Sri Lankan consumers and the market

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Abstract

Background

The supermarket industry in Sri Lanka is set out for an explosive growth in the recent years this is with the western lifestyle of modern Sri Lankans where convenience is a key benefit sought after. The traditional grocery store concept has been evolving in to a “Mega Stores” and the heavy discounter concept which carry all the goods shoppers want. If we look at the drivers for the evolution of modern supply chains, or “Modern Trade” they have been persistent in increase demand for value added consumer products, convenience food, beverage, and frozen confectioneries.

Objective

The purpose of this paper is to get a clear idea about Sri Lankan consumers and the market in order to approach new supermarket to the industry.

Methods

Survey questions have been designed after a careful review of related literature. This survey has been chosen because this is the best way to gather and explore about the thoughts, feelings, perceptions and opinions of respondents and also there are other reasons as well such as this is self-administered because of its simplicity, reliability of data and also this reduces the variability in results because of the fixed response questions.

Conclusion

In Sri Lankan context the supermarket industry is becoming very popular and also competitive industry. Therefore, there are many aspects need to be smoothly considered before starting a new supermarket and also the market is very competitive and new strategies will be needed in order to survive and to gain the competitive advantage over competitors. Service quality, reliability, accuracy should be high and also more facilities should be provided. In Sri Lankan supermarkets, mainly non-durable products which are required on daily basis takes the first place. In Sri Lanka, there are no many categories of supermarkets on the basis of social class. Therefore, in one supermarket, there should be many varieties which will be useful for any category in social class. The price should be competitive and here many supermarkets have higher prices and a smaller number of promotions and discounts for consumers. Considering all aspects, it is good to commence operations in Sri Lanka and it would be profitable.

1. Introduction

The supermarket industry in Sri Lanka is set out for an explosive growth in the recent years this is with the western lifestyle of modern Sri Lankans where convenience is a key benefit sought after. (Perera 2006) The traditional grocery store concept has been evolving in to a “Mega Stores” and the heavy discounter concept which carry all the goods shoppers want (Stanton 2007). If we look at the drivers for
the evolution of modern supply chains, or “Modern Trade” they have been persistent in increase demand for value added consumer products, convenience food, beverage, and frozen confectioneries.

“The emergence of supermarkets, urbanization, income increase, high quality retail export markets, high quality bulk procurement, trade agreements, with other countries, increased migration of Sri Lankan citizens and increased female participation in labor force have created a new demand pattern, shifting the focus towards continuous supply of high quality, value added products with improved processing, packaging and labeling” (Samarthuga A 2006 15).

Sri Lanka is an agriculture base country primarily it has 2 million hectares or 30% agricultural land, and almost 75% of the agricultural land is under small holdings and the balance is under estates. Sri Lanka imports 65000 MT of dairy commodities mainly FCMP and diary therefore seen and instrument to replace, and about 70% of the contribution to the livestock subsector comes from chicken, meat and eggs (MOLARCD 2010). This agricultural and farming industries leading to backward integrations with grocery industry which has influence the above “Mega Stores” concept and consumer products FMCG, and convenience food and frozen confectioneries which have shown huge potential in becoming one of the lucrative industries encouraging large corporate players JKH investing in this area.

Keels Super, Cargills Food City, Kings Supper City, Sentra, EH Super Pola, Sunup, Laughs, Crystal, Arpico super are some of the supermarket operators in Sri Lanka while Lanka Sathosa the state operated publics shop is also being revamped and develop to the Mega Stores” concept.

2. Primary And Secondary Data Collection

2.1. Primary data

Primary data will be collected by designing and distributing a survey and it will be a multi-sectioned questionnaire. A sample will be selected and the survey will be carried out with the selected respondents. The survey will be made with structured questions. Required data will be gathered from sample units. This source is very helpful and also this has been accepted as a method for gathering data is suitable for market research to forecast customer base, revenue and expenditure, competitive pressure and sustainability. This research is conducted to know perceptions and beliefs in order to helps in decision making process. Considering the situation in the country, it is better to use online survey because it is safer and the number of responses will also be high due to higher use of internet these days, it will be helpful when processing and representing the collected and stored data. This method is cost effective as well.

