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DEVELOPMENT OF FOOD RETAILING IN CEYLON

by

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Submitted in partial fulfillment
of the requirements for the degree of
Doctor of Philosophy

Faculty of Graduate Studies
University of Western Ontario
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approach will manifestly be tested in my paper. The findings should, therefore, prove useful to businessmen, social scientists, economists, and national planners.

**Study Approach**

The study is in four principal stages.

1. In the first, the history of Ceylon is briefly outlined, and the environment for retailing is described. This material is contained in Chapters II and III.

2. The second stage (Chapter IV) contains a detailed description of the evolution and present status of food retailing institutions and techniques in Ceylon. In almost all instances the origins of these institutions and techniques are discussed, and in all instances the reasons for their continued existence are covered as comprehensively as possible.

3. In the third stage, the key patterns and trends of development as seen from the earlier data (which is essentially non-quantitative) are identified and summarized. Various quantitative techniques are utilized to test and confirm the observations made from the non-quantitative descriptions (Chapters VI and VII). Chapter VIII summarizes the conclusions from the various analyses.
4. In the final stage, Chapter IX, existing theories of retail development are briefly reviewed; the implications of my findings for these theories are discussed; and a modified theory of retail development is suggested.

Research Methods

Five sources of data are used in my study: 1. Books and publications on Ceylon, and publications of the Government of Ceylon; 2. Interviews conducted by the author; 3. Data from a limited survey of a cross-section of Ceylonese housewives; 4. The 1952 Census of Merchandising and Services; and, 5. Some data belonging to the Marketing Science Institute.

Books and Published Materials

The historical background in Ceylon and the descriptive material on the environment for retailing in Ceylon are based on information contained in numerous books and publications on Ceylon, and on government publications. Some of this material is also used (as will be outlined in Chapter V) in the analytical section of the study.

Interviews

The descriptive material, in Chapter IV, on retail in-
stitions and retailing methods and techniques is based on personal interviews. Between February and June, 1966, I conducted 50 interviews among: (a) individual food retailers operating different types of food retail outlets; (b) wholesalers; (c) officials of government departments and government-sponsored corporations that were in, or connected with, the wholesale and/or retail food business; (d) the executives of trade associations; (e) advertising agency executives; and (f) a person in the forefront of the co-operative movement in Ceylon.¹

The interview method has been used for similar studies by Jefferys, Dewey, and by Galbraith and Holton.² Interviewing of trade association, advertising agency, and government department officials has been used by Jefferys in another study on distribution.³

The limitations of interview data are fully recognized. Mueller and Garoian,⁴ for example, claim that direct inter-

1. Appendix A is a list of the interviewees.


views based on confidential information place serious limitations on the usefulness of a study, because such information tends to be inaccurate, and because information on the past cannot be verified. Many difficulties encountered in the use of interviews in developing countries have been discussed,¹ and some of these apply to my study: (a) the asking of questions, as in a personal interview, is alien to many societies; while this may not have been extremely critical in Ceylon, I recognize that a large number of my interviewees would not have, before this, faced either a researcher or my type of questions; (b) some of the concepts I was working with are not a part of Ceylon's culture, so that I had to work with approximate local expressions; (c) I no doubt encountered a courtesy bias, manifesting itself in two forms: when the respondent provided information which he felt pleased me; and when the respondent provided information which he felt that a person of his position and status should have given me, even though he did not have the right information; and (d) my status may have been considered to be that of an agent of the government—which at the time of the study was not on the best of terms with re-

tailors; this, I hoped, was minimized by my using a letter from the university explaining the purpose of my study.

The time of the field work was a time of strained relations between the government and private trade, particularly the retail sector. I recognized that there would be problems of cooperation. There were no lists of food traders available to be used as a sampling source; thus no attempt could be made to obtain a statistical sample. Due to the known reluctance of persons in developing countries like Ceylon to discuss business practices, the interviewees were limited to those who were prepared to cooperate with me. About 25 businessmen refused to have anything to do with me or the study. Of those who tentatively agreed to cooperate, only eight—one greengrocer, one small-shop operator, one co-operative, the president of a well-known national chamber of commerce, two pavement (sidewalk) hawkers, and two minority community wholesaler/retailers—eventually refused to be interviewed.

As I shall show in the next two chapters, the Colombo District (or, at best, the Western Province) is the most Westernized, most commercialized, most educated, and most dynamic area in Ceylon. As such, most of the changes in retailing have taken place in Colombo and its environs, and a large proportion of my interviews were conducted in Colombo District. Interviews were, however, also conducted in other
parts of the country.

I saw a prospect personally (sometimes by prior appointment), stated the purpose of my visit, and gave a brief description of the study. If the person agreed to cooperate, I gave him a list of topics which I would like to discuss. At that time, some gave me an appointment for an interview at a later date; others asked that I contact them later for an interview appointment. The two wholesaler/retailers who refused to talk to me decided to do so after they had seen my list of topics. Those who put off giving me an interview had to be prodded and coaxed (and in a few instances, I had to use the good offices of third parties) before they gave me an interview.

