

**CRITICAL SUCCESS FACTORS OF
E-COMMERCE IN
FASHION & LIFESTYLE DESIGN RETAIL
INDUSTRY IN SME
IN SRI LANKA**

“A Case study Analysis on No-limit Corporation”

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CRITICAL SUCCESS FACTORS OF E-COMMERCE IN FASHION &
LIFESTYLE DESIGN RETAIL INDUSTRY IN SME IN SRI LANKA

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ABSTRACT

The main purpose of the research is to study the critical success factors for e-commerce in Sri Lankan SME's. Mainly there are four questions addressed in the study: 1). what are the critical success factors of the selected company relevant to all companies engaged in e-commerce in Sri Lanka. 2). what are the key requirements that all e-commerce companies must follow in order to enter the industry? 3). what is the e-commerce model of selected company? 4). what is the company's business past business performances? The investigation was conducted through a case research and observation study methodology. Most significant company for the topic of the research Nolimit Corporation who has recently engaged online retail business in Sri Lanka has been selected for the case study. Firstly, critical success factors for e-commerce in Sri Lanka are identified and discussed. And then the importance of the SME scale business in Sri Lanka are identified and discussed. Next, the researcher presented the observation study on the application of past and current online shopping store of Nolimit.lk's business. Finally the above four research questions have discussed in order to the results of the case study. Core finding of the research is that Trust worth online website, Competitive Pricing strategy, Availability, major product categories, Customer Retention, Multi-Channel Marketing, Branding and Online Shopping cart Experience are the more influencing factors which are determining the success of an e-commerce application in selected fashion & lifestyle design retail industry in Sri Lanka. Conclusion of the research is that while the 30 to 40 year-old age groups had the largest online purchasing power in Sri Lanka, they do traditional way of purchasing and had not yet embraced the online shopping for fashion design and lifestyle products. But we still can be expecting today's teenager group to become the major Internet buyers in a few years.

CHAPTER 01

Introduction

Even though the Internet has existed for several decades, electronic commerce (e-commerce) has become a reality only with the development of the World Wide Web (WWW) and its associated technologies (Napier et al., 2001). E-commerce has been defined as the process of buying, selling, transferring, or exchanging products, services, and/or information via computer networks, including the Internet (Turban et al., 2004). In increasing level of sophistication, the company can use the internet to manage information and integrating electronic commerce into reengineered business processes (Mirchandani et al., 2001, Piturro, 1999). Clearly, the arrival of electronic commerce to the world of business has facilitated a shift from the mass labor paradigm of past decades to a knowledge worker paradigm that is likely to dominate the economy for the future (Mirchandani et al., 2001). Among the benefits to organizations, it has been suggested that e-commerce can reduce the cost of doing business, improve product quality, reach new customers or suppliers, and create new ways of selling existing products (Chaudhury and Kuilboer, 2002, Napier et al., 2001, Salerno, 1985, Schneider and Perry, 2000). These benefits can be achieved in both small and large companies (Huff et al., 2000). E-commerce can be an important source of competitive advantage for most business organizations, especially small and medium sized (SME) businesses.

Objective of Study

Sri Lanka is one of the developing countries that have begun to utilize Internet since 1998. The widespread use of Internet makes Sri Lanka to appear as a country with the highest percentage of Internet usage in Middle East. The rapid growth of IT in the world puts pressure on Sri Lankan government to make more informed decisions about IT investments. In 2000, the government of Sri Lanka defined the Sri Lanka Information and Communication Development Program (SICDP) to advance IT development in Sri Lankan organizations. This initiative was intended to help Sri

Lankan SMEs become more aware about IT improvements, in general and e-commerce, in particular. Doing business with international partners, having access to more national and international customers and becoming familiar with the advantages of using Internet in business processes, all resulted in the advent of e-commerce in Sri Lanka. Also due to regional strategic importance of Sri Lanka in Middle East, using e-commerce will give Sri Lankan SMEs the opportunity of gaining more benefit through its international business.

Therefore, there is a need to have an e-commerce adoption model which can examine the factors that influence e-commerce adoption in Sri Lankan SMEs. In order to do so Grandon and Pearson e-commerce adoption model is applied in Sri Lankan context (Grandon and Pearson, 2004). Grandon and Pearson's model represents a fusion of two independent research streams: the strategic value of certain information technologies to top managers and factors that influence the adoption of e-commerce in SMEs. In addition, they also investigated the casual relationship between factors of perceived strategic value and factors that influence the adoption of e-commerce.

Background and Research Problem

In the case of Sri Lanka Information Technology is vital like other resources such as man, money, material, machinery and methods. Without information technological system an organization can not function in the competitive market. We can easily say that the optimum level of IT usage in business is calling E-commerce. On the other hand SME's are very important to Sri Lankan economy because comparing to large scale of industry the SME has contributed a lot to GDP of Sri Lanka.

This research project focuses on the adoption of e-commerce in Sri Lankan SME's active in IT industry and aims to test the Grandon and Pearson e-commerce adoption factors, adding a new variable from Sutanonpaiboon article (Sutanonpaiboon and Pearson, 2006) to their model and finding some other indicators influential on e-commerce adoption.

Thus the research problem for this study can be as follows:

1. What are the critical success factors relevant to all companies engaged in e-commerce in Sri Lanka?
2. What are key requirements that all e-commerce companies must have in order to enter the industry?

E-Commerce in Sri Lanka

The number internet users of Sri Lanka are growing in double digits. Currently, nearly four million Sri Lankans have access to the internet (World Bank development indicators, 2013). The growth in internet penetration has been impacted by mobile penetration and the access of relatively affordable data and smart phones in a big way. Sri Lankans are using the internet to purchase online is also on the increase thanks to increases in credit cards circulation and systems such as cash on delivery (COD) for goods purchased online being implemented (www.takas.lk was the first online portal to introduce COD in the SL market).

The current retail market in Sri Lanka stands at approximately US\$ 7 billion (calculated with the household expenditure index), while the e-commerce market has very small share, at US\$ 25 million. This retail industry is expected to grow at 60% for the next five years and be one of the fastest growing markets in Asia (E-commerce in Sri Lanka, 2013). We can expect the same here in Sri Lanka since the retail markets are quite similar. In addition to this, the internet penetration in Sri Lanka is higher than other south Asian countries. At the same time, the average income of Sri Lankans is higher than that of India; this will drive e-commerce up to a stronger position. Since the retail market is expected to increase with huge percent, I am choosing a company (www.nolimit.lk) which is committed with fashion style retail market in Sri Lanka for my case study of the research.

Critical Success Factors for E-Commerce

For the purpose of succeed in the e-commerce the ventures must meet some business requirements and in order to have competitive advantage they must committed to e-commerce to meet the needs of their customers. The concept of critical success factors (CSF) was originally found by Rockart, (1979) according to his argument CSFs is the

function in which things must go correct to ensure the successful competitive performance for an organization in a market. According to the findings of previous researches critical success factors for e-commerce are depending on the internal factors such as organizational readiness, financial abilities and external factors such as country's economic growth, infrastructure and political pressures.

Identified Risk of SME's in the adoption of E-Commerce

This research is talking all about the benefits and effective outcome of the Adoption of E-commerce in SME's in Sri Lanka. On the other hand there are no of barriers behind the adoption of e-commerce, Such as;

- **Increasing Cyber-crimes** – Threats from Hackers
Suggestion of Solution: Better to employ IT intelligent people to the company due to secure the server and other Systems, Purchase the highly secured firewall system and anti spyware virus guards to whole system.
- **Huge Initial Cost** – Cost of Hardware and Software
Suggestion of Solution: Better to outsource all of the IT architecture to the company which is providing cloud computing services. It has zero initial and maintenance cost for the company, in addition to that it is highly secure rather than normal connection.
- **Increasing Competition** – SME's are fear to enter the global market due to high level of competition.
Suggestion of Solution: Company has to employ the marketing and research development intelligent in order to do a feasible market research to capture and create target market and own market segments for the company. And also by adopting the business to e-commerce they can focus on reducing cost and also increasing the quality of their products and services, it will lead them to face lower-cost and quality competition all around the world.

Expected Research Outcome

I hope the findings of this research project will help in understanding the theoretical constructs framework in the adoption of e-commerce in Sri Lankan fashion and lifestyle industry. In practice, the findings will assist managers in understanding the key factors which influence e-commerce adoption in their firms and as a guideline can help them to make informed decisions about e-commerce adoption. To find out how Sri Lankan retailers is capable for the E-commerce application. And the output of the research will be helpful to many group people (Managers, Investors and employers of retailers to find new opportunities which are located in Sri Lanka.

CHAPTER 02

Literature Review

This chapter concludes a discussion of critical success factors (CSFs) for e-commerce in SMEs in Sri Lanka. This chapter describes some key things literarily in order to understand the key questions such as what is e-commerce, how the internet usage influencing in e-commerce, what are the findings of previous studies on this issue and finally how Sri Lankan SMEs are capable for the adoption of e-commerce. Nowadays almost everywhere in the world, the business companies (specially SME's) are regularly looking for effective ways to reduce the expenses and save money, either by using their existing resources to be more productive or by cutting down costs, but without possibly losing any services that they rely on. Here e-business make that dreams come true. There are number of previous studies on this topic e-commerce adoption in developing countries specially SME's. Among the studies that have focused on technology adoption, only a few have been devoted to the adoption and use of e-commerce in small and medium sized enterprises (SMEs) (see for example, (Grandon and Pearson, 2004, Mirchandani, 2001, Riemenschneider, 2003). It is generally accepted that SMEs play an important role in the economies of their countries. Although there are many potential advantages, the adoption of e-commerce by SMEs remains limited, since small and medium enterprises (SMEs) have different characteristics from large enterprises.