2.2. Secondary data

Secondary data will be the published official statistics, report documents (Annual reports of Central Bank of Sri Lanka), journals, commercial marketing research data, search engine results using internet, laws, ordinance, books, articles, online references, periodicals of different domestic and international agencies,
etc. in order to get more detailed knowledge and sustain the research. Those can be government or NGO data. All the data will be incorporated according to their needs with due care and acknowledgements. These secondary data are related to a past period and those data will help to plan the collection of primary data as well. Further, there are many sources which can be used to collect internal and external data. Sales marketing records, product purchasing and usage data, information of customer account, previously conducted research reports etc. can be used as secondary sources.

3. Literature Review

3.1. Supermarket Industry

Today the supermarket industry plays a very competitive role in the marketing field. Everyone wants to broaden their customer base. This industry was initiated in 1980’s but the expansion has taken place from 2000 onwards. “Today, the supermarket industry is at the growing stage of its industry life cycle”, (Wanninayake and Randiwela, 2007). Most dominant supermarket chains in Sri Lanka are Cargill’s Food City, Keills Super and Arpico Super Centre. In addition to those, there are many supermarkets which have facilities such as self service and the supermarket environment and most of them are owned by an individual. “Consumers who regularly shop in supermarkets continue to purchase fresh food at the traditional outlets”, (Goldman, 2000) Retailing can be stated as the most fast-growing industry over the past two decades and it is contributing a considerable amount for the GDP. Now this concept has been achieved by the rural areas as well and they have a new social Lifestyles these days. “The newly acquainted lifestyles of the people require them to seek such services”, (Wanninayake and Randiwela, 2007). There lifestyles are also changing with the time due to westernization and their desire of shopping in a comfortable way. “The modern retail formats can provide this consumer requirement, (Perera, P; 2010)”

3.2. Customer Satisfaction

“Functional relationship between store image attributes and customer satisfaction in the market environment of Greece”, (Theodoridis, 2009). Attributes of stores are very important here because they become the main reason for the satisfaction of the customers. “Smaller grocery stores in Malaysia are seen as offering more personal services”, (Osman et al., 1988). In order to compete with the other competitors, new strategies are needed to satisfy the customer and pricing takes a significant place in that. “Retaining the current customers leads to a gradual increment in the retailer’s customer base and profits gained from the customers grow with the loyalty of them”, (Sirohi et al., 1998).

The quality of service has been seen as a critical for the service firms to position strongly in a competitive environment, (Parasuraman, et al., 1985; Shemwell et al., 1998; Mehta et al., 2000). When larger supermarket leaders are competing with the price, the smaller stores try to increase their service and to attract more customers. “Concentrating on the quality of service is seen as critical in the markets that offer similar products in stores”, (Berry, 1995). This can be seen in many retail stores. The attitude is defined as “a consumer’s overall enduring evaluation of a concept or object, such as a person, a brand or
a service.” (Arnauld et al, 2002) The service quality as “an attitude” is consistent with the views of Parasuraman et al., (1988), Cronin & Taylor (1992) & Sureshchandar et al., (2002).

The physical environment is also very critical for a supermarket because that can be a reason to attract many customers. Nowadays all the health guidelines are important in this environment due to the Covid-19 Pandemic. The physical environment plays an important role in the service encounter of the grocery industry (Keillor, et al., 2004). The importance of physical environment in a service setting is due to its ability to influence consumers attitudes (Koernig, 2003), behavior intentions (Keillor, et al., 2004) and the behavior (Bitner, 1992; Koernig, 2003). The proper layout in a store will reduce a shopper's search time (Sirohi et al., 1998) and the colour combined with lighting was suggested to “affect the consumers' cognitive representation and for an affective reaction” (Babin et al., 2003) and a light and pleasing scent affects the shoppers' perceptions of the shopping environment in which the latter will have a significant effect on shoppers’ mood (Chebat and Michon, 2003). The willingness and the ability to handle a complaint of a customer is also important because it can directly affect the customer satisfaction. According to Brady and Cronin (2001), the retail stores should include the measure of the service quality and product quality, as retail stores offer a mix of services and products.

