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E COMMERCE ADOPTION OF SRI LANKA DURING COVID-19 OUTBREAK CONTEXT: THE WAY FORWARD STRATEGIES FOR ONLINE RETAIL BUSINESSES

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ABSTRACT
2020 can easily be the greatest period of uncertainty and economic volatility the present generation has ever seen. The pandemic has changed buying behaviors. There has been a shift in demand from brick-and-mortar retail to e-commerce fueled by self-imposed social distancing together with the strict confinement measures implemented by the governments. As a result, businesses had to rethink and accelerate changes to how they serve customers and communities. The pandemic challenged the current business norms and paved the way for businesses to be more virtual, and agile—and execute at lightning speeds. Long term digital transformation roadmaps got squeezed into a matter of days and weeks. Businesses had to figure out quick ways to reach their customers essentially overnight and as a result investment in technology to go online soared exponentially. To maximize the investments made in technology its critical to ensure long term use of the technology so that investments become sustainable. To achieve long term use, its critical to deliver an exceptional experience. Loyalty determines business success ultimately. This concept paper explores whether consumers would go back to their old ways of transacting and engagement in the event a vaccine puts the pandemic to a permanent rest. This leaves the tech investments made by businesses in a disarray. The exploration is centered around a combination of established models on technology adoption and behavioral change to potentially help Sri Lankan retailers strategize to ensure long term adoption of their digital version of their business. Ensuring long term use is critical to ensure their investments reap sustainable returns and they strive to foster a long relationship with first time to online buyers.

Introduction

Year 2020 turned out to be a year be that none of us predicted. Sri Lanka is currently going through the most important stage of becoming truly digital. Since the lockdown in March 2020 as consumers have considered transacting online engaging with digital wallets, video calls are being made, even fixed deposits are opened online (CDB bank, 2020).

Businesses are investing millions of rupees into "Digital Transformation" initiatives centered around selling online or upgrading their existing websites, however, do these initiatives pay back the investments in the long term is the question. Most often the investments are made as knee jerk reaction to the environment dynamics such as competition or upon hearing a global success story etc. The response the pandemic was more than just a reaction but a one for pure existence.

Prior to the pandemic era a survey conducted by the consulting firm Bain & Co interestingly revealed that digital investments are among the top priorities. Yet anecdotal evidence implies that leaders are skeptical that they can convert the buzz around digital into meaningful and qualifiable growth. (Bain & Company, 2017)

The Demand Shift: Brick-and-mortar to e-Commerce

The era of COVID-19 is one of the biggest crises in modern history and came as a huge shock for businesses, and people around the world. As people have to stay at home and practice social distancing, many businesses and industries are facing serious issues. On the other hand, the spread of digital technologies and the internet allows humans to still connect and communicate and companies are able to interact with their customers despite being physically distant. The spread of technology further allowed brands to sell their products to their clients and maintain at least partially their business activities. Businesses that tackle this challenging period for setting up a strong digital presence with a long-term perspective will have significantly higher chances to thrive in the post-COVID-19 future.

The COVID-19 pandemic has forever changed online shopping behaviors. There has been a shift in demand from brick-and-mortar retail to e-commerce fueled by self-imposed social distancing together with the strict confinement measures implemented by the government has put a majority of traditional brick-and-mortar retail virtually on hold, at least temporarily.

The world has gone from touch to touchless. The way we live and work, what we value, how and where we buy and think have significantly changed. Would many of these new ways will endure in post-pandemic times is yet unknown. Clearly quantifiable impacts on society were identified in the Covid-19: the socio-economic impact on sri lanka report, published by the Faculty of Humanities and Social Sciences, University of Ruhuna, (Faculty of Humanities and Social Sciences, 2020).

- Seven per cent of the households lost their income entirely while the income loss for the rest of the households is temporary.
- The estimated loss due to economic lockdown is LKR 60,000 per household on average per month.
- Only 6 per cent of the household has fallen to indebtedness due to the COVID-19 outbreak.

As consumers ogle down a potentially approaching recession, there may well be a widespread shift towards more frugal spending. Lockdown situation led the rise savings in two ways. The first category is the voluntary savings people build up to cushion a shortfall in future income due to possible job loss. The second category is the involuntary savings arising due to people not spending or under-spending in a lockdown.Overall consumers concerns are in two folds one being the health perspective and the other being economic (Accenture, April 2020). Consumers are reacting in a multiple way and have diverse attitudes, behaviors and buying habits. Society as a large is contemplating what this crisis means for them, but more importantly, how it impacts their families and friends, and society at large.

Interestingly consumer as per the Accenture survey (Accenture, April 2020) the topmost concern is around the impact on the economy, with 88% of consumers showing concerns, while 82% is concerned on the health of others, exceeding the fear for personal health or one's own job security. The overall lack of consumer confidence portrays a daunting challenge ahead once the economy gets back to its former pristine. Consumer priorities revolve around the most basic needs, while the demand for hygiene, cleaning and groceries skyrocketed, nonessential categories saw a huge slump. (Faculty of Humanities and Social Sciences, 2020)The factors that influence brand decisions are also changing as a "Buy Sri Lankan" trend accelerates. The ecommerce landscape has also seen an influx of new consumers who are making a shift to online for grocery shopping—a shift that is likely to prolong in the post COVID times.

Purchases shift from Online to Offline

The demand for e-commerce has surged due to the COVID-19 pandemic. Much of this new e-commerce activity has been from new users. While new users started moving online, many existing customers struggled to get delivery as usual. The pandemic and consumers have put supply chains of retailers to the ultimate test.Many leading supermarkets and online stores in Sri Lanka struggled to meet the upsurge in online demand. Some hotlines are not working, and many customers find it difficult to get their products delivered. (Abeysekere, 2020)

This lack of system capacity seen across the retail landscape has meant that some new users have replaced existing loyal customers. High-frequency users are now turning elsewhere given challenges with delivery slots—including buying more local brands. This trend is expected to continue post COVID with consumers reporting that the frequency of buying online will increase. John Keells Group, which owns the Keells supermarket chains was one of the companies that quickly started taking orders online and capitalized the trend amidst the initial setbacks of the website going down and fulfilment issues. A quick look at their Investor Presentation for the period of Q4 FY2020 clearly shows over 50% growth in their "Retail" sector which remained closed during the major parts of the pandemic. (keells.com, Q4-2020)

Industry Context: SL Retail where margins are thin and hard to Win

Sri Lankan retailers operate in a very competitive environment and the industry is historically marred by low margins and high turnover, making it a challenging sector, as only the fittest survive. This sector is the most transactional of all industries. All high priority objectives in retail are simply financial and success is pure bottom line. Digital is critical and is revolutionizing retail, where players are constantly looking to optimize business processes and service delivery. This paper factors only on larger retailers who have both brick-and-mortar stores and not the social commerce based small time businesses.

The Sri Lankan retail sector consist of diverse type of businesses such as clothing, footwear, fashion and jewelry, FMCG, consumer durables-commerce, entertainment, restaurants and healthcare and wellness. Sri Lanka's retail sector contributes around 34% to the country's' GDP, 250 million footfall per year and covers 14% of the total employment. In the years of 2016 & 2017 Sri Lanka was ranked 12th (Sri Lanka Retailers' Association (SLRA), 2019) in the AT Kearney's Global Retail Development Index (Kearney GRI Index, 2019)among 30 Countries for potential in retail Investment and growth and subsequently slipped to 18th position in 2019.The index looks 4 key elements MA: Market Attractiveness, CR: Country Risk, MS: Market Saturation, TP:Time Pressure.

Sri Lankan score is highly influenced by Market saturation which means the growth is limited given the population and geographical limits. With limit in scope, the competition naturally intensifies as everyone tries to maintain or extend their respective market share. In a thin margin space, an investment that does not offer dividends will lead to a faster demise

Review of Related Literature

A series of theories are coined to explain the potential acceptance of new technologies and their adoption.A review of these models denote that there exists a gap where a situation like the pandemic was not factored in while theorizing acceptance and adoption simply because such a phenomena could not be foreseen. A few primary metrics related to ecommerce is also reviewed.

