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Social Media for
Business:
An Initial Scoping
Exercise for Sri Lanka

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SCOPE OF STUDY

- Initial scoping exercise conducted in 2019-2020 on MSMEs using social media as their primary platform for business
- Scope:
 - Demographics of business owners
 - Regional distribution of clientele
 - Usage of diverse social media platforms
 - Logistics - delivery and payments
 - Regulatory ecosystem



MSMES AND SOCIAL MEDIA IN SL

- Increase in usage of social media platforms such as FB & IG for business
- 6 million active social media users with 30% penetration in SL
- Home-cooks, bakers, designers, event service providers, and other entrepreneurs successfully leverage social media as their primary platform for commerce
- Increased SM usage for business in a post-pandemic world?



METHODOLOGY

- Online survey of social media-based small businesses
- Random online search of pages operating on FB/IG under 3 categories
 - food
 - retail
 - services
- The survey covered
 - basic company and business owner information
 - social media usage
 - payment and advertising methods
 - satisfaction with policy environment
- Sample size - 40 companies, not nationally representative



FIRM & OWNER DEMOGRAPHICS

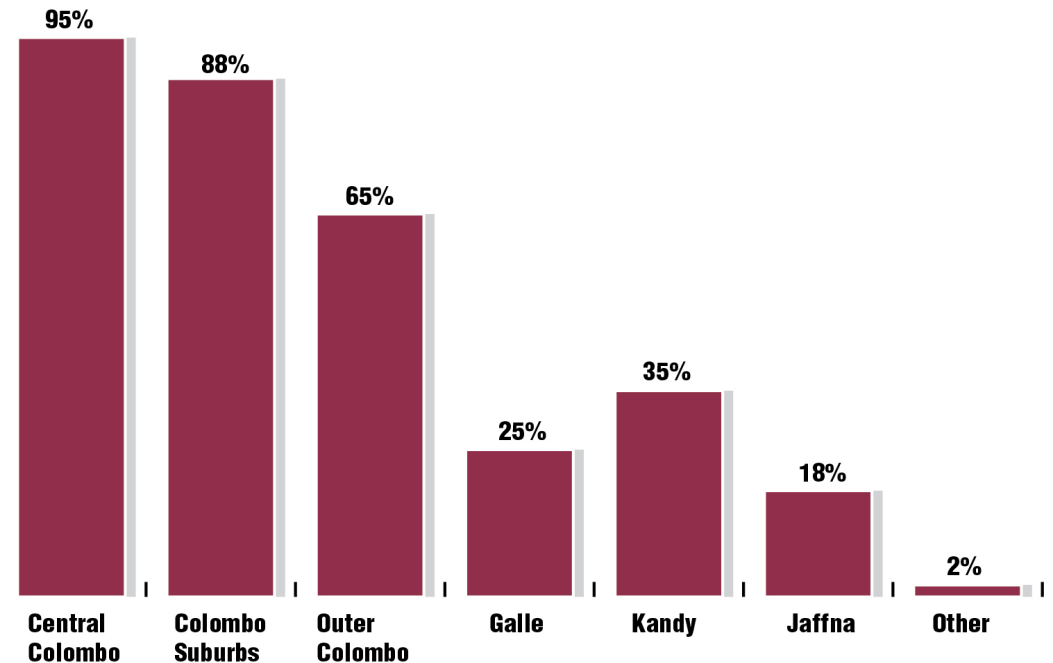
- Firm profile: Run by 1-2 employees, home-based, Colombo-based
 - Retail (52%) Food (30%) and Services (18%)
 - Relatively new establishments - 70% began operations post-2017
 - 70% have only 1-2 employees
 - 75% operate from home as opposed to store front (5%) or office space (20%)
 - Most firms Colombo-based, 11% from outside the Western Province
- Business owner profile: Young, female
 - 70% of business owners are female and 80% in 18-30 age category.
- Mixed levels of formality
 - 60% of companies are informal - not registered with the registrar of companies
 - Reasons for not formalizing - turnover being too small to require registration (40%), administrative constraints/costs (16%)



CUSTOMER BASE

- Although most businesses are Colombo-based, customer base is geographically mixed
- 20-35% of firms had customers from central cities like Galle, Kandy and Jaffna