3.3. Store size

This a very important factor because these days everyone wants to do their shopping in a big store where they can buy everything in one place and that can save their effort and also the time. Smaller stores have been viewed negatively by customers as having crammed spaces, expensive products, product run outs and narrow product range (Uusitalo, 2001). As Moreira, 2003 mentions consumers in Malaysia have many difficulties such as insufficient parking facilities, inadequate stocks, price discriminations, excessive profiteering, getting short-changed in weight of products sold and unsatisfactory service. Supermarkets may take the advantage from parking facilities even though the prices are higher than the regular retail stores because customers want those facilities for shopping. The “personal interaction” and “physical aspects' were the only two important determinants in the respondent’s evaluation of the service quality of a supermarket (Mehta et al, 2000). The size of the physical environment had been seen as a factor for influencing the extent of social interaction between and among customers and employees (Forgas, 1979). The larger stores were perceived as requiring more time and effort due to the extensive walking and searching (Klemz & Boshoff, 2001).

3.4. Price

“Price is the amount of money consumer sacrifices to obtain the product”, Zeithaml (1988). There are two types of prices which are objective price and perceive price. Objective price is considered as the actual price of the product while the perceive price is individual belief of the price with the quality of the product and it was mentioned by Zeithaml (1988). Most supermarkets know their customers’ finances and they make strategies to take the competitive advantage and to keep the customers away from the supermarkets of the competitors. Therefore the price can be seen as the most powerful dimension among the others because it can attract many customers. Retailers devote considerable time and effort to setting
prices and formulating suitable promotion strategies to increase store traffic (Bell, Ho, Tang and Bell 2010). Therefore, it is essential to be careful when creating pricing strategies in order to maximize the profits. Discounts and other kinds of promotions can be seen to attract more customers. There are several discounting reasons including; those short-term sales, moving out-of-date stock, rewarding loyal customers, some discounts, and allowances are forms of sales promotion (Yadav & Verma, 2015).

3.5. Revenue and Expenditure

This can be simply introduced as Revenue management and it is defined as an “order acceptance and refusal process that employs differential pricing strategies and stop sales tactics to reallocate capacity, enhance delivery reliability and speed, and realize revenue from changes in order responsiveness to maximize revenue from preexisting capacity” (Harris & Pinder, 1995). This means “selling the right product to the right customer at the right time for the right price”, (Smith, Leimkuhler, & Darro, 1992). Analysis of data can reveal information such as profitability and patterns of differential demand (Talluri & Van Ryzin, 2004). Segmentation is key to discovering differences in willingness to pay among customers that can then be used to increase revenue (Weigand, 1999). Limiting supply by demand involves using inventory controls. The ability to alter supply by customer segments according to current forecasts of demand is important to effective revenue management (Geraghty & Johnson, 1997).

3.6. Competitive pressure

Competitive pressure can be defined as a drive or need to change in order to keep up with the actions of competitors. The intensity of competition is defined as market factors that affect the level of competition measured by the number of similar companies in the same industry, product competition in the market, resulting in changes in market share from the competition, the level of price manipulation, contractual agreements between customers and competitors, changes in government regulations and policies, intensity price competition, competition product intensity product promotion, and channel distribution (Chong et al., 2005; Subroto, 2015). An interesting study on the degree of competition between different store formats (González-Benito, Muñoz-Gallego, & Kopalle, 2005) presents a model showing the degree of interaction between supermarkets, hypermarkets and discount stores in the Spanish market. The matter of intertype and intratype competition is of great relevance in the current context of economic recession, since retailers are looking for marketing strategies to prevent consumers from switching store formats (Cardinali & Bellini, 2014). The emergence of a new form of competition that goes beyond the traditional boundaries depicts a new market context that is defined as competitive pressure (Ancarani & Costabile, 2009) in order to emphasize a growing competition between different firms or, as far as the retail sector is concerned, between different retailers or different store formats (Cardinali & Bellini, 2014).

