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

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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
  o food
  o retail
  o services

• The survey covered
  o basic company and business owner information
  o social media usage
  o payment and advertising methods
  o 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
  o Retail (52%) Food (30%) and Services (18%)
  o Relatively new establishments - 70% began operations post-2017
  o 70% have only 1-2 employees
  o 75% operate from home as opposed to store front (5%) or office space (20%)
  o Most firms Colombo-based, 11% from outside the Western Province

• Business owner profile: Young, female
  o 70% of business owners are female and 80% in 18-30 age category.

• Mixed levels of formality
  o 60% of companies are informal - not registered with the registrar of companies
  o 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
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**

- On delivery payment (cash): 75%
- On delivery payment (debit/credit card): 8%
- On delivery payment (both): 13%
- Online credit/debit card payment using payment gateway: 18%
- Bank transfers: 100%
- Lifestyle of mobile apps (e.g. FriMi, EZCash, MCash, etc): 25%
- Other: 3%

*Note: Multiple responses*
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

**Policy Eco-system**

**Opinion on Current Policy Support for Small Online-based Businesses**

- 53% Neutral
- 25% Somewhat Supportive
- 12% Somewhat Unsupportive
- 8% Very Unsupportive
- 2% Very Supportive
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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