Interviews were tape-recorded in about 40 cases. Before recording started, most interviewees advised me of topics they did not wish to discuss. In such instances, I explained the type of information I wanted; and while some changed their minds, others decided to stand by their decisions. Tape recording was objected to by only one inter-

1. The topics were an expansion and modification of those suggested by Robert Bartels (Comparative Marketing: Wholesaling in Fifteen Countries, Homewood, Ill., Richard D. Irwin, 1963, pp.299-308) for comparative marketing analysis, and included such topics as: form of organization, kind of business, number and functions of employees, branches, sales volumes, major product category, gross margins, customers served, customer services, purchasing and inventory practices, pricing policies, promotional policies etc.
viewee, and the other non-taped interviews were done because of difficulties of using the instrument in those particular instances. All but eight interviews were conducted in English. One of the eight was conducted partly in English and partly in Tamil (with the assistance of an interpreter), and the rest in Sinhalese.

The Housewife Survey

Many of my interviewees claimed that they did or did not use certain methods and techniques because the consumers either demanded them or did not approve of them as the case may be. Some interviewees spoke of the social class of the consumers they served as the reason for the retailing practices they used. I decided that it would be useful to ask consumers about their food purchase habits as a basis for understanding the patterns of retail development that had emerged.

In the first part of the analytical phase of the study (Chapter VI) I use data from a housewife survey. A total of 104 housewives filled in a questionnaire (Appendix B) which dealt with their food purchase habits. The sample was not a probability sample, but the attempt was to obtain a balanced representation of each of the socio-economic groups--upper, middle, and lower. The data is not meant to provide a picture of the average Ceylonese housewife's purchase habits.
It is, rather, meant to yield a comparison and contrast of shopping habits among housewives of different socio-economic groups, those who own automobiles and those who do not, those who own refrigerators and those who do not, and so on.

The Census of Merchandising and Services

The second part of the analytical phase (Chapter VII) is a regional analysis. Data for this part is developed from the 1952 Census data¹ and from data belonging to the Marketing Science Institute. The information contained in the Census was obtained during the latter part of 1952. The retail and service establishments are classified by district, by kind of business, by sales, and by employment. The classification by kind of business is further sub-classified by type of store which, with the exception of the department store and the co-operative store, is a classification by major product carried. As the smallest unit for most of the other data used in the analysis is the province, the data from the Census is aggregated to a provincial basis.

The Marketing Science Institute Study

While I was conducting my interviews, I simultaneously

¹. This is the first and only Census of distribution in Ceylon. In addition to the limitations inherent in such a first attempt, the definitions and classifications of the types of institutions are not entirely satisfactory.
directed a study in Ceylon for the Marketing Science Institute, Philadelphia. Ceylon was the third country covered by the MSI in its study of marketing systems in different countries at different stages of socio-politico-economic development. It is attempting to find the "cause-effect" relationship between marketing and its operational environment.

The Institute interviewed approximately 300 manufacturers, wholesalers, and retailers on the marketing of six typical products, including two food items. The sample was almost equally distributed in four major regions of Ceylon (the Western, Central, Northern, and Southern Provinces) that are very considerably different from each other economically, socially, and culturally.

The two food items used in the MSI study were rice and canned fruits. The other products were soap, men's shirts, cooking utensils, and stoves. The study generated retailing data useful for the type of analysis I planned for purposes of this thesis. Additionally, it generated data on manufacturers' practices and wholesalers' practices which was, again, useful for my analysis. The Institute has kindly consented to allow me to use this material for the purposes of the study.

The MSI study used three sets of questionnaires (of approximately 100 questions), one for each level. In the food group there were 87 interviews (10 manufacturers, 31 whole-
salers, and 46 retailers). The questions determined as relevant to my study are listed in Appendix C. The data gathered in response to these questions provides information on the methods of operation of manufacturers and wholesalers. It provides information on types of retail institutions, on the profiles of customers who patronize them, the purchase habits of retailers, and the methods and techniques adopted by the retailers. What is more important, this information is available on a regional basis.

Methods of Analysis

The interview data and the housewife data are for Ceylon as a whole. The Census data and the MSI data are on a regional basis. Also, the Census and MSI data are for two time periods: 1952 and 1966 respectively.

With the data from all these sources, and recognizing the variation of its quality, I performed a number of analyses in order to see what meaningful patterns emerged. For example, I was able to establish that a correlation existed between the existence of stores which specialized by product, for example, and the extent of urbanization. Of course, one cannot develop cause and effect explanations with such limited data and analytical tools, but the correlations themselves are of considerable interest and significance. Further details regarding the analysis of such data are given
in Chapter V.

**Conclusion**

The information gathered from my own interviews shows certain trends in development that are confirmed by the several analyses of the other data. As I shall show later, the data disclose a number of trends in the pattern of development of retail institutions and techniques which suggest the overriding importance of environmental factors. The data suggest strongly that certain types of retail institutions and retailing techniques tend to be found in association with certain key environmental factors. The analysis shows not only that areas with "advanced" environments have "advanced" retailing institutions and methods, but also that otherwise "not-so-advanced" environments have "not-so-advanced" retailing institutions and methods. I recognize the definitional difficulties of spelling out what is "advanced" and what is "not advanced." The criteria used in this study are outlined in Chapter V. The implications of the correlation, between environment and retailing institutions and methods, for prevailing theories of retail development are discussed in the last chapter.

