AN ANALYSIS OF CHALLENGES &

CONSTRAINTS FACED BY THE

BUSINESS TO CONSUMER (B2C) E-COMMERCE

RETAIL INDUSTRY IN SRI LANKA

By

D.S. Lekamge

The Dissertation was submitted to the Department of Computer Science & Engineering of the University of Moratuwa in partial fulfillment of the requirement for the Degree of Master of Business Administration.

$\dfrac{004 \text{ "}08\text{ "}}{004\,(043)}$

Department of Computer Science & Engineering

University of Moratuwa

93342

December 2008

TH

DECLARATION

"I hereby declare that the work included in this dissertation as part or as whole, has not been submitted for any other academic qualification at any other university or institute. The material included in this document contains the findings of the researcher and elsewhere, abstracts of previous publications where references are provided accordingly."

.......D.S. Lekamge........   ....02/02/2009.....

Dinali Subodani Lekamge   Date

Approved by:... *UOM Verified Signature*   02.02.200)

Dr. Lanka Udawatta   Date

Department of Electrical Engineering

University of Moratuwa

i

ABSTRACT

Electronic commerce is an extensively discussed topic worldwide. Over the years, its popularity increased through many of the success cases. Consumers found it as a convenient, efficient and less time-consuming method to purchase products. Sri Lanka is rather new to the concept of electronic commerce, especially in the Retail industry. Currently few sellers provide purchasing online. However, the revenues generated by these online sales are insignificant compared to the sales generated at its relevant physical store. Though there have been an increase of online sales over the years, still it has not reached a up to a significant level. Therefore, this study is to analyze the reasons behind low B2C e-commerce penetration.

The main objective of this research is to investigate the reasons that prevent consumers from purchasing online. Further, it investigates the challenges and constraints faced by the organizations that are already into B2C e-commerce and to identify the type of products that has a higher demand to be sold online in the local context.

A conceptual framework was designed which consisted of seven independent variables and one dependent variable the "B2C e-commerce usage". Through the use of a questionnaire, data was gathered for these variables. As local sites have consumers living within Sri Lanka and consumers living overseas, two separate questionnaires were prepared to match each segment. Several leading online sellers were interviewed to gather data from the organizations point of view.

The research findings revealed that internet usage and IT literacy rate could no longer be considered as a challenge or constraint towards the usage of e-commerce. While credit card usage, security & trust and user-friendliness remains as constraints, guarantee of delivery and reputation of the seller seems to be challenges to increase online sales.

ACKNOWLEDGEMENT

I sincerely thank Dr. Lanka Udawatta, Department of Electrical Engineering for being my supervisor and guiding me through out the project.

My sincere gratitude and thanks goes out to Ms.Visaka Nanayakkara, Ms.Nishani Perera and Dr. Chandana Gamage for the guidance and support given through out the course to make this MBA a success. Further, I would like to thank the members of the Department of Computer Science & Engineering for supporting us in every possible way.

I take this opportunity to thank my family, colleagues & friends for bearing with me the hardships that I encountered during the past two years, for their patience, kindness & encouragement, which kept me going until the end.

Finally yet importantly, I would like to thank all the consumers who participated in my survey and the department heads of the companies that I visited for sparing their valuable time to provide information to make this research a success.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES