP+NP+EP)
Groceries	I was using it before COVID-19	56%	51%	60%
	I started using it after COVID-19	44%	49%	40%
Consumer Goods	I was using it before COVID-19	71%	65%	64%
	I started using it after COVID-19	29%	35%	36%
Food Delivery	I was using it before COVID-19	74%	64%	51%
	I started using it after COVID-19	26%	36%	49%
Taxi Services	I was using it before COVID-19	87%	78%	70%
	I started using it after COVID-19	13%	22%	30%
Tickets	I was using it before COVID-19	84%	77%	70%
	I started using it after COVID-19	16%	23%	30%
Health	I was using it before COVID-19	84%	65%	70%
	I started using it after COVID-19	16%	35%	30%
Phone and Data Bills	I was using it before COVID-19	85%	77%	75%
	I started using it after COVID-19	15%	23%	25%
Accommodation	I was using it before COVID-19	89%	78%	88%
	I started using it after COVID-19	11%	22%	13%
Utility Bills	I was using it before COVID-19	80%	64%	67%
	I started using it after COVID-19	20%	36%	33%
Education	I was using it before COVID-19	51%	40%	35%
	I started using it after COVID-19	49%	60%	65%
Entertainment	I was using it before COVID-19	83%	78%	72%
	I started using it after COVID-19	17%	22%	28%
n = 3,018				

Prior 5: Table 1

E-commerce User Profile by Gender

		Male	Female			Male	Female	
Monthly Income Level - Household	LKR 50,000 or below	40%	44%	Province	WP	47%	51%	
	LKR 50,001 - LKR 100,000	48%	44%		CP	10%	11%	
	More than LKR 100,001	12%	12%		SP	7%	7%	
<i>n = Those who use e-commerce, excluding those who refused to disclose their income</i>		<i>n = 1,216</i>	<i>n = 1,524</i>		NWP	7%	9%	
Monthly Income Level - Individual	50,000 or below	69%	85%		NCP	5%	3%	
	LKR 50,001 - LKR 100,000	25%	12%		UP	3%	3%	
	More than LKR 100,001	6%	2%		SABP	6%	5%	
<i>n = Those who use e-commerce, excluding those who refused to disclose their income</i>		<i>n = 1,226</i>	<i>n = 1,548</i>		NP	7%	5%	
Age Group	18-25 years	46%	31%		EP	6%	5%	
	26-35 years	27%	33%		By Province Groupings	WP	47%	51%
	36-45 years	16%	25%			CP+SP+NWP+SABP	31%	32%
	46-55 years	8%	8%	NCP+UP+NP+EP		22%	16%	
	56-65 years	3%	2%	Urban/Rural	Urban	77%	79%	
			Rural		23%	21%		
Education	Illiterate to grade 5 complete	0%	0%	Number of categories purchased	1 Category	30%	28%	
	Grade 6 to GCE O/L incomplete	3%	3%		2 Categories	19%	24%	
	GCE O/L complete	35%	33%		3 Categories	18%	19%	
	GCE A/L complete	44%	49%		4 Categories	11%	11%	
	Professional Qualification completed/ University Graduate and above	18%	15%		5+6 Categories	12%	11%	
			7+8+9+10+11 Categories		9%	7%		
		<i>n = 1,345</i>	<i>n = 1,673</i>			<i>n = 1,345</i>	<i>n = 1,673</i>	

Prior 5: Table 2

Share of Male and Female Users by District

		Male	Female	
District	Ampara	3%	2%	
	Anuradhapura	4%	1%	
	Badulla	3%	2%	
	Batticaloa	2%	2%	
	Colombo	27%	32%	
	Galle	3%	4%	
	Gampaha	14%	16%	
	Hambantota	2%	2%	
	Jaffna	4%	3%	
	Kalutara	7%	3%	
	Kandy	7%	7%	
	Kegalle	3%	2%	
	Killinochchi	1%	1%	
	Kurunegala	4%	5%	
	Mannar	1%	1%	
	Matale	1%	2%	
	Matara	2%	2%	
	Monaragala	0%	2%	
	Mullativu	1%	1%	
	Nuwara-Eliya	2%	2%	
	Polonnaruwa	1%	1%	
	Puttalam	3%	4%	
	Ratnapura	3%	3%	
	Trincomalee	2%	1%	
	Vavuniya	1%	1%	
	n = 3,108			