3.7. Sustainability

This has become a very important factor nowadays in every field and in supermarket industry the issue has grown at a great pace. Sustainability in retailing is not exclusively related to the own activities of the retail company but also dependent on the behavior of their suppliers (Mefford, 2011; Schramm-Klein, Morschett, & Swoboda, 2015). Consumers are concerned with environmental and ethical issues to a
greater extent and will react negatively especially to unethical behavior by companies (Laroche, Bergeron, & Barbaro-Forleo, 2001; Trudel & Cotte, 2009). Retailers benefit from communication about sustainability activities as it affects both financial and non-monetary performance positively (Schramm-Klein et al. (2015)). Sustainability reporting can be viewed as part of a company's reputation risk management (Bebbington, Larrinaga, & Moneva, 2008). For instance, Cho, Guidry, Hageman, and Patten (2012) revealed that a higher degree of firm environmental disclosure leads to more favorable reputation scores and, thus, mediates the effect of poor environmental performance on environmental reputation.

4. Survey Methodology

Survey questions have been designed after a careful review of related literature. This survey has been chosen because this is the best way to gather and explore about the thoughts, feelings, perceptions and opinions of respondents and also there are other reasons as well such as this is self-administered because of its simplicity, reliability of data and also this reduces the variability in results because of the fixed response questions. Coding, analysis and interpretation is also not more complex than the other methodologies. Likert scale is used to respond for the questionnaire. This questionnaire will cover the aspects in order to get a clear idea about Sri Lankan consumers and market because the validity has already been tested in other contexts. The questionnaire will be distributed through email and the data will be collected through online method.

The total population is all the retail customers in Sri Lanka. There are many supermarkets such as Keells, Cargills, Arpico etc. and they are the leading supermarkets in Sri Lanka. The sample is chosen from those consumers in Colombo District which represents a higher number of Supermarkets in Sri Lanka and the sample is 100 customers. Simple Random Sampling which is a method of Probabilistic Sampling will be used as the sample technique. This technique is used because it will ensure all customers of the population stand an equal chance to be in the sample which avoids the sample bias.

5. Conclusions

5.1. Gender

Based on the survey, 58% of the sample have been female and the others are male and it shows that the current gender ratio as well in Sri Lanka which is 3/5 of the total population are female.

5.2. Age groups

When the age is considered, there are higher number of respondents from age 41-50 years and from 51-60. The least age range is 61 and more. It indicates that many people from age 41-60 years go to supermarket than others and 61 and more old people doesn't tend to go to supermarket and they may have other dependents who take care of them.

5.3. Marital Status
As a percentage 67% of the population are married and it’s 2/3 of the total population and that means many married people go to supermarket rather than unmarried in Sri Lanka.

5.4. Education

Most of them had their education only up to Secondary Level and that means Advanced level Examination in Sri Lanka. That means that many people who go to supermarket haven’t had higher education. When Sri Lanka is considered, most of them have had only up to secondary or primary level education.

5.5. Employment status

64% of the total population is employed while 29% are unemployed and 7% of people are willingly not working for their personal reasons. This shows many people who go to supermarket are employed.

5.6. Sector of employment

When the sector of employment is considered, among the employed 31% are doing private sector jobs and 24% of them are doing public sector jobs. Others are self-employed. That means people who go to supermarkets are doing private jobs mostly.

5.7. Monthly income

Most of them are having an income of Rs. 30,000 to Rs. 50,000 and only a few numbers of people get over 100,000 monthly incomes. That means middle class people are the people who go to supermarket mostly.

5.8. Supermarket

There are many supermarket choices are available for consumers. But Keells super, Cargills Food City can be considered as the most leading supermarkets in Sri Lanka. That’s the reason for this result and most of the people go to those tow supermarkets mostly. Other than them, Arpico Supercentre and Laughs Super have been come to next places. There are other small-scale supermarkets are also available for the consumers and as a percentage it is 13%.

Part II

5.9. Customer Perception

According to the survey highest number of consumers have agreed to recommend supermarket to a friend and that may be because of its varieties of advantages. If a product is out of in the supermarket, they tend to substitute it without going to another store and that may be because of the easiness. But many number of consumers have said that neither agree or disagree for a substitution. That maybe because they have used to use some products for a longer time period and they may not like to substitute with another product. Many consumers have stated that they would rather shop in a large supermarket than a small supermarket and that may be because of the facilities and the offers. Large supermarkets
have many facilities than a small supermarket. Many consumers have stated that would try new products when they first come out. But it is comparable because a considerable number of respondents have disagreed to it as well. Many consumers have mentioned that it is not too many products are out of stock when they shop and that shows the inventory management of the supermarkets is good. Many consumers have agreed for the statement which is trying to save time by buying all groceries at one store and that may be because it is very easy to buy everything from under one roof. Many consumers have agreed that they buy some products which they hadn't planned to. If the products are attractive to the customers, they may buy them even if they did not plan to buy them.