The measures for analysis are developed from data that are admittedly far from perfect. Nevertheless, the use of a variety of sources of data and the strong concurrence of
these sources in revealing certain patterns does suggest that the results are generally a fair representation of the facts. The conclusions, of course, represent personal interpretation derived from analysis of this data, and to this extent must be subject to further testing and validation.
Chapter II

A BRIEF HISTORY OF CEYLON

Introduction

Ceylon is a small pear-shaped island located in the Indian Ocean, barely 20 miles off the southern tip of the Indian subcontinent. The island which is two hundred and seventy miles at the farthest points north-south (5° to 10° N. latitude), and one hundred and forty miles at the farthest points east-west (79° to 82° E. longitude), covers an area of 25,333 square miles.

The island has a rough topography (Figure 1) with the rugged terrain becoming a knotty "hill country" in the south-central region, where the upthrusts reach 7,000 feet. The country is hot and wet.

Colombo, the political capital and chief commercial city, has the chief sea and air ports, and is on the major sea and air routes linking Europe to Asia and the East.

The People

The citizens of Ceylon are known as Ceylonese and most of them are either Sinhalese (also written Singhalese) or
Figure 1

CEYLON

Cross Sections

West

North

East

South
Tamils, and speak the Sinhalese or Tamil languages. Approximately 70 per cent of the Ceylonese are Sinhalese (a people of Aryan stock); 11 per cent are Ceylon Tamils and 12 per cent Indian Tamils (both groups of Dravidian stock); six per cent are Ceylon Moors (of Indian rather than Arabic stock\(^1\)); and the rest are composed of Ceylon Burghers (of Portuguese and Dutch origins), Indians, Malays, and Europeans.\(^2\) Often racial groups in Ceylon are called communities —e.g. the Sinhalese community—and race relations are called communal relations.

With respect to religion, 64 per cent of the people are Buddhists (practising Theravada as opposed to Mahayana Buddhism), 20 per cent Hindus, nine per cent Christians, and six per cent Moslems.

Nearly half a million people live in the 13.6 square mile city of Colombo, and another 300,000 live in the cities of Colombo District. The total population (both urban and rural) of Colombo District is about two million or 20 per cent of the island's population. Some 600,000 live in the island's other urban areas.

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1. E. F. C. Ludowyk (The Story of Ceylon, London, Faber & Faber, 1962, p.16) discounts the popular belief that the Ceylon Moor is of Arabic origin.

2. The origins of these racial groups are discussed in the pages that follow.
Production

Ceylon is a predominantly agricultural country. Over half of the gross national product is accounted for by agriculture, and over half of employment is in agricultural occupations. Over sixty per cent of these in each regard is in the three major export crops of tea, rubber, and coconuts. Thus Ceylon's is an undiversified agricultural economy.

Chart I(A) shows the major import and export items between 1921 and 1964. Chart I(B) shows the major sources of national income between 1938 and 1963.

Although it is claimed that Ceylon was once the granary of the East, the Dry Zone where the ancient civilization flourished is only now being cleared of its jungles, and the country imports over 40 per cent of its requirements of rice which is the average man's staple diet. Ceylon grows all its requirements of vegetables and fruits, but imports nearly all of its requirements of curry stuffs, pulses (e.g. dhall or lentils), wheat flour, and sugar.

Some 25 per cent of the cultivable land is still uncultivated; and of the cultivated area coconut accounts for 30 per cent, rice paddy 20, rubber 19, and tea 17 per cent.

Since 1948, the country has turned to industry and produces cement, paper, textiles, plywood, ceramics, leather products, and several consumer goods.
Chart I(A)
EXPORTS AND IMPORTS 1921 - 1964

Exports
(Rupees 100 Million)

Imports
(Rupees 100 Million)

Sources:
Department of Census and Statistics.
Administration Report of the Principal Collector of Customs, 1931.
Turner: Handbook of Ceylon, 1922.
Chart I(B)

NATIONAL INCOME BY SOURCE 1938-1963
(Rs 100 Million)

Note: "Other" includes "net income from abroad" and "Other exports less imported materials".

Source: Central Bank of Ceylon, Annual Reports; Department of Census and Statistics; Das Gupta, A Short Economic Survey of Ceylon.
Historical Background to 1920

Legend and history (history takes over from legend in about the third century B.C.) dates Ceylon history from 483 B.C., in which year an Indian prince of the lion race, Vijaya, landed in Ceylon. It is generally believed that Vijaya and his followers came from West Bengal and were of Aryan stock. The word Sinhalese is the anglicised version of the word Sinhalas (derived from sinha, the Sanskrit for lion) meaning "of the lion race." Again, Ceylon is the anglicised version of the Sinhalese name for the island: Sri Lanka (meaning the beautiful island).

Buddhism

Theravada Buddhism was introduced to Ceylon in the third century after the Sinhalese colonization of the island. Mendis\(^1\) speaks of this as "the first great event in the cultural history of Ceylon after the coming of the Aryan-speaking peoples," and Sarkar\(^2\) says, "The renaissance of the Sinhalese civilization occurred after the country was converted to Buddhism." The foundations of Buddhism are the Four Noble Truths: (a) Suffering: birth, old age, disease,


death, union with the unpleasant, separation from the pleasant, not to receive what one craves for—all these are forms of suffering; (b) Cause of Suffering: craving for sensual pleasures, craving for existence (Eternalism), craving for annihilation (Nihilism)—all these lead one from birth to birth; (c) Annihilation of Suffering: total breaking loose from craving or forsaking for it leads to an end of suffering, to Nibbana—a state of non-attachment; (d) Path Leading to Annihilation of Suffering: craving ends by taking the Noble Eightfold Path of right understanding, right thought, right speech, right action, right livelihood, right endeavour, right mindfulness, and right concentration.