There are a lot of previous studies on this e-commerce adoption and its benefits to the SMEs. SMEs perceives number of benefits by the adoption of e-commerce on their day to day activities. Findings of those researches have giving various benefits. Especially "Accessibility to new customers and market places"; this benefit had been identified by number of studies such as Poon & Swatman (1997), Abell & Limm (1996) Sparkes & Thomas (2001), Raymond (2001), and Quayle (2002). And another common benefit is; "Reduced production costs" this benefit had been identified by Poon & Swatman (1997); Abell and Limm (1996). In addition to that "reduce lead time", "increased sales" and "improved the quality of information" have been found by Abell & Limm (1996).

According to Seyal and Rahman (Seyal and Rahman, 2003), the characteristics of SMEs include small management teams, strong owner influence, lack of staff in specialized areas like information technology (IT), multifunctional management, limited control over their business environment, limited market share, low employee turnover, a reluctance to take risks, and avoidance of sophisticated software or applications. Due to these differences, SMEs have a slower technology adoption rate and more difficulties realizing the technology's benefits than large enterprises (Poon and Swatman, 1999). According to (World Trade Organization-WTO, 2013) E-commerce has been hailed by many as an opportunity for developing countries to gain a stronger foothold in the multilateral trading system. But SME's of these developing countries are not always willing to use ICT as much as possible due to highest installation costs. A study by the United Nations Conference on Trade and Development (UNCTAD) has shown that SMEs, while generally lagging in ICT, have the most to gain from increases in productivity thanks to e-commerce (WTO, 2013). SMEs, however, actually run the risk of missing opportunities in both productivity and profitability by not engaging in e-business. SMEs also have a large role to play in the economies of developing countries because it is these same countries that have the greatest potential to benefit from e-commerce.

Critical Success Factors (CSFs) of E-commerce

There are lots of studies for analyzing the critical success factors of e-commerce in developed countries. But there is a lack of researches of CSFs for e-commerce in developing countries. CSFs for e-commerce of developed countries are might not be same to the CSFs for e-commerce in developed countries. Using the terms of critical success factors, as key success factors or simply success factors, the majority of researches in this area identified factors that influences the success of e-commerce based on the researchers own view and their experiences. Keh and Shieh (2001) studied the critical success factors for e-commerce in online grocery retailing industry and Phan and Stata (2002) studied the critical success factors of e-commerce of Intel. There are various other researches have been conducted to identify the the CSFs for e-commerce for various industries. For the purpose of the research I have collected almost 08 researches which are significantly related to the focus of my research. Table

2.1 describes the previous studies and findings on the critical success factors for E-commerce below.

Table 2.1: Previous studies and findings on Critical Success Factors for E-Commerce

Auth	Critical
1. Mahajan et al. (2002)	<ol style="list-style-type: none"> 1. Offline experience (domain knowledge) 2. Do not rely on alliances' domain knowledge 3. Integrated multiple channel approach (offline and online)
2. Keh and Shieh (2001)	<ol style="list-style-type: none"> 1. First mover advantage 2. Access to capital 3. Strategic alliance 4. The right website 5. Superior service 6. Value-added information 7. Warehouse/logistic structure 8. Differentiation through niche
3. Feindt et al. (2002) & Chappell et al. (1999).	<ol style="list-style-type: none"> 1. Content 2. Convenience 3. Control 4. Interaction (Individual relationship building) 5. Community (Group relationship building) 6. Price sensitivity 7. Brand image 8. Commitment (Commitment and support from top management in term of strategy, plan and implementation) 9. Partnership 10. Process improvement 11. Integration

<p>4. Godenhielm (1999)</p>	<ol style="list-style-type: none"> 1. Create a smart strategy 2. Testing your strategy 3. First mover advantage 4. Brand promotion 5. Partnership 6. Capital investment 7. Human resources 8. Outsourcing 9. Customer focus
<p>4. Rogers (2001)</p>	<ol style="list-style-type: none"> 1. Strategic goals assessment/customer needs assessment 2. Create a usable, targeted and sticky web site 3. Integration 4. Innovate with web application and real-time transactions 5. Partnerships 6. Put tools in place to keep learning
<p>5. Duffy and Dale (2002) (Key processes in e- commerce)</p>	<ol style="list-style-type: none"> 1. Order fulfillment 2. Revenue generation/collection 3. Financial control 4. IT/Web changes 5. Business processes 6. E-integration 7. Order generation 8. Call center integration 9. 24/7 operation 10. Consumer behavior

6. Cronin (2001)	<ol style="list-style-type: none"> 1. Providing values for all parties involved 2. Protecting proprietary information 3. Optimizing existing relationships 4. Generating real return on investment 5. Support complex business transactions and financial management Requirements
7. McKinsey & Company, CAPS Research (2000)	<ol style="list-style-type: none"> 1. Value creation 2. Delivering lasting impact (through improving supply chain) 3. Differentiating through knowledge (value content based on unique management knowledge)
8. Phan, D.D. (2003), and Phan and Stata (2002)	<ol style="list-style-type: none"> 1. Further strengthened its existing strategic position with value chain partners 2. Use e-business to complement its competitive strategy 3. Support from top management 4. Focusing on quality of (Internet) connections 5. Providing worldwide support and customer training 6. Deploying the best security protections 7. Building and maintaining solid e-business architecture 8. Tailor to customer's needs 9. Avoid unfamiliar market and risks 10. Follow conservative and traditional management principles 11. Deliver personalized web content

According to Chappell et al. (1999); several community building practices by providing communication technology between members, building communities around specific target groups, and assigning category facilitators to look after them.

Relationship is not only keeping the customers loyal, but also plays as an enabler of the e-commerce system. An e-marketplace involves highly complex supply chain, operating producers, rules and contractual agreements have to be there among parties such as distributors, suppliers and dealers. In addition to that there should have a mutual trust between groups, without trust, there cannot be an effective communication among the participant, it will cause to an e-marketplace failure. Another important factor that would be determining the success of e-commerce is first mover advantage. Keh and Shieh (2001) and Godenhielm (1999) it was believed by many that being first to claim ownership of a particular web space was considered crucial to the success of e-commerce because the first mover can gain brand name recognition. And there are some other success factors which are influencing on e-commerce adoption such as convenient, value creation, control and creating smart strategies which had been identified by many researchers. This research will be mostly focus on the sense of first mover advantage and convenient for both parties sellers and buyers, since the area of the research is the SMEs of the developing country Sri Lanka, still in the introduction stage in the B2B and B2C e-commerce activities.

CHAPTER 03

Overview of E-commerce & SME's in Sri Lanka

SMEs in Sri Lanka

Small and medium Entities (SMEs) contributed substantially to the economic growth of any country. Entrepreneurs of SMEs play a major role in economic and social development and they are the economic drivers. It is a global understanding and a duly recognized fact that the SME sector is a major contributing source to emerging economics.

Table 3.1: SME sector contribution to various economics

Country	ESTABLISHMENTS (%)	EMPLOYMENT (%)	GDP (%)
Sri Lanka	80 – 90%	Above 70%	Above 70%
Japan (2006)	99.7	69.5	55.3
Singapore (2007)	90	56	42
Malaysia (2006)	99.2	56	32%

Source: Chandaria, M. 2007, Small and Medium Enterprise Workshop, Nairobi.

According to the above table 3.1 Sri Lanka has 80% - 90% SMEs establishments comparing to some other Asian nations it is just low, but it contributes over 70% to the employment and GDP as well while Japan, Singapore and Malaysia has more than 90% SMEs establishments and its contribution to the GDP was significantly lower than Sri Lanka. This clearly says that SMEs of Sri Lanka had been contributing substantially to the economic growth of Sri Lanka.

Internet usage

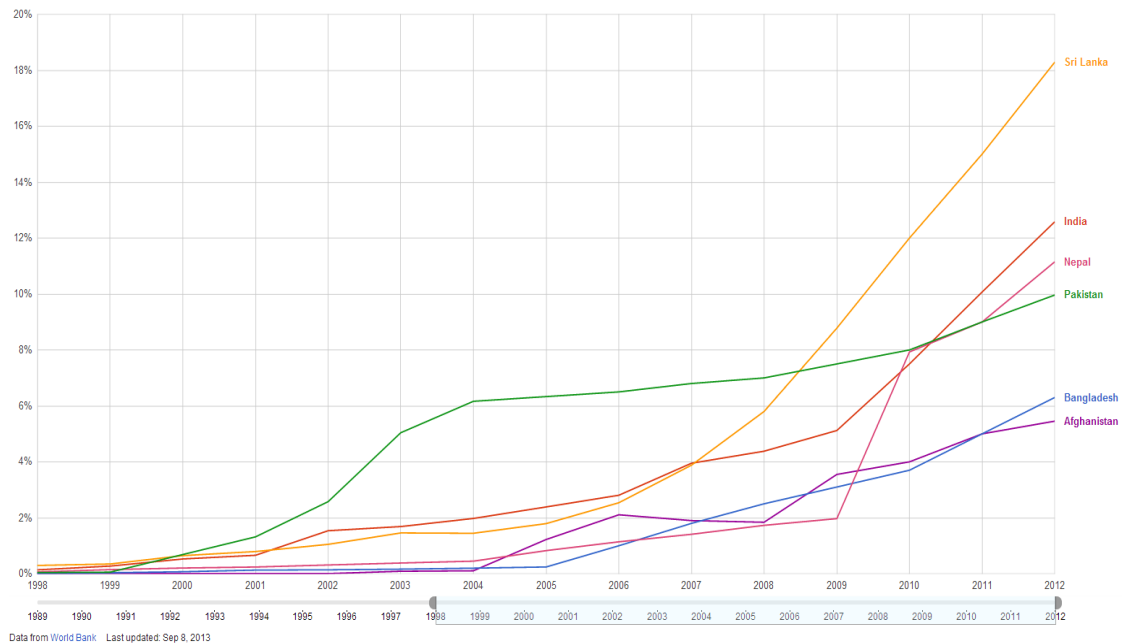
The United Nations Conference on Trade and Development reported the continuous growth of Internet use in developing countries. At the end of 2003, nearly 676 million people (or 11.8 per cent of the total population of the world) had access to the Internet.