5.10. Location

Many consumers have agreed that the location is convenient and that may be mainly because of the planning. When a supermarket is going to open, location is one of the main aspects which the planners out a high effort to find the right location. If the location is somewhere a many customers can access in a shorter time period, that is convenient for the customers.

5.11 Additional Services

When the first graph is considered, it seems that Loyalty cards are not so beneficial. There are loyalty cards given by many supermarkets but they don’t seem that beneficial for the consumers. Considering the graph in the middle, that seems parking lot is beneficial for almost for everyone. All large supermarkets are with a parking large parking lot and that is advantageous for the consumers. Most of the consumers have agreed that the delivery system of supermarket is effective and nowadays it is very beneficial due to Covid 19.

5.12 Product Quality

Many consumers have agreed that the products are fresh and that may be because of supermarkets have special store procedures to keep them fresh. Considering the second graph, what can be concluded is the durability of the products is not that good. But there are not many durable goods can be found in supermarket and most of them are non-durable. Many consumers have agreed that many varieties are available in the supermarket.

5.13 Facilities

Many consumers have agreed that the interior design of supermarket is pleasant and having a spacious atmosphere and they are happy about it. Consumers have said that the product categories are well displayed and decorated nicely. That is a reason to save their time because otherwise they will have to spend a lot of time in the supermarket to find the products that they are looking for. In supermarkets, the products are well arranged and it is been said by the consumers as well. But about the background music, consumers are not happy about it. They may have not experienced in the supermarkets. According to the
survey results they say that it is easy to find what they are looking for in the supermarket and that may be because of the well arrangement of the products.

5.14 Reliability

About the reliability, most of the consumers have agreed that the reliability of supermarkets is high and they have agreed that the bill is accurate and all clear and also the correct information is displayed about the price signs and discounts.

5.15 Process

Many respondents have said that the check-out counters are not enough for them and also there may not express counters in supermarkets in Sri Lanka and that may be a reason to dissatisfy for the consumers and that may be reason to wait at the counters a longer time. That is clearly can be seen in the last graph. But opening hours are sufficient for the consumers and they are happy about it. Most of the supermarkets are open for more than 15 hours a day.

5.16 Value for Money

About the competitive price, consumers have a neutral insight and the price may not that competitive for the consumers and they little happy about the price and not that much. They are not happy with the promotions and they say that the promotions are not enough for them and also discounts are not sufficient. Supermarkets have some discounts and promotions, but they may not sufficient for the consumers.

5.17 Staff

Many consumers have agreed that the staff is friendly and helpful, but there is a considerable number of consumers have disagreed to that. Main reason can be the variability of staff. Many respondents have disagreed to the statement that the staff is knowledgeable and have quick performance. The staff may not be that knowledgeable about the products and consumers may expect more information regarding the available products in the supermarket.

6. Recommendations

6.1. Overall

In Sri Lankan context the supermarket industry is becoming very popular and also competitive industry. Therefore, there are many aspects need to be smoothly considered before starting a new supermarket and also the market is very competitive and new strategies will be needed in order to survive and to gain the competitive advantage over competitors. Service quality, reliability, accuracy should be high and also more facilities should be provided. In Sri Lankan supermarkets, mainly non-durable products which are
required on daily basis takes the first place. In Sri Lanka, there are no many categories of supermarkets on the basis of social class. Therefore, in one supermarket, there should be many varieties which will be useful for any category in social class. The price should be competitive and here many supermarkets have higher prices and a smaller number of promotions and discounts for consumers. Considering all aspects, it is good to commence operations in Sri Lanka and it would be profitable.