Prior 6: Table 1

E-commerce User Profile by Most Used Device

		Users Who Mostly Use a Smartphone to Shop Online	Mostly Used Laptop/Desktop/Tablet to Shop Online
Monthly Income Level - Household	50,000 or below	43%	23%
	LKR 50,001 - LKR 100,000	46%	49%
	More than LKR 100,001	11%	29%
<i>n = Those who use e-commerce, excluding those who refused to disclose their income</i>		n = 2,621	n = 119
Monthly Income Level - Individual	50,000 or below	79%	66%
	LKR 50,001 - LKR 100,000	18%	25%
	More than LKR 100,001	4%	9%
<i>n = Those who use e-commerce, excluding those who refused to disclose their income</i>		n = 2,655	n = 199
Age Group	18-25 years	38%	38%
	26-35 years	31%	23%
	36-45 years	21%	20%
	46-55 years	8%	14%
	56-65 years	3%	5%
Education	Illiterate to grade 5 complete	0%	0%
	Grade 6 to GCE O/L incomplete	3%	3%
	GCE O/L complete	34%	21%
	GCE A/L complete	47%	42%
	Professional Qualification completed/ University Graduate and above	15%	34%
		n = 2,878	n = 140

		Users Who Mostly Use a Smartphone to Shop Online	Mostly Used Laptop/Desktop/Tablet to Shop Online
Province	WP	49%	53%
	CP	11%	9%
	SP	7%	6%
	NWP	8%	9%
	NCP	4%	6%
	UP	3%	4%
	SABP	6%	5%
	NP	6%	4%
	EP	6%	4%
	By Provincial Groupings		
WP	49%	53%	
CP+SP+NWP+SABP	32%	29%	
NCP+UP+NP+EP	19%	18%	
Urban/Rural	Urban	78%	81%
	Rural	22%	19%
Gender	Male	44%	61%
	Female	56%	39%
		n = 2,878	n = 140

Prior 7: Table 1

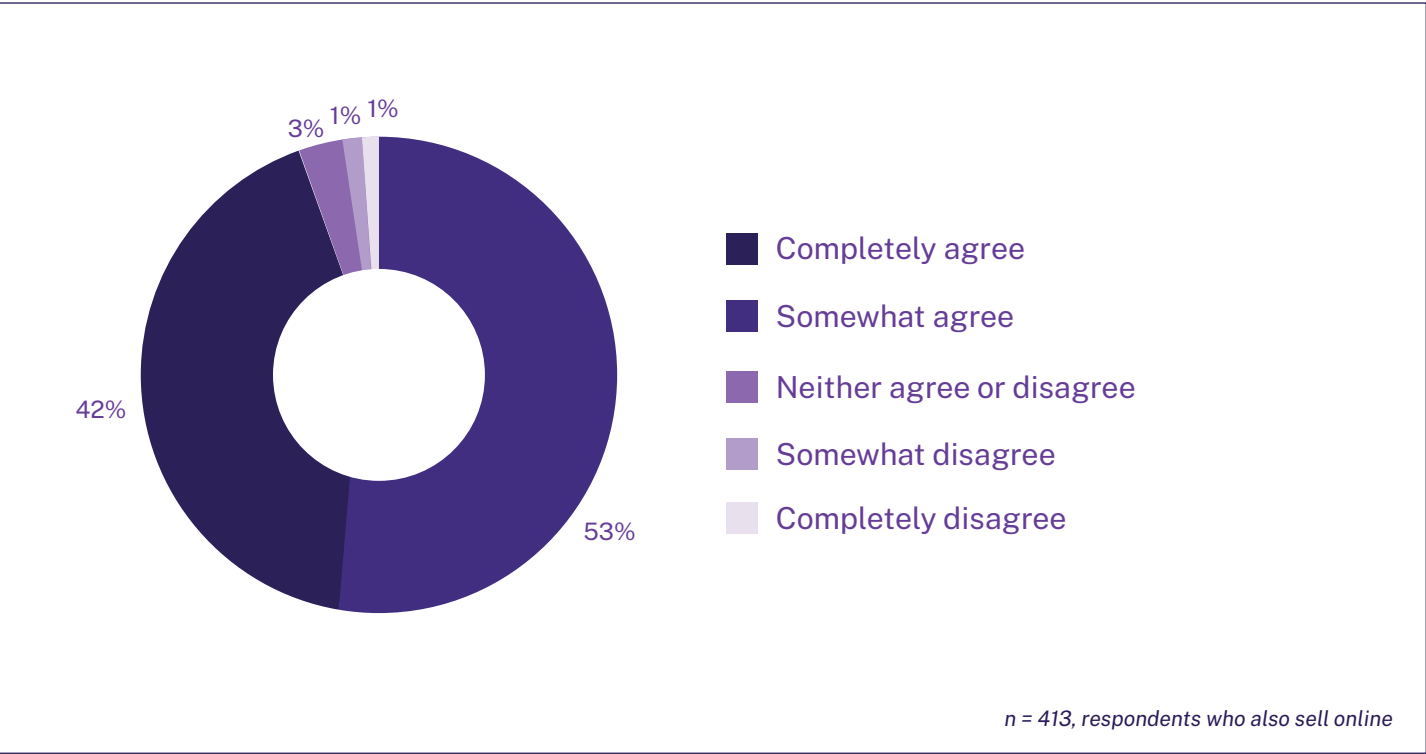
E-commerce User Profile by Preferred Payment Method