This represents an increase of 49.5 million people or 7.8 per cent compared with the figures at the end of 2002. Developing countries account for more than 36 per cent of all the Internet users in the world and their share in the Internet population of the world grew by nearly 50 per cent between 2000 and 2003 (*E-commerce in Developed Countries*”, 2004). This represents a huge future opportunities for SME’s of developing countries. In terms of total e-commerce value, UNCTAD reported that the value was around \$120 billion in 2003 or 5.7 percent of total world e-commerce sales (*E-commerce and Development Report*, 2004).

Internet usage in Sri Lanka

The internet was first introduced in Sri Lanka in 1995, but penetration remained low for many years. More than Eighteen percent of the population had access to the internet in 2012, up from 2.9 percent in 2006 (World Bank Development Indicators, 2013). Government expenditure and private investment in the information technology (IT) sector has gradually increased, leading to the implementation of several projects for the development of an island-wide telecommunications infrastructure it is called “Nenasala Project”. In July 2011, it was announced that WiFi zones would be established with a focus on providing internet access in schools, government buildings, and public transport areas (FREEDOM HOUSE, 2012). The Internet users have been increasing rapidly in Sri Lanka, World bank has reported that the number of internet users in Sri Lanka is nearly 4 Million (3,927,948) in 2012, according to its development indicators report published in 2013. It is more than 18.3% of total population (World Development Indicators, 2013), which is significantly greater than other south Asian Countries such as India, Pakistan, Bangladesh, Nepal and Afghanistan.

Graph 3.1: Internet Usage among south Asian countries 2013



Source: World Development Indicators, 2013

According to the graph 3.1, Sri Lanka is in top level with 18.3% which means more than 18% people are using the internet of total population. It shows a significant improvement over last five years since 2007 and overtook its neighbor countries India and Pakistan.

E-Readiness Sri Lanka

Information and Communication Technology (ICT) remarkably changed the way people live and work today. Many e-commerce ventures in Sri Lanka have been very successful these days. Since Sri Lanka is right in front in the list among south Asian countries of e-readiness of developing countries in Asia and Pacific region.

Table 3.2: E-Readiness Scores and Ranks of Developing Countries in Asia and the Pacific in 2012 and 2013 (of 60 countries)

2013 E-readiness Ranking (of 60)	2012 Ranking	Country	2013 E-readiness Score (of 10)	2012 Score
16	21	South Korea	7.80	7.11
33	32	Malaysia	5.50	5.50
42	46	Thailand	4.22	3.86
44	42	Sri Lanka	4.13	4.0
46	43	India	3.95	4.02
47	49	Philippine	3.93	3.72
50	51	China	3.75	3.64
53	52	Indonesia	3.31	3.2
56	56	Vietnam	2.91	2.96
57	57	Pakistan	2.74	2.78

Source: (*The E-Readiness IBM, 2013*)

According to the table 3.2 Sri Lanka stands 42nd position out of 60 selected countries located in Asia and the Pacific region ranked by IBM. Comparing the other south Asian countries Sri Lanka stands at the top position and comparing to the scores which is given for Sri Lanka between 2012 and 2013 it is increasing from 4.05 to 4.13 out of 10. This clearly tells that Sri Lanka is becoming such country which is capable for the e-commerce adoption.

E-commerce development in Sri Lanka

While the number of Sri Lankan internet users have been increasing rapidly and E-readiness of Sri Lanka has also been improving during past few years showing that it has been moving toward a correct direction of e-commerce development, but the e-commerce development in Sri Lanka is still in the introduction stage compared to the developed countries such as USA and UK. This cause many reason and affect by various factors such as underdeveloped infrastructure for the e-commerce, culture deviation, business practices and finally the economics of Sri Lanka. These factors create the different business environment for e-commerce comparing to those developed countries. Despite this fact, currently many e-commerce ventures in Sri Lanka have successfully developed e-commerce business strategies that fit their existing infrastructure, business practices, culture variations, resources and rules & regulation. This will raise a question that “What is making e-commerce ventures successful in Sri Lanka?” by comparing at the growth of internet usage and e-

commerce with other developing countries located in South Asian region. Answering the questing would be another research but intent of this thesis to identify the factors that influencing on the success of e-commerce in SME in Sri Lanka.

Definition of E- Commerce

There are several definitions for e-commerce proposed by academicians. Normally most of the people define that the term of e-commerce simply includes the shopping on the internet. If we take a look academician definition, e-commerce encompasses not only buying and selling, but also it concludes various processes such as brand development, advertising, delivery of information, products and services, organizing online payments, providing customer the information before and after sale, collaborating with business partners and using the online and cloud services to organize the day to day activities in order to enhance the productivity within the organization and achieve the internal goals (Daniel and Myers, 2000).

Table 3.3: Elements of Traditional Commerce

On Seller's side	On Buyer's side
1. Conduct market research to identify	1. Identify specific need
2. Create product or service that will meet	
3. Advertise and promote product or Service	2. Search for products and services that will satisfy the specific need
	3. Select a vendor
4. Negotiate a sale transaction, including: <ul style="list-style-type: none"> • Delivery logistics • Inspection, testing, and 	4. Negotiate a purchase transaction, including: <ul style="list-style-type: none"> • Delivery logistics • Inspection, testing, and acceptance
5. Ship goods and invoice customer	5. Make payment
6. Receive and process customer payments	6. Perform regular maintenance and make warranty claims
7. Provide after-sale support, maintenance,	

Source: (Schneider and Perry, 2001)

There are few definitions used the term computer mediated network or in other words telecommunication network as the electronic data transmission medium, while others use the internet or the Web as the data transmission medium (Daniel and Mayers, 2000). This study will focus on companies that mainly conduct e-commerce over the internet or the web.

For the purpose of this study, e-commerce is categorized according to the traditional commerce. As for a business focus, the type of buyers could be different from the purpose of their use. If they used for final consumption it is called “End Consumer” and the business called B2C. And if a customer purchased goods for selling purpose they called “Business customers” and the business called B2B. In the case of Sri Lankan e-commerce structure B2C is well known and used by most of the companies comparing to B2B, which is not much familiar among the ventures. This research mostly focuses on the SMEs which are adapted to the e-commerce activities to sell their goods and services to final consumers (End Consumers).

CHAPTER 04

Research Methodology

The purpose of this chapter 03 is to describe the methodology used to answer the above questions. This is completely a qualitative research which design is the most appropriate for this type of research for several reasons such the purpose of this research is to investigate or observe the answers of the above “what” and “how” questions, a qualitative approach is most appropriate for this research since the nature of the research question is descriptive. In addition to that, according to Creswell (1994) in a qualitative study, one does not begin with a theory to test or verify. Instead, consistent with the inductive model of thinking, a theory may emerge during the data collection and analysis phase of the research or be used relatively late in the research process as a basis for comparison with other theories. Since the purpose of this research is to identify CSFs for e-commerce in Sri Lanka, not to test or verify existing theory, qualitative study is certainly suitable to this study. There are five research designs under qualitative research: a biographical life history, a phenomenology, a ground theory, ethnography, and a case study Cresswell (1997). After conducting a feasibility study and purpose of each research design, I find that a case study methodology is most suitable to proposed research questions of this study. A case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident (Yin, 1994).

The research problem is quite extensive and it is difficult to consider all aspects of e-commerce adoption. The main focus of this research is to identify factors that influence the success of e-commerce in Sri Lanka. I have used three main research questions to identify critical success factors for e-commerce as follow:

1. What are the critical success factors (CSFs) of e-commerce, relevant to the companies which are engaged in fashion and lifestyle designing industry in Sri Lanka?

2. What are the key requirements that all e-commerce companies must have in order to enter the industry?
3. What is the e-commerce business model of the company?
4. How is the company's business performance?

The intent of the first research question is to identify the common Critical Success factors for e-commerce relevant to SMEs engaging in e-commerce in Sri Lanka. The literature review on Critical Success factors for e-commerce is based on the success of e-commerce in developed countries. Such Critical Success factors serve as the foundation of understanding for me, when I am observing Critical Success factors for e-commerce in Sri Lanka.

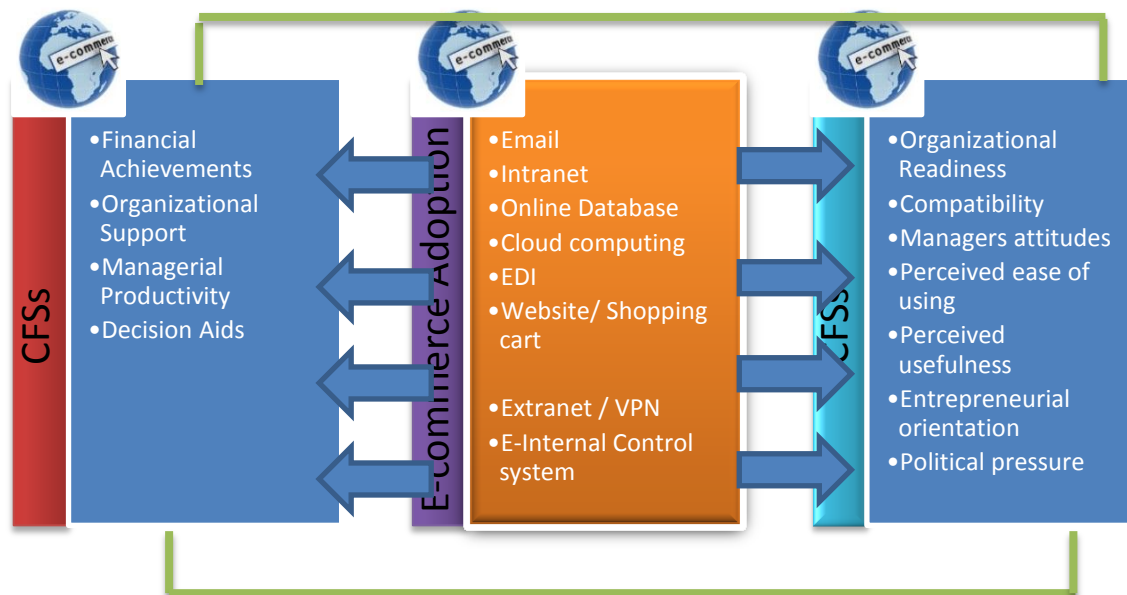
The case study is done in the company Nolimit Corporation which is in the fashion and lifestyle design industry and engaged with E-commerce activities. The focus of the case study and its question is to understand how a case company addresses critical success factors and key industry requirements for e-commerce. The e-commerce business is selected as the framework to investigate the overall company's e-commerce activities. Each of the research questions consist of several more specific sub-questions. A review of the focus and determined of each question and its sub-questions are as follows:

- What performance measurements the company uses to monitor is business performance?
- How is the growth of the company's profit from the first year of operation until now?
- How is the growth of the company's sales leads generated as a result of the website from the first year of operation until now?
- How is the growth of the company's revenue generated directly from the website from the first year of operation until now?
- How is the growth of the company's market share from the first year of operation until now?

- What products and values associated with products that the company delivers to the customers?
- What capabilities the company needs to have/develop to deliver those products/services and promised values?
- What resources the company uses to create and deliver products/services and promised value?
- Who are the company's target customers and market segment?
- What are the set of connected e-commerce business activities the company performs to create products/services and promised values?
- What are the set of main e-commerce business activities (marketing and sales, inbound logistics, operations, outbound logistics, after-sales services) involved in delivering products/services and promised values, and how?
- What are the set of supporting e-commerce business activities (firm infrastructure, human resource management, R&D, procurement) involved in delivering products/services and promised values, and how?
- Who provides the main activities needed to create value products or services?
- What is the company's revenue model?
- Based on the company's e-commerce business model, what areas/functions of the business model that allows the company to outperform competitors?

The sub-questions are attempt to address several components of an e-commerce business model, which are online market segment, capabilities and resources, value chain activities, network partners, and revenue model, value propositions and competitive strategies.

Diagram 4.1 Conceptual Framework



There are several subcomponents of e-commerce Such as E-mail, intranet, online database, cloud computing system, Electronic Data Interchange (EDI), websites/shopping cart sites, extranet/VPN and e-internal control system. Into that, I will focus for the research more on online shopping cart website and services. There are few factors which had been identified in the previous studies as critical success factors for e-commerce such as Financial achievements, Organizational Support, Managerial productivity and Decision aids, and under the dependent variable; Organizational readiness, compatibility, managers attitudes, perceived ease of use, perceived usefulness, entrepreneurial orientation and political pressure. And this research is going to find which of the above is influencing more in the above each and every e-commerce components. To identify that I am taking sample of one SME (Nolimit Corporation) which is currently running in Sri Lanka, adapted to the e-commerce activities.

Data collection

Data collection method is highly influenced by the methodology chosen (Sunders et al., 2000). Due to the survey methodology which is applied in this study, and the information requirements, time constraints and respondent characteristics who are all managers of SME's with whom are so difficult to interview, hence “case study”

is used as one of data collection devices. In this study structured data collection is emphasized. In structured data collection, a formal case study is prepared and the questions are being answered by asked and observed the company's regular activities and its website.

Sampling

The basic idea of sampling is that by selecting some of the elements in a population, we may draw conclusion about the entire population. A population element is the subject on which the measurement is being taken. It is the unit of analysis (Cooper and Schindler, 2003). In this research the population of interest is the Sri Lankan SMEs in Fashion and lifestyle design industry. I chose this industry because, as I discussed in chapter 02 when a shopping cart website published over the internet to use for the consumers those who wanted to purchase for their final consumption purpose (B2C) is most preferable e-commerce system for the developing countries such as Sri Lanka. Such industry must attract their consumers by all of their e-commerce services effectively to make easy for the customers and for the case study as a researcher and as a customer I can observe their activities easily by looking at their shopping cart site on the internet. In such industry in Sri Lanka there are several companies doing their e-commerce activities actively. Among those I am choosing the company which is Nolimit Corporation which is the biggest fashion chain in Sri Lanka and popular among the customers by recently launched their online shopping cart website (www.nolimit.lk).

Conducting Research and Data analysis

Since I am doing independent report, I am using secondary sources for the data collection mostly and the approach of the research is qualitative design, data analysis part will not be a huge part of the research. The “phases” of the research are reported in a linear manner, but it needs to understand that the nature of case study research is iterative, which means that many of elements of this research were changed, altered, and changed again as more and more was known about the subject being researched. This chapter addressed the research design and methodology issues for this research. It discussed the status of the e-commerce research domain and the critical success

factors (CSFs) for e-commerce. It addressed the appropriateness of qualitative research approach with the e-commerce research domain. In next chapter I will be discussing on the case study which I am conducting at Nolimit Corporation Sri Lanka, and the analysis of the case study results and further conclusion will be made in chapter 05.

CHAPTER 05

Case Study on No-limit Corporation

The main focus of this chapter is to identify factors that influence the success of e-commerce in Sri Lanka and Nolimit.lk. After explaining the business profile and history and its website operation of Nolimit.lk, the following four research questions for Nolimit.lk are discussed: *The analysis of these question will be done in next chapter*

1. Regardless of industry, what are the critical success factors (CSFs) relevant to all companies engaged in e-commerce in Sri Lanka?
2. What are the key requirements that all e-commerce companies must have in order to enter the fashion & lifestyle designing online retail industry?
3. What was Nolimit.lk's e-commerce business model?
4. How was Nolimit.lk's business performance?

Nolimit.lk's Business Profile and History

Nolimit.lk was launched in 2007 under the company name of No-limit Corporation found in 1992. This is a private company more than 50% of the shares held by an individual who is also the founder of the company. This is one of the Sri Lanka's biggest fashion chains with its 21 branches located island wide is dedicated to offer maximum customer satisfaction to its clientele with the latest in fashion and design. This company sells mainly fashion and lifestyle design products such as gents and ladies wears, home linen, accessories, bags and shoes.

The company's Mission is "to be the biggest retail fashion chain in Sri Lanka, providing a variety of quality products at an affordable price for the whole family, with excellent value added services and thereby winning the trust and confidence of customers to become a household name in Sri Lanka" (nolimit.lk, accessed

12/12/2013). The Sri Lankan retail fashion market is inundated with a variety of choices for the consumer from simple street stalls to high fashion department stores. In the midst of this sea of choices, one name stands out, a name that has become synonymous with quality, style, impressive customer service and affordability, a brand that has become a household name, NOLIMIT.

Its main goals are:

- To offer a wide selection of quality products at competitive prices
- To provide the most convenient shopping experience
- To provide highest customer satisfaction

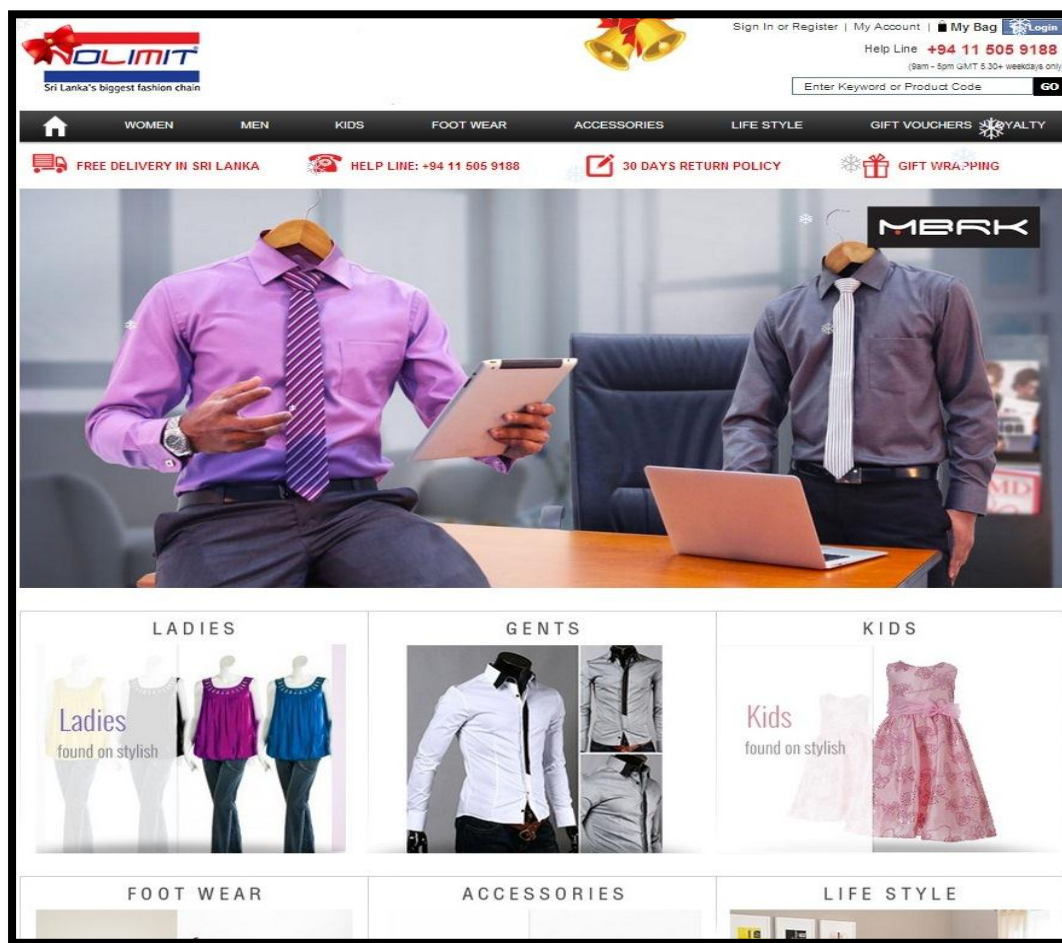
The e-commerce business model of Nolimit.lk is largely influenced by ebay.com. And Nolimit.lk started its online business in 2012 itself and it outsourced its IT to BENWORLDWIDE IT professionals, one of the largest IT companies in Sri Lanka, to develop and maintain its websites. The company's IT executive explained that he decided to outsource the IT due to the fact that there was a limit number of IT personnel who were acquainted with e-commerce related technology. In addition to that, he believes that they can be specialized in something by outsourcing. On the other hand, the volume of sales and number of products carried on the website were still small enough for an application service provider to handle. This allowed nolimit.lk to focus on the more important aspect of its business which was its customer. They decided to move the website maintenance in house because the business was growing so fast that the IT outsourcing did not allow nolimit.lk the flexibility to create promotional programs, update product information and serve customer in a timely manner. Therefore a new database system was created to make a link its website operations with the physical inventory system and customer service system. He explained further that "this new system allowed nolimit.lk to check the availability of products in real time". In addition to this, a customer profile database also provided in nolimit.lk with insights about its target market and allowed nolimit.lk to understand more about its online consumer behavior.