REGIONAL DISTRIBUTION OF CUSTOMERS



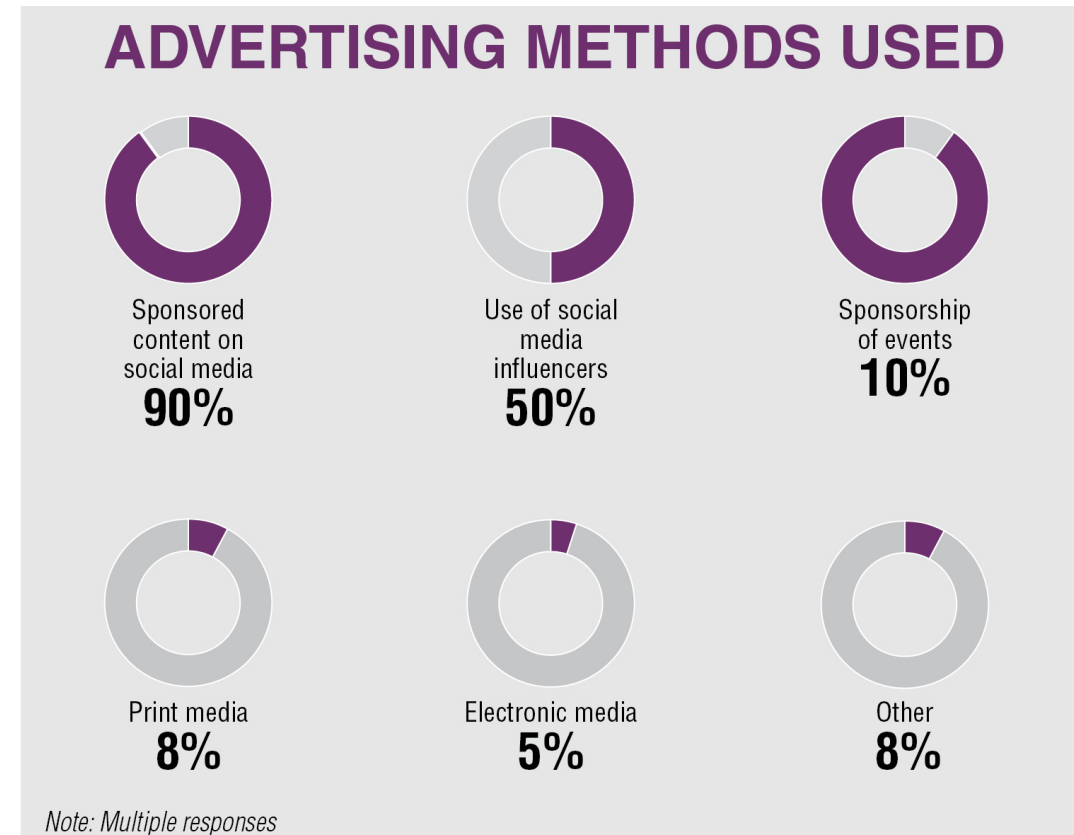
SOCIAL MEDIA USAGE

- 62% of companies don't have a website
- Customer reach through social media alone is sufficient; 100% stated that they exclusively use social media to market products
- Benefit of direct communication with customer to cater to specific needs and curate a product
- Respondents were asked to rank applicable social media from most used (1) to least used (8)
 - Instagram was ranked number 1 platform by 90% and ranked number 2 by the remainder
 - FB less popular than IG; ranked between 1-5 by 70%
 - Platforms outside of FB/IG - WhatsApp most popular, ranked between 1-5 by 70%
 - WhatsApp, Snapchat, Twitter and Website usage is fairly low (expected sample selection)



ADVERTISING

- Traditional media outlet usage (radio/newspaper) low
- High use of influencers and sponsored content