		Overall Users	Prefer Cash on Delivery	Prefer Other Payment Methods
Monthly Income Level - Household	50,000 or below	42%	43%	38%
	LKR 50,001 - LKR 100,000	46%	45%	47%
	More than LKR 100,001	12%	11%	15%
<i>n = Those who use e-commerce, excluding those who refused to disclose their income</i>		n = 2,740	n = 1,987	n = 753
Monthly Income Level - Individual	50,000 or below	78%	78%	78%
	LKR 50,001 - LKR 100,000	18%	18%	17%
	More than LKR 100,001	4%	3%	5%
<i>n = Those who use e-commerce, excluding those who refused to disclose their income</i>		n = 2,774	n = 2,011	n = 763
Age Group	18-25 years	38%	36%	42%
	26-35 years	30%	31%	29%
	36-45 years	21%	22%	19%
	46-55 years	8%	9%	7%
	56-65 years	3%	3%	3%
Education	Illiterate to grade 5 complete	0%	0%	0%
	Grade 6 to GCE O/L incomplete	3%	4%	2%
	GCE O/L complete	34%	36%	29%
	GCE A/L complete	47%	47%	45%
	Professional Qualification completed/ University Graduate and above	16%	13%	24%
		n = 3,018	n = 2,180	n = 838

		Overall Users	Prefer Cash on Delivery	Prefer Other Payment Methods
Province	WP	50%	50%	48%
	CP	10%	10%	11%
	SP	7%	7%	8%
	NWP	8%	9%	8%
	NCP	4%	4%	3%
	UP	3%	3%	3%
	SABP	6%	6%	5%
	NP	6%	6%	6%
	EP	6%	5%	8%
By Provincial Groupings	WP	50%	50%	48%
	CP+SP+NWP+SABP	32%	31%	32%
	NCP+UP+NP+EP	19%	18%	20%
Urban/Rural	Urban	78%	78%	79%
	Rural	22%	22%	21%
Gender	Male	45%	42%	50%
	Female	55%	58%	50%
		n = 3,018	n = 2,180	n = 838