Fundamental to Buddhism are the doctrines of Kamma (also written Karma) and rebirth. Kamma literally means action, and in the Buddhist philosophy it is used to mean action with good or bad intention. As long as this Kammic force exists there is rebirth, for beings are merely the visible manifestations of this Kammic force which is not touched by the disintegration of the body. There is nothing that is reborn. When life ceases the Kammic force rematerializes itself in another form.

There are two schools of Buddhism—Mahayana Buddhism and Hinayana (or Theravada) Buddhism. The chief difference in Mahayanism is that it incorporates the conception of countless Buddhas and Bodhisatvas (Buddhas-in-training),
whereas the Theravadians claim that Gauthama Buddha was only the 25th in a line since the beginning of time. Also, the Mahayanists deified the Buddha and encouraged the worship of other gods and goddesses for attaining emancipation. Theravadians lay emphasis on attaining the state of an Arhat (literally, the Worthy One, used to describe those enlightened ones who have destroyed all passions) through a course of self-culture and self-control. The Mahayanists think that everyone is a potential Buddha. As the goal in the one--Buddhahood--is higher than the goal in the other--Arahats--the former are called Mahayanists (maha meaning higher) and the latter Hinayanists (hina meaning lower). However, Hinayanists prefer to use the term Theravada, meaning "according to the elders," and claim that they practise Buddhism in its purest form. The spectrum from Hinayana to Mahayana spreads from Ceylon to Japan, with the streams merging around Indo-China.

History of Buddhism is a history of the Sangha (the Buddhist clergy). And the history of the Sinhalese is, often, a history of Buddhism.

1. Theravada, the Doctrine of the Elders, is the orthodox teaching accepted by the Elders at the First Council held three months after the passing away of the Master.
Early History

The ruins of ancient cities and tanks (rain water reservoirs), the history of Sinhalese literature, and the legend and history of Sinhalese Kingdoms suggest a materially and culturally flourishing civilization that existed in Ceylon two thousand and more years ago. Being an important meeting place of sea routes between the east and west, and being the repository of Theravada Buddhism and Buddhist relics, Ceylon attracted traders as well as pilgrims from India, Arabia, Africa, South-East Asia and China.

Until the coming of the Portuguese, the main influences on Ceylon were of Indian origin and they were most important in the religious and cultural spheres. Reciprocally, the main Ceylonese influence on South-East Asia was more religious than economic, and more economic than political.

The Ceylon Tamils

The original homelands of the Tamils of Ceylon are the South Indian regions known today as Madras and Kerala. There were two types of South Indian immigrations— the peaceful settlers and the invaders. Among the settlers were those who accompanied the Indian princesses who came as brides for the Sinhala kings. Indian craftsmen were settled in various parts of the country. Similarly, there were Indian merchants who lived in Ceylon, but in temporary
residence in different parts at different times. Additionally, of course, there were the invaders who had established the Tamil Kingdom of the north and had the closest of relations with the Dravidian powers in South India.

For the Sinhalese the coming of the Dravidian Kingdom and the Ceylonization of the Tamils meant that South Indian forms of religion and culture came into direct contact with the indigenous civilization exerting an influence over Buddhism and the social life of the people. In the words of Peiris,¹ "... the fusion of elements from pre-Aryan, Aryan and Dravidian cultures gave rise to an identifiable 'Sinhalese' civilization distinct from that of any part of India."

The Ceylon Moors

The first Arab colonies in Ceylon date back to the 10th Century when the principal Arab traders in South Indian ports sent their agents to collect for them the produce of Ceylon. They were an economically and religiously homogeneous group, and an entity separate from the Hindu Indians. Theirs was the social system that the agents reproduced in Ceylon.

To compete effectively with the other Indians, these agents went to the source of supply and thus were forced to

settle in the interior villages. They were predominantly single males and they married both Sinhalese and Tamil women. Up to the 15th Century this Indo-Arab community looked to the then Muslim dominated India for inspiration. However, by the 16th Century they were almost completely Ceylonized, giving birth to the Ceylon Moor community. Although their religious language was Arabic, they spoke Sinhalese if they lived in Sinhalese areas, and Tamil if in Tamil areas.

By the time of the arrival of the Portuguese, the capital of the Sinhalese kings of Ceylon had shifted from Anuradhapura (210 B.C. - 1029 A.D.) to Polonnaruwa (1111 - 1215), to Dambadeniya (1232 - 1326) to Gampola (1344 - 1414), to Kotte (1415 - ).¹ The first two cities are in the North-Central Province, the third city in the North-Western Province, the fourth in the Central Province, and the last in Colombo District, about six miles from the port of Colombo.

With the move from the north-central region to the south and south-west, paddy cultivation declined as the land was less suitable and less extensive for the purpose. Between the 13th and 16th Centuries the growing of spices for export became a major economic function. So that in addition to the pressures from the Tamil Kingdom in the north, there

¹. See map next page.
was an economic reason for the move away from the North-Central Province. With the growth of the spice trade, movement nearer the coast was important for better supervision. At the same time, the production of the staple food started on its decline.