Today the website has more than 10,000 registered customers with more than a million LKR online sales per month. Nolimit.lk created simple websites that were

easy to use even by Sri Lankan customers who had no prior online shopping experience. The homepage contained the folders of product categories across the top of the web page. The same product categories were also showed on footer menu.

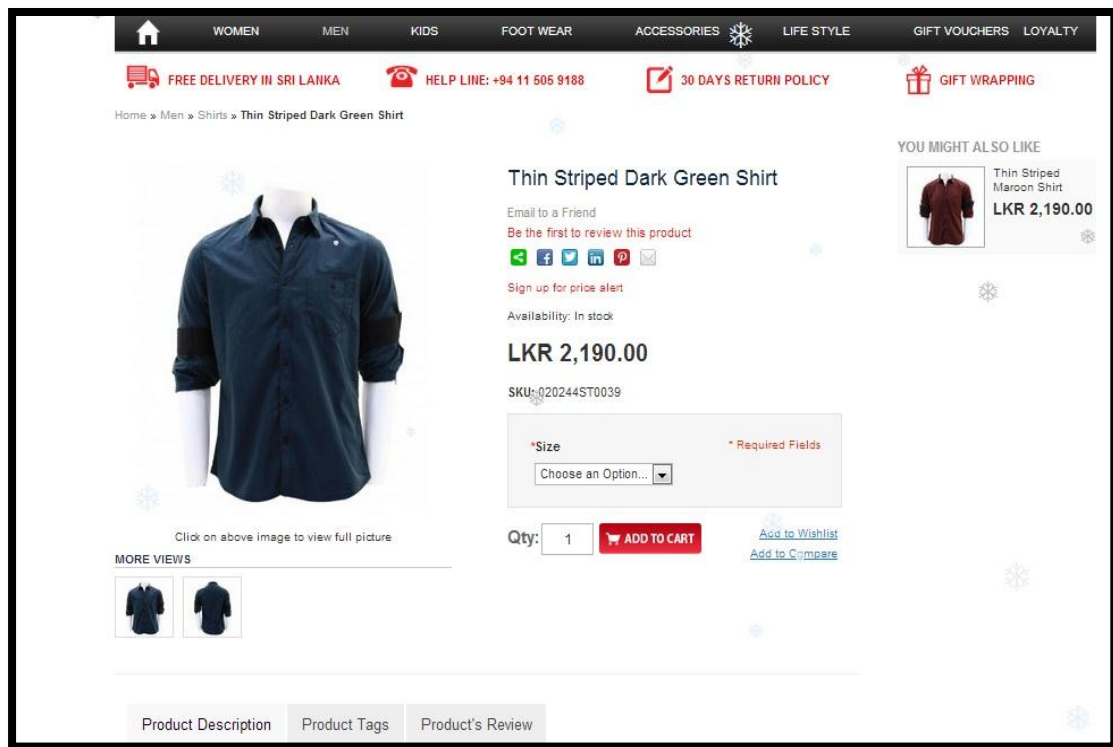
At present, Nolimit.lk offered eight product categories including men, women, kids, foot wears, accessories and life style (Figure 5.1). Its homepage advertised merchandise in different categories including “free delivery”, “Help Line”, “30 days return policy” and “gift wrapping”. In addition to this the website provides a search bar on right side upper corner as “Enter key word or product code”. Nolimit.lk provided detailed descriptions and specifications of each product in every category (Figure 5.2). Product prices at Nolimit.lk are competitive. The websites compared its prices against retail list prices.

Figure 5.1: Nolimit.lk’s Homepage



(Source: Nolimit.lk)

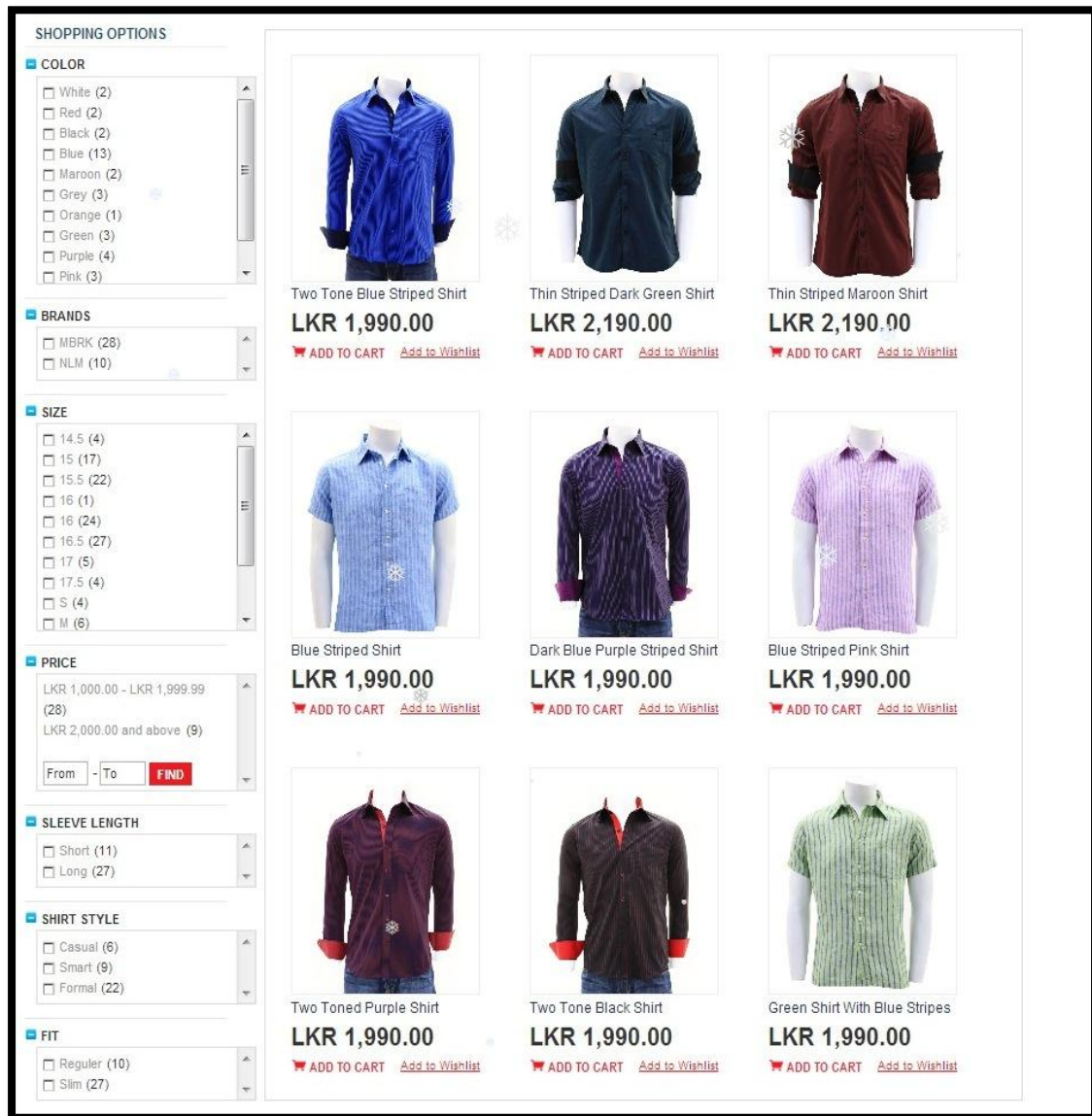
Figure 5.2: Product Specification and Description



(Source: Nolimit.lk)

The website provides the customization search option as ebay.com is providing with various criteria of the products in order to make customer easier to short list their needs. As the figure 5.3 shows a varieties of shirts on the page, at the same time on the left task pane the customization options is also available under some criteria such as “Color”, “Brand”, “Size”, “Price Range”, “Length of Sleeve”, “Shirt Style” and “Fit”. This customization system is really convenient for online shopping in order to reduce the time in searching and make efficient shopping experience.