6.2. Customer Perception

Consumers have agreed that they can recommend supermarket to their friends and that means they have a happy experience in the supermarkets and that is very beneficial for them and due to that reason, it is good to start a supermarket chain in Sri Lanka because people will accept the new supermarket in order to fulfil their day-to-day needs. It is good to maintain an inventory management system because if the consumers can't find the product they are looking for, they may try new store in order to buy the product they looking for. The consumers prefer large supermarket and it is good to start a large supermarket because people like them rather than the smaller ones. It is important to have maintain the products management and if not, the products will be out of stock and it will be a disadvantage for the new supermarket because customers want the products they look for. There should be many varieties of products in the supermarket because that can make new products be bought.

6.3. Location

When the location is considered, it is very important because it will be one of the main reasons in order to make profits from the new supermarket. If the location is convenient for the consumers, that will make the supermarket succeed. It is better to have new stores in urban and sub urban areas mainly because there is a high population living in those areas and those population can be targeted. There many aspects should be considered when choosing the right location for the supermarket.

6.4. Additional Services

It seems that even if the loyalty cards are provided for the loyalty customers, they are not that beneficial for them and there should be a plan to make loyalty customers happy because they can make a huge impact for the profit and for the future. That’s why they are very important to keep them within the customer base of the supermarket. When considering the parking facilities, they are very important because now that is needed for everyone and if that facility is not available that will not be good for the supermarket. The other main facility is effective delivery service. That is needed now more than ever due to the current situation. Online ordering and delivery should be handled in a good way.

6.5. Product Quality

It is essential to keep all products new and fresh for the customers. Specially the foods, vegetables and fruits should be fresh. That will attract more customers for the supermarket. There should be many varieties to choose and also the products should be durable and otherwise the consumers may complain about the products and those customers will be lost from the customer base.

6.6. Facilities
The internal environment should be clean and pleasant for the customers and that can make a huge impact on them because that will make them happy inside the supermarket. In Sri Lanka, there are no light music played in the background mostly and that can make the consumers’ mind relaxed. That will make a positive impact. The categories should be well displayed and the products should be found in the right category. The arrangement should be correct and it should be managed well. That will save their time spending in the supermarket and they will find the products which they look for in a shorter period of time.

6.7. Reliability

About the reliability, everything should be reliable for the consumers. The bill should be accurate and clear for the customers and if not, many problems can be occurred. Price signs, discounts and product information should be correct and those should be updated regularly when there is a change.

6.8. Process

In Sri Lanka, the check-out counters are not enough for the customers and that’s why they have to wait on the queues for a longer period of time. A good solution for them is establishing express counters which customers who have bought a smaller number of products can use that counter and they do not want to wait for a longer period of time in the queue. The supermarket should be open for at least for 15 hours a day because it will be convenient for the customers.

6.9. Value for Money

Consumers always want a competitive price and they may go for the lower price for the high-quality products. Price can be the main reason to make profit and that should be well handled. Promotions and discounts can attract more customers for the supermarket and strategies should be created in order to keep them.

6.10. Staff

Staff should be friendly and helpful for the customers and it is very important because that can make them delighted. Customer complains should be well handled. Knowledge about the products and supermarket is very important because customers may ask for help and the staff should be ready to answer them in the right way and if not, they may dissatisfy with the staff. A proper training can make this solved. There should be ways to enrich the staff with the updated knowledge.

Declarations

Competing interests: The authors declare no competing interests.

Figures
**Figure 1**

Gender

- Male: 42.42%
- Female: 58.58%

**Figure 2**

Age groups

- 21-30: 12
- 31-40: 19
- 41-50: 31
- 51-60: 30
- 61 and above: 8
Figure 3

Marital Status</p><p><br /></p>

Figure 4

Education</p><p><br /></p>
Figure 5

Employment status

Figure 6

Sector of employment

Figure 7

Monthly income

Figure 8

Supermarket
Figure 9

<p>Customer Perception</p>

Figure 10

<p>Location</p>

Figure 11

<p>Additional Services</p>
Figure 12

<p>Product Quality</p>

Figure 13

<p>Facilities</p>

Figure 14
<p>Reliability</p>

**Figure 15**

<p>Process</p>

**Figure 16**

<p>Value for Money</p>

**Figure 17**

<p>Staff</p>