LOGISTICS

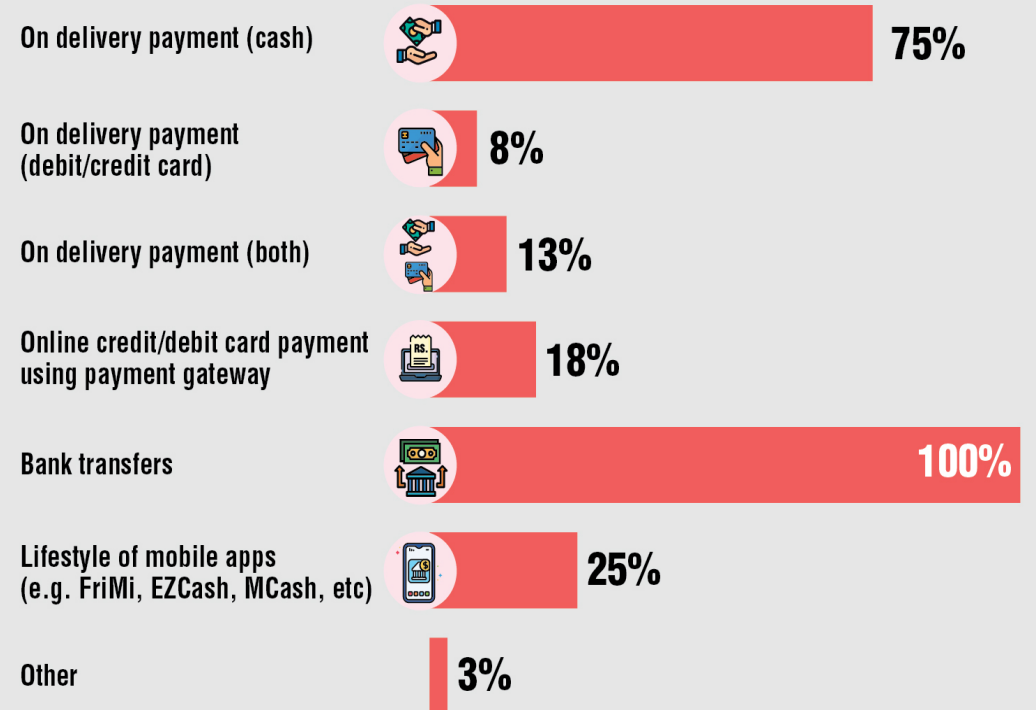
- Delivery

- Majority outsourcing to external delivery services
- Customer pick up also popular
- Have newer delivery services such as Uber Eats/PickMe increased demand for products? Only 13% agreed

- Payment methods

- 100% offer bank transfer option - customers transfer advanced payment to confirm order
- Cash on delivery (75%) and limited card payment facility on delivery
- Only 17% provided facilities to make online card payments through a payment gateway

PAYMENT METHODS USED



% of sample

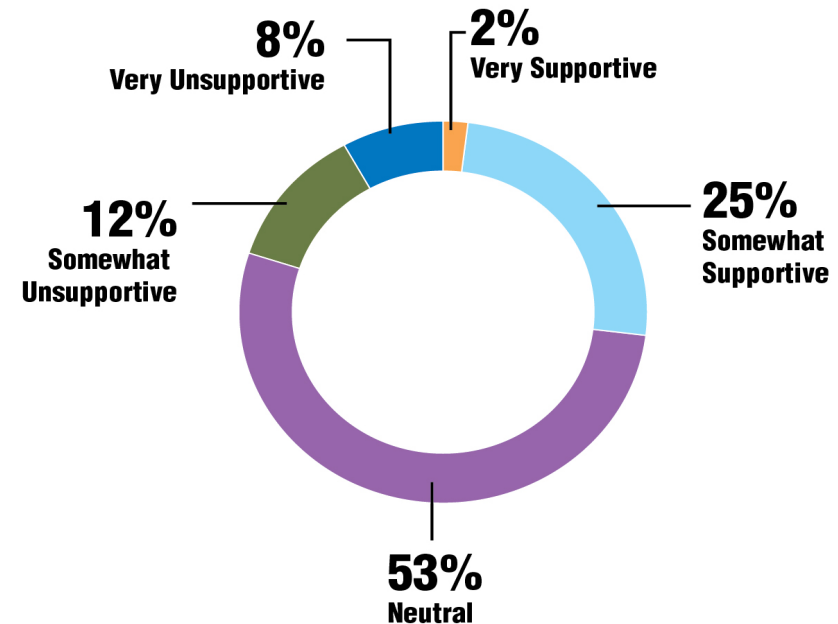
Note: Multiple responses



POLICY ECO-SYSTEM

- Only 27% believed that the current policy framework is supportive of small online-based businesses
 - Ad-hoc policy shocks such as social media blockades – 40% sales reduction
 - Absence of effective legislation to protect the interests of both the business and consumers
 - Import restrictions

OPINION ON CURRENT POLICY SUPPORT FOR SMALL ONLINE-BASED BUSINESSES



TAKEAWAYS

- Social media businesses in SL are predominantly young and female led – important in SLs context of low female labour force participation
- Most businesses are concentrated in Colombo but have a regional customer base
- Logistics/infrastructure must expand to allow for more efficient and customer-friendly payment/delivery services



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