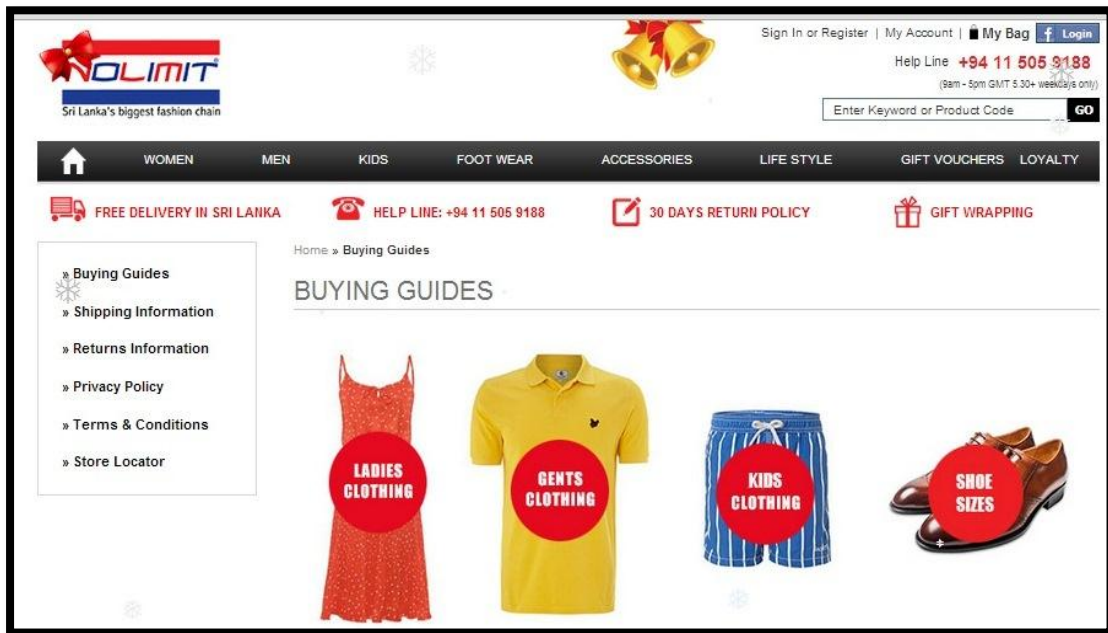
Figure 5.3: Product Customization search



(Source: Nolimit.lk)

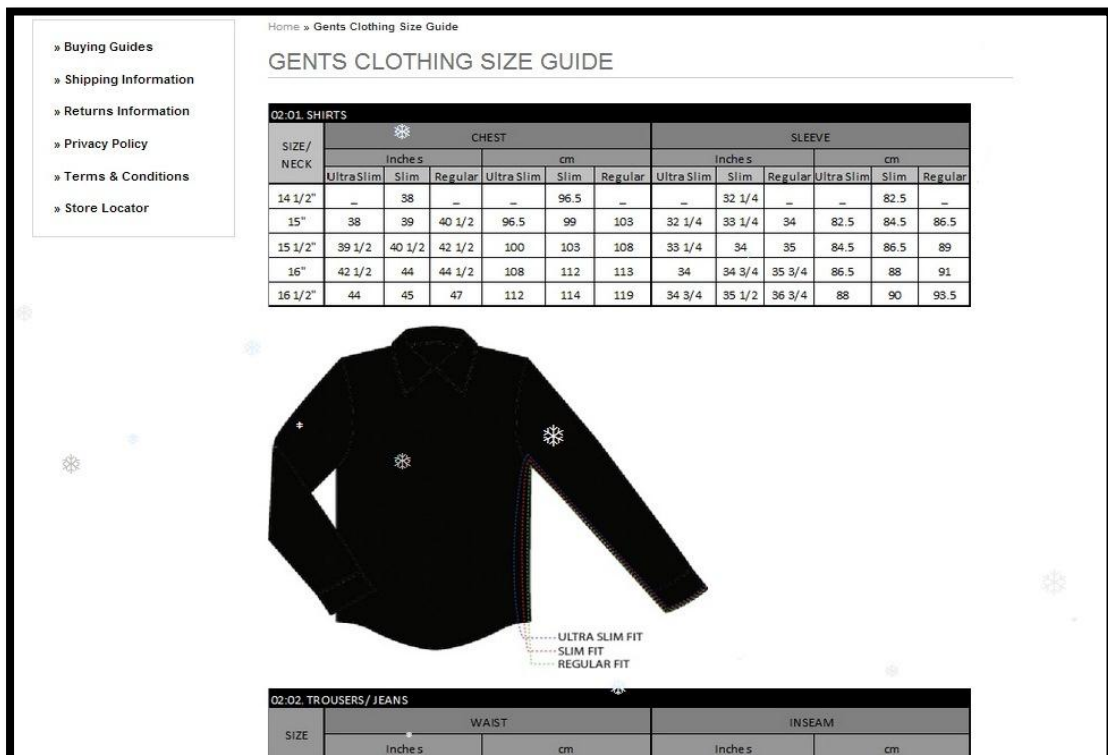
The website also provided “buying guide”, “clear policies and instructions”, “Return information” and “store locations”. It provides for all activities ranging from order processing through the payment process, to the delivery process and privacy policy (Figure 5.4). As it is shown in figure 5.4 and 5.5 it provides further buying and shipping information to the customers those who are not familiar in the selection of product and online purchasing as well. This is really needed because; their main target market is domestic and majority of Sri Lankan customers are not familiar with online shopping and they hope this would feel comfortable shopping at its websites.

Figure 5.4: Buying Guide and Other information



(Source: Nolimit.lk)

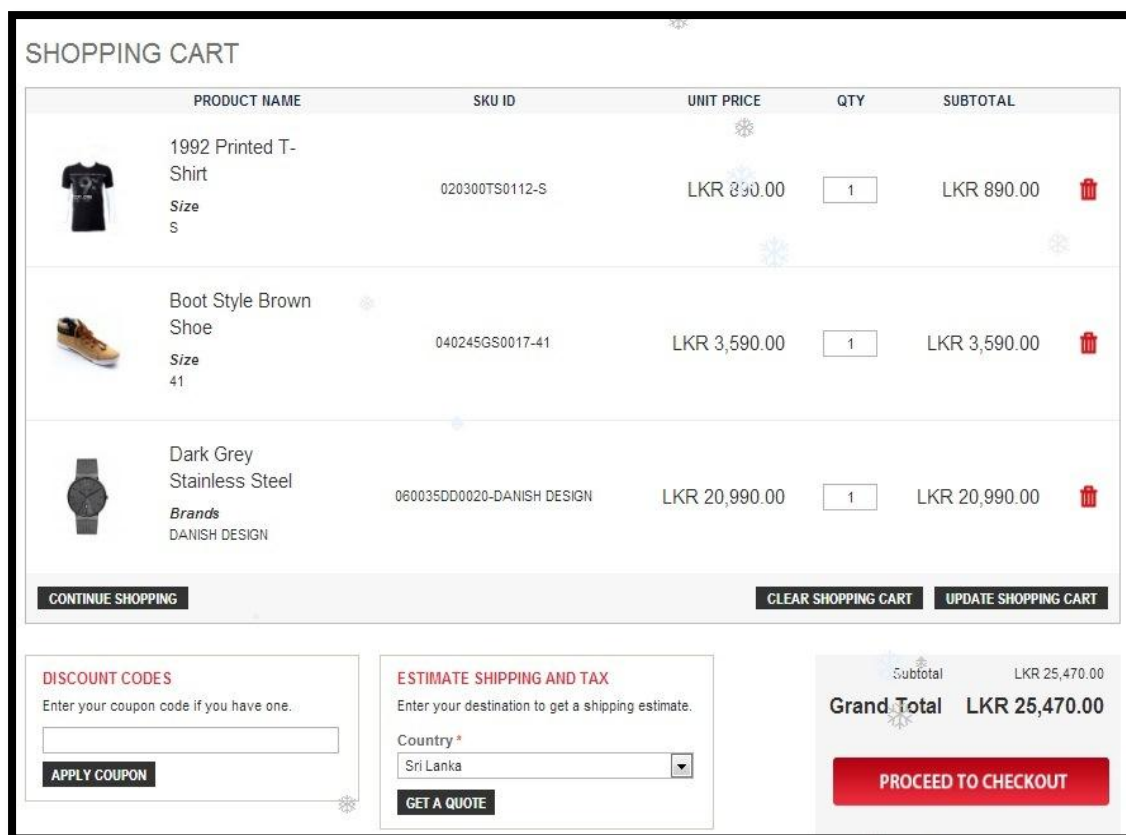
Figure 5.5: Further guide on buying the products



(Source: Nolimit.lk)

An ecommerce shopping cart is the heartbeat of any online retail site. When shopping for a shopping cart, it's important to choose one that can be customized to match your business and be flexible enough to grow with your business. As like that, nolimit.lk also provide shopping cart option which shows all of the products that customer have committed to buy. Customers will hit “proceed to checkout” button on shopping cart page once they are ready to purchase (Figure 5.6).

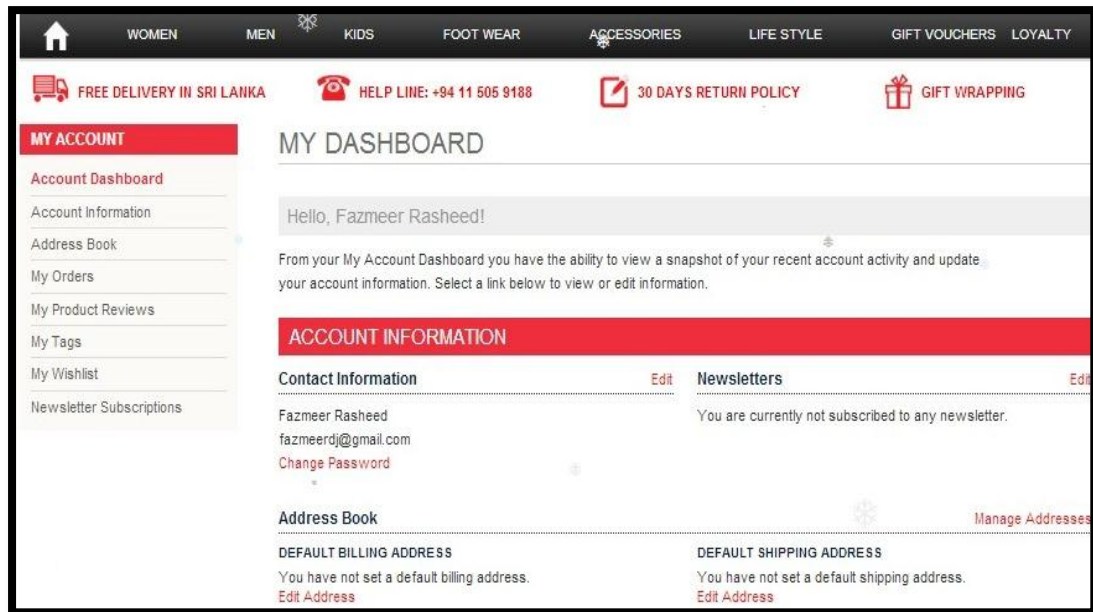
Figure 5.6: Shopping Cart



(Source: Nolimit.lk)

A new customer is required to register or create a customer profile by providing their personal details such as name, address and contacts (Figure 5.7).

Figure 5.7: Customer Account Profile



(Source: Nolimit.lk)

Nolimit.lk providing “free delivery” for any place located in Sri Lanka (Figure 5.8).