The Portuguese Period

At the beginning of the 16th Century, there were three centres of political power in Ceylon: Kotte, Kandy, and Jaffna. In 1505, the Portuguese (at that time the leading sea-power in the world) arrived in Ceylon and were permitted to trade. Dynastic difficulties between the Sinhalese rulers helped the Portuguese to extend themselves from the trading post in Colombo to other parts of the island, over which they forcefully established their rule. However, the three Ceylonese Kingdoms, severally, held out against the Portuguese.

Ceylon was important to the Portuguese for its cinnamon (a very profitably sold spice), and for its strategic position in the Indian Ocean. When they went, the Portuguese left behind two lasting impacts of their stay in the island. First, the maritime areas of Ceylon had been subjected to change and Western influence. Second, the Roman Catholic Church had established itself.
The Dutch Period

The Kandyan king invited the Dutch to come to Ceylon and oust the Portuguese. But the strategy to use them only as a tool to oust the Portuguese failed. The Dutch rule of the coastal areas lasted for 138 years from 1658. They were more concerned with trade (mainly cinnamon and areca) than with ruling the whole island. To the Dutch the controlling of the sources of supply was very important. Extended cultivation of coconut was undertaken during this period. A system of canals was built to transport produce to the ports.

Perhaps the most important Dutch contributions to Ceylon were the legal institutions they set up in the country. Particularly important in this regard were the establishment of the rule of law, the Roman-Dutch-Law, and the Thesavalami (codification of matriarchal Hindu Law).¹ The civil and commercial administration of the Dutch had transformed Ceylon from medieval-feudal to colonial rule. And, through encouragement given to cash crops they helped in a small way the start of the Modern Period. The Dutch left a legacy--a

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¹ Today, the common law of Ceylon is based on the Roman-Dutch law, introduced by the Dutch into the maritime regions. Regional systems apply to the Hindus of Jaffna, the Moselms, and the Kandyans. Corporation, banking, and the various branches of mercantile law are based on English law, which was incorporated into the local ordinances. In the absence of a specific ordinance the English law is deemed to apply.
new local elite that filled posts in their administrative hierarchy—the Mudaliyars. They also left the Dutch Burg- 
hers who, together with the Portuguese who stayed behind, form the Burgher community in the island.

Portuguese and Dutch rule had been limited to various coastal areas of Ceylon. As such the political and social influences of the Portuguese and Dutch were limited to the maritime regions. Indirectly, however, the impact of Dutch influence was large enough to clearly differentiate the low country Sinhalese (commercialized and educated) from the up-country Sinhalese (feudal and traditional).

The British Period

In 1776, the British (who had arrived in Trincomalee with Letters of Authority from the refugee Prince William of Orange to "help keep the French away") captured Colombo from the Dutch. With the assistance of noblemen from the Kandyan court, which was in rebellion against a tyrant, the British succeeded in annexing the Kandyan Kingdom and bringing the whole country under British rule. The Kandyan Convention of 1815, which placed Ceylon as a "protectorate" of the British Crown, ended over 2300 years of Sinhalese rule in the island. Ceylon was important to the British for its strategic position

1. By this time the other two Kingdoms in Ceylon had been annexed and only the "Kingdom of the Upcountry" had been successful in holding the foreigners at bay.
for control of the Indian Ocean and the defence of its Indian Empire. However, it was not long before they realized the potential of Ceylon as a profitable field of investment. Ten years after the Kingdom of Kandy was annexed, the British Governor of the day opened up his own coffee plantation.

Beginning with the Legislative and Executive Councils of 1833, which were a result of the Colebrook-Cameron Reforms, the country was set on a course of orderly government. Island-wide establishment of the rule of law and the introduction of the jury system were accomplished in the legal field. There were also radical changes in the economic and social structures.

The British were less autocratic than the Dutch (much less so than the Portuguese), and the period was marked by its absence of religious persecution. Up to World War I, the Ceylonese enjoyed the security and peace the British rulers afforded the peoples of their colonial empire. During this period, the only contact the British had with the ruled was through the Mudaliyars, who had become a landowning gentry through their services first to the Dutch and then to

1. The Colebrook-Cameron Commission was a Royal Commission appointed by the British Government to study the administration of the crown colony of Ceylon. Under the reforms recommended by the Commissioners, the powers of the Governor were removed and vested in the Councils, which were composed of official and unofficial nominated members. The unofficial members included three Ceylonese, one each for Sinhalese, Tamil, and Burgher communities.
the British. As the Dutch before them, the British appointed as Mudaliyars only those of noble families who were rich and professed Christians.¹

With the introduction of regular coffee plantations in 1867, Ceylon's economy was transformed from one of subsistence agriculture to a plantation economy. Soon after the conquest of Kandy, the British administrators and civil servants bought crown lands for themselves or sold them to British planters at a "give-away price" of five shillings per acre. Under the Crown Lands Ordinance of 1840 all forest, unoccupied or uncultivated land was presumed to be the property of the Crown until the contrary was proved. The land system prevailing under the Kandyan kings had not required written documents, and it was impossible to prove title. The land included grazing land and high-crop land.

The forests of the hills had played an important role in controlling rainfall and soil erosion. With the forests cleared this control was no longer available. So that in addition to the peasants losing all or a good part of their land, paddy cultivation on the left-over land was adversely affected. That was the beginning of Ceylon's food crisis.