1.Theory of Task-technology fit (TTF) (Goodhue, 1995)
Starting from the Theory of Task-technology fit (TTF), where the theory holds that IT is more likely to have a positive impact on individual performance and be used if the capabilities of the IT match the tasks that the user must perform (Goodhue and Thompson, 1995).Thus it could be assumed that if retailers could simply make their brick and mortar store virtual a potential buyer who is quarantined at home should purchase, as it easily matches and aides the task the user intend to perform. This could be the case as choices are limited, but would the behavior continue is questionable.

2.Theory Diffusion of Innovation (DOI) (Rogers E. M., 2003)
Secondly the popular age-old social science theory Diffusion of Innovation (DOI) (Rogers E. M., 2003), developed by E.M. Rogers, explains how, over time, an idea or product gathers momentum and diffuses (or become wide spreads) through a specific population or social system. The end result of this diffusion is that people, as part of a social system, adopt a new idea, behavior, or product.
The key to adoption is that the person must perceive the idea, behavior, or product as new or innovative. It is through this that diffusion becomes possible. Adoption of a new idea, behavior, or product (i.e., "innovation") does not happen simultaneously in a social system; rather it is a process whereby some people are more apt to adopt the innovation than others. When promoting an innovation, there are different strategies used to appeal to the different adopter categories.
Roger identifies 5 categories, and the process starts with the innovator category. These are people who want to be the first to try

the innovation. They are venturesome and interested in new ideas.Rogers was convinced that the adoption of innovations follows a universal process of social change. Though researchers have found that people who adopt an innovation early have different characteristics than people who adopt an innovation later. When choices are limited and when the environment dictates the category definitions become blurry.
Looking at the comparatively newer models such as the evolutional array of technology adoption models leading up to Technology Acceptance Model 3 (TAM3) Venkatesh and Bala (2008) and B.J Fogg Behavioral Model: B=MAP (Fogg, A Behavior Model for Persuasive Design, 2009) and he 9X effect .We can potentially assess whether the adoption of ecommerce be a long lasting and a sustainable one.

3. B.J Fogg Behavioral Model: B=MAP (Fogg, A Behavior Model for Persuasive Design, 2009)
The Fogg Behavior Model shows that three elements must converge at the same moment for a behavior to occur: Motivation, Ability, and a Prompt. When a behavior does not occur, at least one of those three elements is missing. This framework would be useful to assess stickiness to predict long term switch of customers to online purchasing.

4. The 9X Effect (Gourville, 2006)
The 9X Effect is a concept popularized by (Gourville, 2006), a Professor of Business Administration at Harvard Business School.He claims that there's a fundamental problem for companies that want consumers to embrace innovations: While inventors and entrepreneurs are firmly sold on their idea or products and see them as an absolute essential, however consumers are reluctant to let go of what they hold. This conflict creates a gap resulting in a mismatch of nine to one between what innovators believe consumers want and what consumers truly desire.

Innovators are typically in a rude shock as they have to instill behavioral change. Typically, consumers are skeptical of a new type of product or service, however the pandemic forces both existing and new customers adapt to online buying. Deep exploration of this fact should guide online retailers to gain sustainable traction.

A quick under the hood review of Sri Lankan Retail websites

As the pandemic hit, for most retailers the online store became the primary outlet. It's great to see many a retailer making the early switch merely to survive, however the investments in technology were made without carrying out a proper business analysis and mere intuition and faith. While understanding the customer shifts today, business must consider the future too. What the future holds is less known as such, serving the customer of the future requires agility and adaptability. While this being said in times of uncertainty and in a thin margin industry it's imperative the company balances short-term needs against the long-term information systems strategy, even though this may not be the optimal.Conversion rate is one of the key metrics used in the ecommerce landscape to measure a retail website performance (Gold, 2004) Despite the importance of conversion rate, research on understanding and analyzing conversion rate is limited (Ayanso & Yoogalingam, 2009).Load time is the first friction point a potential visitor encounters. As retailers started getting unprecedented increase in traffic site started to crumble. It's critical that your retail website can handle increased volume Broadly speaking companies lost out in 2 major ways. Number one being technology and second being not having native content (Sinhala/Tamil).

Retailers were fast to change and not fast enough to deliver.

Its critical to pick the right technology stack, that delivers an outstanding experience to the customers as they engage with the web properties. Simple review on the load times of the 4 leading supermarkets online stores shows the subpar experience the exiting sites deliver. Google page speed services was used to check the load time. It runs opensource lighthouse framework. Page Speed categorizes a site's performance into 3 blocks: 0–49 Poor, 50–89 Needs Improvement and 90–100 is good. Pagespeed scores of leading emcommecres were below par Glowmark 33, Keells 15,Arpico 12 and laughs super 39 respectively.The load time is the first hurdle a user has to get through Ramsay, J., Barbesi, A., & Preece, J. (1998). User retention becomes poor if the first user experience is poor (econsultancy.com). 75% of web visitors form an opinion about the organization's credibility based on its website design Jacko, J., & Borella, M. (1997).

A deeper analysis revels there are fundamental lapse in the basic components of the website of the 4 big players assessed.

- No content delivery network (CDN) setup to enable faster handling of web requests.
- Not Adoptting simple HTTP-caching methods that improve load times for returning users and reduce server load with minimal code changes.
- Non compressed images and text. Compression can be achieved without compromising visual quality.
- Implementation font-display swap helps customers read site's text, even when the primary font doesn't load fast enough.
- Not deleting unused tags from your tag managers, nor cleaning up bloated CSS and JS code, and deprecated features

Lack of native content

The mostly spoken language in SL is Sinhala and its spoken by other language speakers too. Almost all sites written in English. Only 30% of the Sri Lankan's can read and understand English. Not having content written in native languages significantly reduces the potential reach. This creates the 2nd divide as per the Theory of Digital Divide (Morrisett, 2001)Its very simple "Can't Read, Won't Buy". is a research (CSA Research, 2020) series by Common Sense Advisory underlines the huge importance of multilingual websites for international B2C and B2B — as well as the pitfalls for English-only websites! Some of the findings testify the below. Note: Sri Lanka was not covered in the survey, however this exhibits the probable impact.

- 40% won't buy in another language.
- 65% prefer content in their native language.
- 73% want reviews of products in their language.
- 65% prefer content in their language — even if it's of poor quality.
- 30% of the respondents never buy at English-language sites.
- Another 30% rarely buy at English-language sites.
- 75% of respondents want product information in their native language.

Addressing these 2 elements should improve the conversions significantly and make ecommerce the new normal as the pandemic ends too.

Conclusion

Until a vaccine is found to fight COVID, it is yet impractical to predict consumer behavior as the natural tendency is to preserve cash and as well as avoid human contact. Any investment made should potentially deliver results faster in other words the Time to Value is should be shorter. In that light conducting an evaluation in terms of investment, ease of execution, potential return and the time to return is critical to prioritize and action items accordingly.

The model Fogg Behavioral Model: B=MAP (Fogg, A Behavior Model for Persuasive Design, 2009) discussed under the literature review clearly provides a framework for retailers to understand why some transact and some don't. The website is the first interaction point the customers interface with. As per the earlier review the load times are well below industry standards. When the market return to its normally the new normal will still be old normal. As adoption could decrease due to poor experiences.

Experience Matters: Transcend consumers from Behavioral to Attitudinal.

To maximize the investments made in technology its critical to ensure long term use of the technology so that investments become sustainable. To achieve long term use, its critical to deliver an exceptional experience. Loyalty determines business success ultimately. Acquiring new customers is expensive.It's an absolute necessity even if the market is large enough a high churn rate will hurt the business.

There are two kinds of loyalty—attitudinal loyalty and behavioral loyalty. These are sometimes know as emotional loyalty and intellectual loyalty. (Nick Mehta, 2016) The premise is that there are customers who buy because they have to (behavioral/intellectual) for example the lockdown situation forces them to do so, and then there are customers who are loyal because they love the brand or product (attitudinal/emotional). For a business, the latter is highly preferable for reasons such as willingness to pay a higher price, probability of switching to competition is very low and they are likely to become brand ambassadors. If the overall website experience is poor, achieving attitudinal loyalty becomes just a wish list. By using the BJ.Foggs model retailers can build a framework or workflow that covers people process and technology as a mix to ensure adoption overtime to ensure attitudinal loyalty

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