Figure 5.8: Shipping and Billing

QUICK ONEPAGE CHECKOUT

1 BILLING INFORMATION

First Name * Last Name *

Company

Address *

City * State/Province

Zip/Postal Code * Country *

Telephone * Fax

Create an account for later use

Ship To*:

* Required Fields

2 SHIPPING METHOD

Select Shipping Method

Free Shipping LKR 0.00

3 PAYMENT METHOD

Visa/Master

* Required Fields

PREVIEW ORDER

REVIEW YOUR ORDER

PRODUCT NAME	PRICE	QTY	SUBTOTAL
1992 Printed T-Shirt Size S	LKR 890.00	1	LKR 890.00
Boot Style Brown Shoe Size 41	LKR 3,590.00	1	LKR 3,590.00
Dark Grey Stainless Steel Brands DANISH DESIGN	LKR 20,990.00	1	LKR 20,990.00
Subtotal			LKR 25,470.00
Grand Total			LKR 25,470.00

What is your return policy?

- You can return any item for a refund within 30 days of receiving your original order.
- If you want it replaced for a different size or color, or you want a different item, you will need to place a new order.

I accept the returns policy.

Forgot an item? [Edit Your Cart](#)

PROCEED TO CHECKOUT

(Source: Nolimit.lk)

Nolimit.lk provides two types of payments such as cash on delivery (COD) and online credit card (VISA & Master cards are acceptable). They are willing to connect “online Paypal” payment method also in future in order to make sure the highest security and reliability.

Figure 5.9: Payment Method

Welcome to
සමපත් බැංකුව
சம்பத் வங்கி
SampathBank
Secure Payment Gateway

We accept credit and debit cards from VISA and MasterCard.

Card Number* [?] [re-type]

Expiry Date* MM YYYY [?] [re-type]

CVV2/CVC2 Number* [?]

Name On Card* [?]

E-Mail [?]

Mobile Number + - [?]

Merchant Name **Nolimit**
Amount **LKR 25470.00**

Word Verification* [change]
 [?]

Verified by **VISA** MasterCard **SecureCode.**

(Source: Nolimit.lk)

This Chapter was discussing the company No-limit Corporation's business profile and history and its website operation of Nolimit.lk, the following five research questions for Nolimit.lk will be discussed in next chapter

1. Regardless of industry, what are the critical success factors (CSFs) relevant to all companies engaged in e-commerce in Sri Lanka?
2. What are the key requirements that all e-commerce companies must have in order to enter the fashion & lifestyle desing online retail industry?
3. What was Nolimit.lk's e-commerce business model?
4. How was Nolimit.lk's business performance?

CHAPTER 06

Critical Analysis of the Case

The main focus of this chapter is to analyze factors that influence the success of e-commerce in Sri Lanka and Nolimit.lk. In previous chapter focused on explaining the business profile and history and its website operation of Nolimit.lk, and this this chapter focuses on following four research questions for Nolimit.lk in an analytical way through the outcome of case study that has completed for the purpose of the research.

1. Regardless of industry, what are the critical success factors (CSFs) relevant to all companies engaged in e-commerce in Sri Lanka?
2. What are the key requirements that all e-commerce companies must have in order to enter the fashion & lifestyle designing online retail industry?
3. What was Nolimit.lk's e-commerce business model?
4. How was Nolimit.lk's business performance?

Research Question 1: What are the CSFs for E-commerce in Sri Lanka?

The intent of this section was to answer the first research question asked to the marketing executive Mr.Thasneem of Nolimit.lk: Regardless of industry, what were the critical success factors relevant to all companies engaged in e-commerce in Sri Lanka?

Trust

Mr. Thasneem believed that lifestyles and infrastructure in the western country prepared their consumers to embrace online shopping quickly. For example, US and UK consumers were familiar and felt comfortable purchasing merchandise through mail-order or through catalog orders. The western countries having rigid laws that protected consumers and those consumers trusted in their law. The logistic infrastructure in those countries was well developed and also had companies that provided reliable shipping service to customers. He explained in further that these factors made customers feel at ease with online shopping. Unlike those western

countries, online shopping was out of ordinary for the majority of Sri Lankan citizens. With new e-commerce laws and occasional news about online fraud, the majority of Sri Lankan consumers, even ones that have already gone online, still did not that much trust online merchants, especially in the E-Cash, Nolimit.lk is using credit card payment system through Sampath Bank payment gateway. He additionally explained that it would take some time for Sri Lankan customers to embrace online shopping to a level that creates a critical mass. Meanwhile, he felt that e-commerce ventures in Sri Lanka must establish recognized and trustworthy brands in which Sri Lankan customers had confidence in their product and service quality. E-commerce ventures must understand the available logistics in order to find the best ways to delivery merchandise to customers as fast as possible. Service on websites must also give Sri Lankan customers confidence in its security and privacy policy of their personnel information. For an example, the websites' online payment system should use a secure Hyper Text Transfer Protocol (HTTPS) with SSL system. He suggested further that it would require the entire Sri Lankan e-commerce venture community to show strong business ethics by providing trustworthy services to online Sri Lankan customers. Such practices would expedite the critical mass of online shopping in Sri Lanka.

Large Product Selection

He explained that the number and variety of products offered such as men, women & kids wear and many other varieties on their website, which is also important to the success of e-commerce ventures in Sri Lanka. Websites that had a variety of products and large product selections in each category were more likely to draw Sri Lankan customers to shop on e-commerce websites. In other words, large product selections would create demand for our online shopping.

Target Market

According to Thasneem, some of the greatest challenges for Sri Lankan, e-commerce ventures were to identify potential online buyers for their products, to determine their online behaviors, and to understand their expectation in term of products and services. While the number of Internet users in Sri Lanka is increasing, it doesn't mean that

everyone has committed with online shopping. In addition that, e-commerce ventures in Sri Lanka had little knowledge and few examples of successful. Since that, e-commerce ventures must follow which made it even more difficult to identify potential online customers. He said in further that once nolimit.lk identified the right target market for our products, we still had to understand online behaviors and identifying customer expectations for their products and services in order to increase the number of active customers to survive at the market.

Convenience Website Access

Convenience of traditional shopping in Sri Lanka, it was a major challenge for Sri Lankan e-commerce ventures to make shopping on the Internet convenient. Thasneem noted that websites must be easy and intuitive for customers to use, from searching for products and product information, to adding products to a shopping cart, to checking out; especially for the convenience nolimit.lk provides a bar to search in their home page (Figure 5.1). He also emphasized that nolimit.lk must provide even secure payment gateway such as Paypal on their website. We need a variety of payment methods because the number of credit card holders in Sri Lanka was still low and Sri Lankan consumers did not trust online merchants enough to provide credit card information.

Knowledge on Industry

He clarified that they must have knowledge beyond that of Internet technology. To be successful, we must also know our industry including our target customers, online and offline marketing requirements, and merchandising methods. Development of successful e-commerce strategies in our industries requires such understanding.

Customer Relationship

Customer relationship was a critical factor in building long-term customer base, he explained in further. According to him, “It was a major challenge to make a relationship with Sri Lankan customers on our website. It takes a lot of efforts and investments for each customer for online purchase. You don’t want to it to be just a one-time purchase, where they never return. That should be the key is to build a long

term relationship with them”. E-commerce ventures in Sri Lanka must develop strategies that draw customers back to their website on the regular basis. However, good service is the backbone of every strategy. Besides providing good service, he emphasized that e-commerce ventures must ensure that their service meets the expectations of customers. For an example, once customers submit online orders, they expect that merchandise be immediately shipped and delivered on time. However, with the current state of Sri Lankan e-commerce infrastructure and the technology of e-commerce ventures, including us many e-commerce ventures cannot meet such expectations. E-commerce ventures must thus develop systems and keep their customers informed. We must inform customers about delivery times or the possibility of delay in order to prevent them from being upset about the service. These kinds of actions/operations must be performed in order to keep customers satisfied with services, and, thus, maintain long term relationships with them.

Research Question 2: What are the Key Industry Requirements for E-commerce in the Retail Industry?

The intent of this section was to answer the second research question: What were key requirements that all e-commerce company must have in order to enter the online retail industry? To answer this question, five areas of industry requirements needed to be investigated: customer, technology and competitive requirements and industry regulation and standards, resource requirements. He noted that to succeed in e-commerce in the online retail industry, a company must also be able to meet all critical success factors necessary to compete in e-commerce in Sri Lanka. A company must develop trustworthy with Sri Lankan customers, identify right targets and understand their online behavior, establish long term relationship, offer large product selection, develop convenient website, and have strong retail industry knowledge or experience. The following section explains further other factors that were critical to the success of e-commerce in the online retail industry.

What are the Customer Requirements in an Online Shopping?

Trustworthy Websites

Sri Lankan consumers do not trust online merchants due to number of fraud can be applied, especially in term of quality of service, and the security and privacy of customers' personnel information, such as credit card and income information. While online retailers must deliver good service to establish customer trust, they also must be able to provide secure websites for online payment and have a clear privacy policy.

Availability

Online customers expect that products would be available when they place online orders. Retail popular products are easy to find in conventional shopping stores. And, unavailability leads to inconvenience of online shopping. In addition, after Sri Lankan customers placed online orders and found out later that products are not available, online merchants must immediately inform customers and clarify about credit card charge, because Sri Lankan customers still do not trust online merchants and online shopping processes.

Large Popular Product Selection

In order the Thasneem's argument, one of the key requirements of the retail business is merchandising. Besides technology, a retailer must be knowledgeable about products because product trends change all the time. A retailer must know what products customers want and what products the competitors were selling in the market. Products must always be available and updated to follow the trends of the market. For an online retailer offering a large product selection, this meant providing customers with the convenience of going shopping at a traditional department store.

Good Services

Since the online shopping lacked human touch, the convenience of traditional payment methods, and reliability of product delivery, the majority of Sri Lankan consumers are still reluctant to buy online. He said that they must address these issues

in order to make Sri Lankan customers feel more comfortable when shopped on their websites.