¹ There is some ground for the belief that the same rich families which had been Catholic and Protestant during Portuguese and Dutch times were now Anglican.
The Indian Tamils

The evicted upcountry peasant had been used to an independent and fairly comfortable life. He did not like to do work he was unused to on a plantation of another at low wages and without leisure. The estates needed labour, and mobile labour at that. The first batch of indentured labour from India was introduced in 1828 by Governor Barnes to work his plantation, but all deserted within a year.¹ The planters soon evolved the kangan system, where an Indian agent, the kangan, contracted to supply labour. Immigration was not as individuals but families, and even inter-related families. The descendents of these immigrants form the very great majority of the Indian Tamil community in Ceylon. They had little or no contact with the Sinhalese villagers and reproduced in their new environment the culture of their homeland.

The New Society

Tea plantations were almost exclusively British owned, but a few coffee plantations were owned by Ceylonese from the new monied group.² The latter (lawyers, transporters, timber merchants, builders, carpenters and clerks) had benefitted from the coffee boom, and were competing for social

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² Singer reports that the first Ceylonese planter was heard of in 1835. (M. R. Singer, The Emerging Elite, Cambridge, Mass., M.I.T. Press 1964, p.32.)
position with the Mudaliyars. The British set up a system of secondary schools with instruction in English, and better organized the schools where the instruction was in the vernaculars—Sinhalese and Tamil.¹

The English-educated came from among the group of new rich. Not only was this group educated in English, but their dress and mode of living were Westernized. Schools were modelled on the secular and missionary schools in England. The teaching of the foreigner's ways and culture was given state support to remould the local elite away from the traditional mode and to the European image. The greater emphasis given to an English education for positions of administration in the government, commercial, banking and trading establishments widened the gap between the English- and the vernacular-educated.

By the end of the first decade of the 20th Century, less that 10,000 British and other European settlers on the plantations, in banking, in commerce, and in the civil administration were at the top of the social and power structure. A small influential group of Burghers, and the English-educated minority of Sinhalese and Tamils (who together comprised the native intelligentsia) were clamouring to be ad-

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¹ In Ceylon, schools using English as the medium of instruction are called English-medium schools, and those using the vernaculars are called vernacular-medium schools.
mitted to the top via the legal and medical professions. Other well-to-do Ceylonese had become owners of coconut plantations, and thus had been born a new socio-economic class—the "proprietary planters."

**Early Trade**

In the earliest times the Persians had been the traders in Ceylon. Later, Indians monopolised the Indo-Ceylon trade, and the bulk of the external trade of the island was in the hands of foreigners (mainly Malabars and Moors). During the Kandyan Period monied men were few, and the Kandyan Sinhalese had a deep abhorrence for trade.

During the early 20th Century, shipping and banking were in European hands; and the import-export trade (including the importing of food) was exclusively by European or Indian firms. Few opportunities were available for the average Ceylonese to engage in trade. Lack of capital and access to capital, as well as the strong hold by foreign business firms over the supply of goods, were the main reasons for this state of affairs. The very few Ceylonese who were merchants came from the monied families, but were those who had generally not fared well in the English-medium schools.¹

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¹. Singer (Op. cit., pp.33-34) quotes Burton Stein to the effect that Ceylonese merchants were mainly from Christian families of the Karawa caste. The significance of caste is discussed in Chapter III.
Few, if any, of the new Ceylonese elite had taken up the less limited opportunities in the field of retailing. Ceylonese retailers were mainly from Southern Province, which had been less exposed to Western influences. Their knowledge of English was limited as were their aspirations for jobs in the government services (the only "respectable" alternative to the professions considered by the English-educated). These Ceylonese retailers had limited capital. The Indians and the Moors, who did have access to funds outside the banking system, dominated both the wholesale and retail segments of the market all over the island.

The market in Ceylon was very much like that reported by Hawkins\(^1\) of Africa: in regions that had been exposed to Asian and Arab traders before the advent of the European traders, the structure is one of European import houses with Asian and Arab wholesalers and retailers.

**The Pre-World War II Period**

"A new class had come into existence in Ceylon by 1900. Educated in the language and traditions of the colonial master and skilled in the use of his tools, yet deprived of social status both by the traditional aristocracy of the culture

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he had forsaken and by the Western masters whose skills he had acquired, the new middle class man no longer was content with supplication and began, vociferously though peacefully, to demand his rights.¹

Agitations for constitutional reforms were spear-headed by the educated minority who were also the propertied and professional classes. They are referred to by Ceylonese, as well as by foreign writers, as "middle class" only because they are different both from the old traditional landed aristocrats and from the vast majority that make up the rest of the Ceylonese. By wealth or by education, or any other standards one may choose to use, they are upper-class, or "lower-upper" in the Warner hierarchy.

The constitutional reforms of 1921 did not satisfy the seekers of political power. What some historians² called "representative government" was granted in 1924, when the Legislative Council was enlarged to 49 members, of whom 23 were elected territorially and 11 elected on a communal basis. In view of the fact that only 4 per cent of the population was entitled to vote, and also because of the wide reserve powers vested in the Governor, "that Ceylon was granted representative government in 1924 is meaningful only as

¹ Singer, Op. cit., p.34.
² Mendis (Op. cit., p.86) for example.
a cliche of the colonial historian."¹

Singer² concludes that in 1924 power was transferred to those who were

... broadly Ceylonese ... largely Christian
... mostly high caste ... highly urbanized
... highly western educated ... largely engaged in western type occupations ... of the highest economic and social class ... individuals at the most western end of the spectrum with a strong sense of identification with British values, attitudes and perspectives.