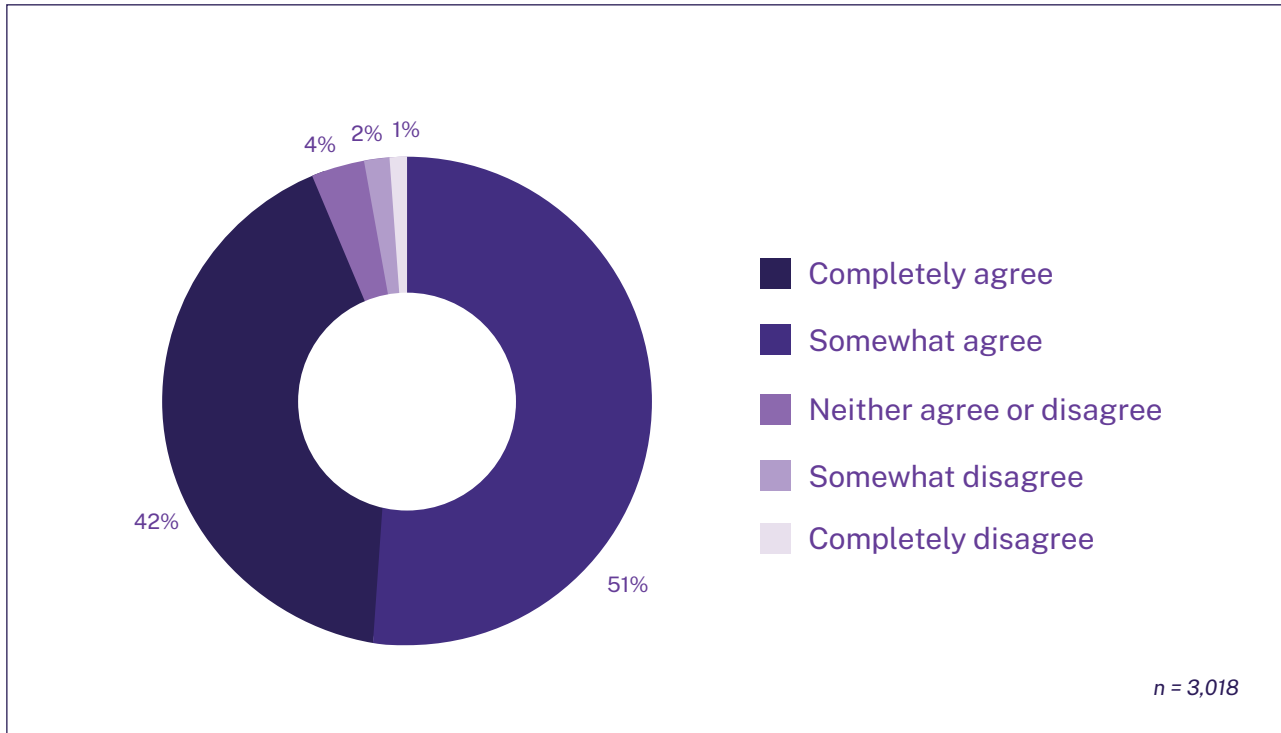
Prior 9: Table 1

Q: As an online seller, to what extent do you agree that selling goods and services using the internet provides a channel for business growth and earning revenue?



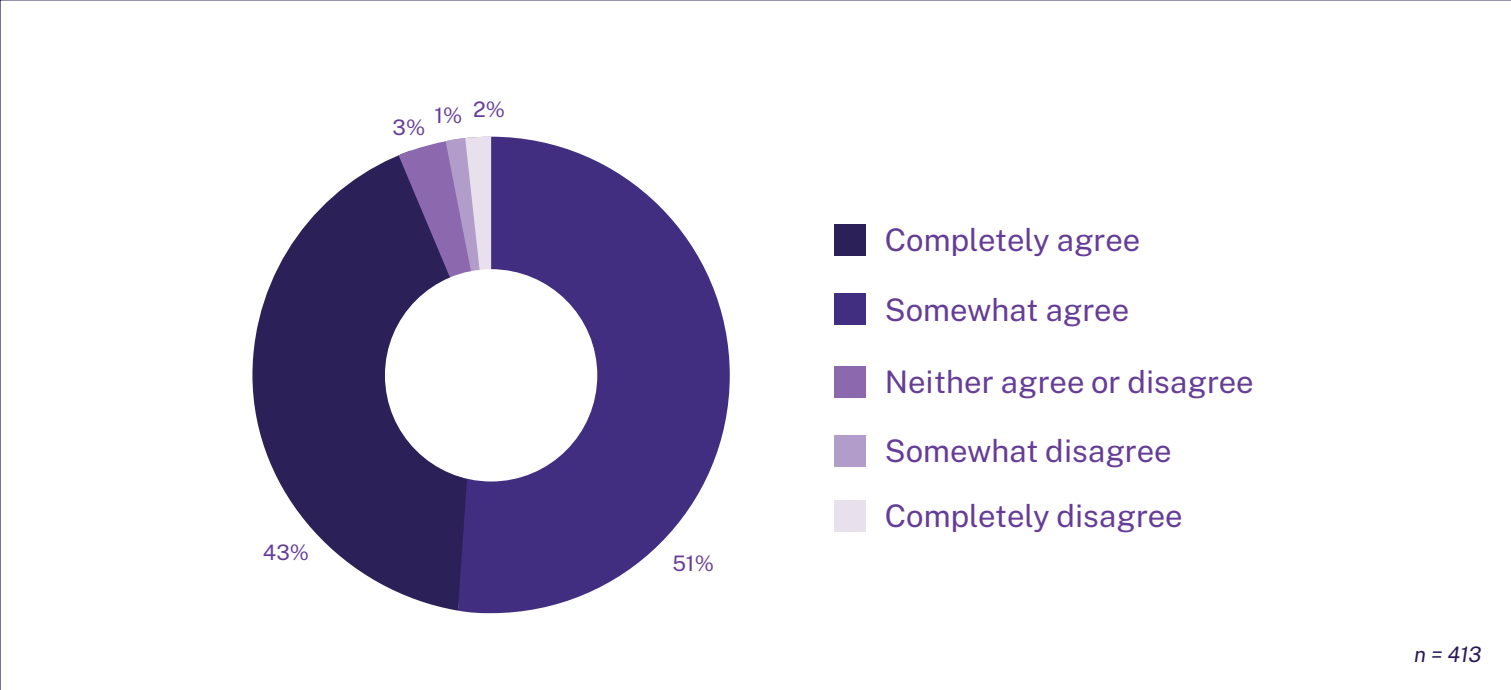
Prior 10: Table 1

Q: To what extent do you agree that e-commerce was important to the survival of the Sri Lankan economy during COVID-19?



Prior 10: Table 2

Q: As an online seller do you believe selling goods and services using the internet helps create jobs and improves household income?



Cross-border E-commerce: Table 1

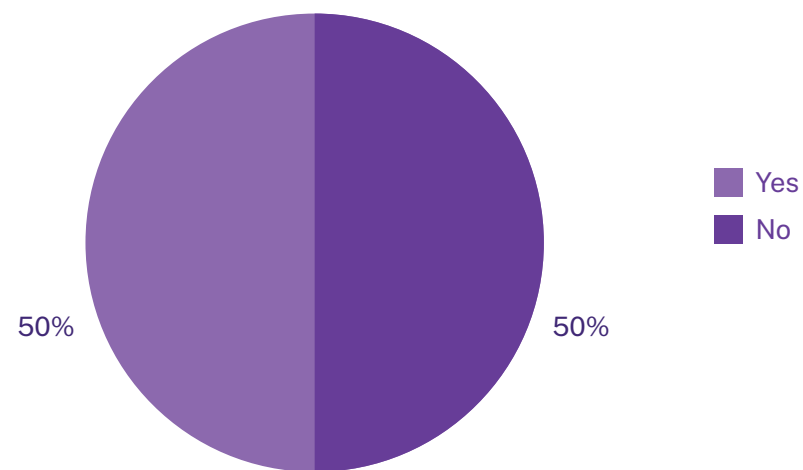
Q: Have you purchased and received goods from an e-commerce business overseas?

Share of E-commerce Users Who Have Purchased Goods and Services from an E-commerce Business Overseas, by Province

Province	Yes
WP	44%
NWP	12%
CP	10%
SABP	8%
SP	7%
EP	6%
NP	5%
NCP	4%
UP	4%

n = 1,498, respondents who have purchased and received goods from an e-commerce business overseas

Share of E-commerce Users Who Have Purchased Goods and Services from an E-commerce Business Overseas



n = 3,018

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"We believe that e-commerce has a major role to play in the future and therefore will continue to make the right investments in technology, people and processes to ensure we evolve with consumer needs and expectations. Leveraging on the current appetite for adapting all things digital will be key to growing the industry."

**- Mr. Charitha Subasinghe,
President, Retail, John Keells Group Sri Lanka**

"E-commerce is a new and exciting industry that enables brands and businesses to be creative and innovative with how consumers discover and purchase their products. Faster adoption of e-commerce could also eliminate inefficiencies in traditional retail value chains and help businesses be more sustainable."

**- Mr. Dinindu Nawarathna,
CEO, ZigZag.lk**

"E-commerce is significantly important to the health sector in Sri Lanka because it is crucial to improving accessibility to affordable health care. As an e-commerce company that's transforming the health sector, oDoc enables patients to virtually consult doctors and health practitioners, get medicines delivered to their doorstep, and complete lab tests from the comfort of their homes. At oDoc, we aim to make high-quality primary healthcare universally accessible, affordable and personal to all Sri Lankans."

**- Mr. Nabeel Milhan,
CEO, oDoc**

"E-commerce can overcome various market barriers and link consumers and businesses in a much more efficient way than traditional trade and commerce. Because of e-commerce, even those living in the most remote parts of the country can enjoy the convenience, variety, and competitive prices that communities in more urban areas enjoy. e-commerce is also essential to Sri Lanka's economy because it creates more jobs and more opportunities for other businesses and industries like logistics services across the island. It is important for Sri Lanka to develop tech-driven industries like e-commerce to catch up with other countries in the region and diversify its economy."

**- Mr. Mirfaz Mohideen,
Managing Director, Wasi.lk**

"Despite the challenges of global economic headwinds, the South Asian market continues to show incredible resilience. More specifically, the e-commerce industry got a major boost during the pandemic and this upward growth trend is still growing strong. In 2022, the search demand for e-commerce increased in all three South Asian emerging markets – Pakistan, Bangladesh and Sri Lanka; with Sri Lanka having a substantial increase of +19% Y/Y according to Google Trend data."

**- Farhan Siddique Qureshi,
Google Country Director for Pakistan, Sri Lanka,
and Bangladesh**

"E-commerce is an opportunity for businesses to increase customer satisfaction by (a) creating access to products that are customized for individual preferences and (b) enhancing the convenience of product discovery and purchase. e-commerce can also help manufacturers get a real time sense of where consumer demand is shifting - creating scope for increased efficiency in supply chains and new product development."

**- Ms. Sabrina Esufally,
Managing Director, Hemas Consumer Brands**

"The role of digitisation in supporting small businesses and microentrepreneurs in the travel, tourism, and hospitality sector will remain vital, as both private and public sector stakeholders work together to drive economic growth. At Airbnb, we are constantly focused on data-driven innovations that support our community of guests and hosts and allow them to make the most of the fundamental shifts we've seen in travel and living. To further empower small business owners and microentrepreneurs, we will continue to work diligently to grow our community of hosts in ways that allow both individuals and communities to share in the benefits of travel."

**- Amanpreet Bajaj
General Manager for India, Southeast Asia,
Hong Kong and Taiwan, Airbnb**

"The proliferation of e-commerce in post-pandemic Sri Lanka has transformed the way businesses operate. Many MSMEs, including entrepreneurial ventures led by women, have benefitted, especially in the regions that were quick to adopt e-commerce and digital payment methods. However, we can expect this positive impact and trend to be challenged by the prevailing economic crisis in Sri Lanka due to the financial fragility of consumers. To manoeuvre through these challenging times, this report provides relevant stakeholders with key insights and baselines related to Sri Lanka's e-commerce industry. It also provides suggestions for future growth and ideas for a better business enabling environment, which, if implemented, can increase the contribution made by the e-commerce industry to GDP, which broadly stands at an estimated 4.37%, according to Statista. It is clear that there are multiple opportunities that can be unlocked within the e-commerce industry to help the economy bounce back stronger than ever."

**- Ms. Sandra De Zoysa,
Former Chairperson of SLASSCOM and Group Chief
Customer Officer, Dialog Axiata PLC, Sri Lanka**

"As a global organisation with market leadership across multiple categories, Unilever is committed to developing the e-commerce industry in Sri Lanka. In view of this ambition, we have launched www.ustore.com, our direct-to-consumer online platform with our entire portfolio sold under one virtual roof to further equip the industry and induce online shopping habits in our consumers. Our efforts to elevate the local e-commerce industry haven't ended here; the best practices we have gained through our partnerships with global e-commerce leaders such as Alibaba, have enabled us to achieve operational excellence and further enhance many aspects of e-commerce in the country."

**- Mr. Bathiya Dayaratne,
Executive Director, Customer Development,
Unilever Sri Lanka**