Variety of delivery methods

In order to make online shopping easier there must be varieties of delivery methods including free deliveries. Nolimit.lk provides “Cash on Delivery” method; it is much more easy and convenient to the consumers to make trust on payment. In addition to that they provide island wide free delivery service for almost all of their products.

What are the Technical Requirements?

While Nolimit.lk outsourced their IT department including their website also, he said outsourcing IT was an option for them, and he believed that it will be a practical option. At the same time when online retailers reach a certain size, they must consider developing in-house IT in order to keep up with the growing business. Here certain size means that, when they reach some target profits to launch their own server in their premises, they must be committed to in-house development.

What are the Competitive Requirements?

Nolimit.lk considered itself an online retailer that selling a variety of products. Thus, Nolimit.lk was in the fashion & lifestyle designing industry with competitors who ranged from special retail stores to department stores. There are number of companies engaged in the same industry doing online shopping. In order Nolimit.lk to compete with those competitors they must have some strategies such as keeping competitive price and keep strong consumer relationship as well.

Competitive Pricing strategy

Retail businesses compete on prices because they sell similar products. For Sri Lankan consumers living in metropolitan areas such as Colombo and Kandy, it was easy for them to find product information and compare prices. Thus, a competitive price was a key criterion in buying decisions. As for online retail stores, Nolimit.lk is

also providing a competitive pricing strategy and it is lower than comparing to their competitors. He explained that for first time customers in Sri Lanka, price provides the clearest value of online shopping. For them, a competitive price also compensates for the risk of online shopping with unfamiliar Sri Lankan consumers.

Strong Supplier Relationship

Strong supplier relationship was a key competitive requirement of Nolimit.lk for past few years. Since majority of Sri Lankan consumers are poor and under the poverty line, they need to bargain, low prices and promotions are important for online shopping. Therefore these kinds of online retailers must be able to offer competitive prices and variety of promotional programs. Strong supplier relationship allows online retailers to receive better prices and promotional programs that they can pass on saving and promotions to customers.

What are the Resource Requirements?

Human Resources Requirement

According to Thasneem, a retail business such as their Nolimit.lk generally required employees who possess merchandising knowledge. As for an online retail business, qualified IT personnel and customer service personnel critical resources. When Nolimit.lk has decided to develop and maintain our websites in-house, qualified IT personnel capable of developing and maintaining e-commerce websites were critical to the success of the business. IT personnel must be able to keep up with new technology and new techniques in order to deliver better websites and execute new promotional ideas daily. To deliver good services to customers, online retailers must also have strong customer service teams. This was especially important since we are a part of online retailers in Sri Lanka expected to establish good reputations and build customer trust.

Research Question 3: What is Nolimit.lk's E-commerce Business Model?

The intent of this section was to answer the third research question: What was Nolimit.lk's e-commerce business model?

The e-commerce business model of Nolimit.lk is largely influenced by ebay.com. And Nolimit.lk started its online business in 2012 itself and it outsourced its IT to BENWORLDWIDE IT professionals, one of the largest IT companies in Sri Lanka, to develop and maintain its websites. To answer the above question, the following components of an e-commerce business model are discussed:

Value Proposition

Nolimit.lk clearly stated its value on its websites. Its value proposition addressed five main areas of e-commerce: special price, immense selection, excellent service, reliable delivery services, and safe payment procedures.

Operations

Low cost and efficient operations are Nolimit.lk's critical success factors. Nolimit.lk's is doing business is mainly physical stores and also conducted through the Internet channel. Well over 75 percent of its orders are coming from physical stores since they are infant in online shopping. The rest came via the telephone. They are trying to keep its operations lean and efficient in order to keep its operating costs as low as possible. For example, while online orders grew rapidly, Nolimit.lk used its IT system to forecast demand for each product for each demand category of selling such as physical selling stores, online store and phone orders in order to keep its inventory cost low.

Sales and Marketing

Product

Nolimit.lk began selling a few product categories like books, men's wear, women's wear, kids' wear, shoes and watches. At the same time, it collected customer profiles and learned about online consumer behaviors using online/phone surveys and focus groups. After Nolimt.lk began to understand its target customers' needs in term of products and services, it expanded its product categories and product selection to better serve those needs.

Price

Nolimit.lk is selling all of its products at competitive prices. Low operating costs and growing business volumes allowed Nolimit.lk to offer competitive prices. Nolimit.lk's merchandising team continued monitoring pricing in the marketplace and from suppliers. Prices were adjusted based on the pricing control from suppliers and marketplace prices. During the first two years of online operation, Nolimit.lk guaranteed the lowest prices for certain merchandises on its websites. According to Thasneem "sometimes we had to sacrifice by earning smaller profit margins to make sure that our prices for particular products were the lowest, because we wanted to be a market leader in those product segments. This strategy drew new customers to its websites and drew customers back. However Nolimit.lk's pricing strategy has evolved since then. By late 2011, while it still offered competitive prices, it began to move away from its lowest price guarantee strategy.

Place

Nolimit.lk is seling its products through both physical stores and over the Internet channels. As for the Internet channel, Nolimit.lk tried to create simple, yet convenient, websites for Sri Lankan customers. Products were grouped into different categories so customers could find them easily. Each category also grouped products into sub-categories like new releases, best buys, recommend items, and top selling product categories including men, women, kids, foot wears, accessories and life style (Figure 5.1). Its homepage advertised merchandise in different categories including "free

delivery”, “Help Line”, “30 days return policy” and “gift wrapping”. In addition to this the website provides a search bar on right side upper corner as “Enter key word or product code”. Nolimit.lk provided detailed descriptions and specifications of each product in every category (Figure 5.2). Product prices at Nolimit.lk are competitive. The websites compared its prices against retail list prices.

The website also provided “buying guide”, “clear policies and instructions”, “Return information” and “store locations”. It provides for all activities ranging from order processing through the payment process, to the delivery process and privacy policy (Figure 5.4).

Promotion

Nolimit.lk created online promotions throughout the year including points for purchases, special prices, free gifts, and free shipping. According to Thasneem, the marketing executive of Nolimit.lk, Nolimit.lk created new promotion programs on its websites on a regular basis in order to keep its websites interesting for Sri Lankan consumers. Direct e-mail was sent to existing customers whenever new promotions were introduced or new merchandise was introduced that fit a customer’s purchasing profile.

Nolimit.lk advertised its websites on major search engines and popular web communities and social networks, such as Facebook and Yahoo.

After-Sales Services

Customer service was the heart of Nolimit.lk’s success. Nolimit.lk answered FAQs on its websites. It also provided customer services by phone. Customers could call when they needed more product information or when they required assistance in using the websites or had product problems.

Competitive Strategies

One of the Nolimit.lk’s competitive advantages is low price. With low operating cost, efficient operations, and growing supplier volume, Nolimit.lk could offer low product price points. While competitive prices could also be offered by competitors, the fact

that Nolimit.lk is a pure online store that used IT to enhance its operations allowed Nolimit.lk to keep operating costs low. Another competitive advantage of Nolimit.lk is the strong brand. Since it was committed to delivering excellent service to customers, it continued establishing long term relationships and trust with customers. Its brand was based on trustworthy websites with excellent service, not just low price.

Research Question 4: What is Nolimit.lk's Business Performance?

The intent of this section was to answer the last research question: How was Nolimit.lk's business performance? Nolimit.lk measured its performance based on its sales revenue, gross margin, net margin, and cash flow.

Revenue Growth

According to Nolimit.lk's annual financial statement, the total sales in 2010 was approximately US \$250,000. About 10 percent of the sales revenue came from phone channel. Its compounded annual growth rate was about 40 percent per year. The sales revenue reached US \$.75 million in 2012 and about 12.5 percent of the sales revenue came from online shopping, and it is expected to reach US \$1.25 million in 2013. The revenue from online sales is expected to increase to 15 to 20 percent.

Conclusion

By analyzing several critics and researches, successful e-commerce business models from developed countries have not been successfully implemented in developing countries. The main reason for that is limited infrastructure and customer mentality as well. There are a limited number of developing country successful e-commerce ventures that start-ups can emulate. This research provided the frameworks and best practice guidelines for e-commerce ventures in Sri Lanka. Sri Lanka also having lacks information and research about the online behavior of Sri Lankan customers. One of the main requirements of an e-commerce business in Sri Lanka is to build customer trust and customer retention.

Based on the case study conducted for the research, several elements must be addressed in order to establish trust with Sri Lankan customers. Online security and brand name recognition can be established as short term trust. On the other hand online shopping store experience and multi-channel marketing must also is a part of influencing factor in e-commerce in developing countries such as Sri Lanka. There are opportunities lying everywhere in Internet. Some businesses are making millions from social networks such as Facebook and Twitter. Some businesses are reducing their competition with Search Engine Marketing. Nolimit.lk's main market segment is domestic Sri Lanka. Nolimit.lk targeted Sri Lankan customers who went online regularly and preferred the convenience of online shopping to traditional off-line shopping. While the majority of Nolimit.lk's customers came from metropolitan areas like Colombo and Kandy, there were a number of customers from smaller provinces who saw online shopping as a better alternative to off-line shopping at a limited number of stores in their local areas.

Sri Lankan customers in foreign countries and corporate customers were also targets of Nolimit.lk. Majority of Sri Lankan Internet surfers are teenagers who lacked purchasing power. However, they were not a price sensitive group since their parents were the real buyers. Since Nolimit.lk target kids and teenagers to express their fashion and lifestyle designing. The fact that they did not have credit cards limited them as major Internet buyers. While the 30 to 40 year-old age groups had the largest

online purchasing power, they had not yet embraced the online shopping for lifestyle products. But we still can be expecting today's teenager group to become the major Internet buyers in a few years. Major findings of the research is that Trust worth online website, Competitive Pricing strategy, Availability, major product categories, Customer Retention, Multi-Channel Marketing, Branding and Online Shopping cart Experience are the more influencing factors which are determining the success of an e-commerce application in selected Nolimt.lk and other companies which are engaged the business in fashion & lifestyle design retail industry in Sri Lanka.

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