Agitations for further reform continued. In 1931, the Donoughmore Constitution, which replaced that of 1924 and to everyone's surprise granted suffrage to every man and woman over 21 years of age, set up the State Council of 50 elected and eight nominated members, thereby reversing the communal representation policies. The 58 members were divided into seven executive committees. The chairmen of the committees were ministers, and this Board of (seven) Ministers with three Officers of State appointed by the Governor formed the "Government."

In 1924 only 204,000 had voted, while in 1931 nearly one and a half million did. However, as candidates for election had to be literate in English, universal suffrage had

made no difference to the composition of the legislature, which was still dominated by the English-educated. As the Governor's reserve powers were seldom used, many observers appear to believe that in practice Ceylon achieved self-government in 1931.

When the Second World War was declared, Ceylon's second State Council was in session.

**Economic Development**

By 1921, Ceylon's agricultural economy had set itself into the pattern to be followed late into this century. In that year 98 per cent of the country's exports were agricultural produce. Food accounted for 40 per cent of the imports, rice alone accounting for 28 per cent of total imports (or 70 per cent of the food imports). Ceylon's agricultural products were mainly for export. Roughly a third of the cultivated area was under tea, rubber, and cocoa for export, a further third was under coconuts mainly for export, and the other third was under rice paddy.

Perhaps the most significant event of the period was the establishment of the Bank of Ceylon in 1938. Prior to that, eight foreign commercial banks operated in Ceylon. The Bank of Ceylon was set up with 51 per cent government capital, and was the first Ceylonese-owned bank in the country. There is no doubt that, with the coming of the
Bank of Ceylon, the financial setup changed, at least for Ceylonese businessmen, who had complained of the lack of cooperation from foreign banks.

Most of those at the top of Ceylonese society, in the 1920's and 1930's, had had their university education at leading British universities, and their philosophies followed the trends in Britain—left of the liberals and of the conservative interventionists of the older generation. Impressed by the growth of Germany and Japan, they were what Oliver¹ calls "neo-mercantilists." They wanted the government to intervene on behalf of Ceylonese businessmen who wanted the financial and other business environments to be made equally competitive for both Ceylonese and foreign business houses. They wanted the government, further, to obtain training for Ceylonese managers and subordinates.

Gross national investment was six per cent of gross output in 1938, most of it in tea, rubber and coconuts, where returns were much higher than in industry.

Both in 1921 and in 1931 consumer goods accounted for about 92 per cent of goods imported. An added complication was the very heavy burden of invisible imports (return on foreign capital, shipping, insurance, personal services)

which accounted for a third of imports, and was beyond any meaningful control by the government. Between 1921 and 1939, total exports increased by 28 per cent and total imports decreased by eight per cent, while agricultural exports dropped by 19 per cent and capital-goods imports increased by 29 per cent.

Social Development

Between 1921 and 1939, the population in Ceylon increased by 32 per cent, and there was a general movement of the population towards the Western Province, particularly to Colombo District. The percentage of urban population increased ten per cent, most notably in the Western Province.

With a tremendous increase in health facilities resulting from a doubling (between 1921-39) of per capita expenditures on medical and health services, the death rate dropped by 31 per cent and the infant mortality rate by 11 per cent. These were indeed significant achievements in view of the very severe malaria epidemic that had ravaged the country in the early "thirties." The birth rate also dropped, perhaps due to the epidemic.

Education made rapid strides. During the period, the number of schools increased by 33 per cent, all pupils by 101 per cent and girl students by 164 per cent. In 1921,
the University College was established as an institution af-
filtrated to the University of London. University enrollment
had nearly tripled by 1939.

The Rural Economy

Even in 1939, over 85 per cent of Ceylon's population
was rural, the bulk of them poor peasant farmers. Due partly
to religious beliefs that inhibit rearing of animals for food,
and partly to the fact that these peasants could not afford
to purchase and rear necessary livestock, it was an economy
of agriculture without livestock. A study of selected vil-
lages in 1936\(^1\) revealed that 70 per cent of the families were
in debt. The average debt was 40 per cent of the average
annual family income and 22 per cent of the average value of
family property.

While unemployment was rare in the rural sector, under-
employment was rife, and the availability of opportunities
for the rural population to offer their services as part-
time labour made the difference between subsistence and want.
An important village figure was the boutique-keeper--a mono-
poly buyer of the villager's produce and a monopoly seller of
the villager's daily needs.

\(^1\) W. M. Tilakaratna, "Rural Indebtedness in Ceylon," Ceylon Economist, Vol. 4, No. 2, pp.149-179.
During the early "thirties" financial limitations did not permit any useful land development by the government, and nothing important took place till 1938. Between 1921-39 paddy acreage increased by five per cent.

The Plantation Economy

In contrast to the rural sector, the plantation sector was expanding. Tea acreage increased by 33 per cent and production by 46 per cent; rubber acreage expanded by 58 per cent and production by 50 per cent. Coconut acreage increased by 34 per cent.

The growth of the plantation sector led to an increase in incomes in export-import, banks, insurance companies etc. which were in foreign hands. Only few of the native population shared directly in the economic benefits. Everyone benefitted from the road and rail systems built for the use of estate transportation.

The Co-operative Movement

The co-operative movement had been introduced to Ceylon with the Co-operative Credit Societies Ordinance of 1911. In 1921, an Ordinance was passed to permit the establishment of other types of co-operative societies. In keeping with the laissez faire policies of the government, and also in keeping with the Rochdale Principles, the original policy
was towards reducing official control at the earliest pos-
sible opportunity.¹

Despite the enlarging of the scope of the co-operatives, no consumer society was founded till 1927, and that was on an estate. Estate labour had two sources of supply for their daily needs—the private shop on the estate (which charged exorbitant prices) or the private shop in the bazaar (which was a considerable distance away). The estate co-operatives filled a strong need and were successful, in most cases, due to lack of competition from other sources.

World War II and Immediate Post-War Period

When Britain declared war, the Governor summoned the State Council and announced that Ceylon too was at war. The Board of Ministers accepted the situation without protest. At the beginning, the war was too far away (7,000 miles) to be important to most Ceylonese. Things did change after the entry of Japan into the war, but drastically only with the fall of Malaya to the enemy. On the 5th of March 1942, the

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1. L. P. D. Premasiri (Some Aspects of the Co-operative Move-
ment in Ceylon, Unpublished M.A. thesis, University of Ceylon, 1964, p.34, fn 8) outlines the Rochdale Principles as adopted by the Society of the Equitable Pioneers of Rochdale (1844) as: open membership, democratic control, dividend on purchases, fixed rate of interest, limited capital, strictly cash transactions, honorary service, pure and unadulterated goods, education of members, politi-
cal and religious neutrality. The co-operative move-
ments all over the world are based on the Rochdale Prin-
ciples.
Commander-in-Chief took over all naval, air, military, and civil authorities (including the Governor and his civil administration) under his direction.

Despite the fact that there were no political parties, except for the Trotskyite L.S.S.P., the communist C.P., and the Labour Party, the general trend among the leading influenceurs in the State Council was towards co-operative and welfare-state ideals, mixed with some strong feelings in favour of intervention by the state. In 1946, it was stated government policy¹ that basic industries such as power, steel, cement, and heavy chemicals should be state monopolies, and that the non-basic industries should receive government assistance.

Economic Development

The most significant features of Ceylon's economy during this period were a freezing of export prices and earnings, unprecedented and costly inflation, an increasing governmental participation in trade, and the starting of government-directed industrial ventures.

After the Japanese overran Malaya, the exportable surplus of Ceylon's products came under British control. The contract (to which Ceylon had no option but to agree) with

the British Ministry of Food required that the total surplus
be sold to it at prices which were the average of 1936-38
prices. These were, perhaps, the best base years, but these
export prices were much below world prices. Shipping was ar-
ranged by the British Ministry of Food. Profits in excess
of the 1936-38 levels were taxed 100 per cent by the British
Exchequer.

The price freeze on exports, while the import prices
sky-rocketed (due to world shortages in consumer goods, and
the enormous increase in shipping and insurance charges)
caused the deterioration of the purchasing power of Ceylon's
major exports. The tables below\(^1\) show the position clearly:

\begin{table}
\centering
\caption{Purchasing Capacity of Ceylon's Exports in Terms
of Certain Essential Imports}
\begin{tabular}{lccr}
\hline
& \textbf{Rice} & \textbf{Wheat Flour} & \textbf{Cotton-Dyed}
& \textbf{Piece-goods} \\
& (cwts) & (cwts) & (yards) \\
\hline
\textbf{Exports} & & & & \\
1,000 lbs. Tea & 1939 & 158 & 160 & 3,154 \\
& 1944 & 44 & 105 & 543 \\
1,000 lbs. Rubber & 1939 & 96 & 97 & 1,923 \\
& 1944 & 38 & 92 & 476 \\
\hline
\end{tabular}
\end{table}

\(^1\) The Hon. C. Suntharalingam, *The Overseas Trade of Ceylon*,
Colombo, Department of Information, 1948, Tables I, IV,
VII.
Table II

<table>
<thead>
<tr>
<th>Year</th>
<th>Tea</th>
<th>Rubber</th>
<th>Copra</th>
<th>Dessicated</th>
<th>Coconut</th>
<th>Cocoa</th>
<th>Cinnamon</th>
</tr>
</thead>
<tbody>
<tr>
<td>1934-38</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>1944</td>
<td>33</td>
<td>38</td>
<td>42</td>
<td>55</td>
<td>32</td>
<td>63</td>
<td></td>
</tr>
</tbody>
</table>

Not only were consumer goods imports low and costlier, but there was much more money in Ceylon than even at times of normal imports. Up until the war, Ceylon was on an exchange standard. With the start of the military administration, the Commissioners of Currency were made to issue (against sterling credits in London and rupee credits in India) as much money as the military authorities needed. Thus, instead of the money supply changing with the requirements of trade, it changed with the requirements of the military authorities. The gross currency circulation increased from Rupees 45.1 million in 1938 to Rs 449.5 million in 1945, an increase of 897 per cent!¹

Civilian and military expenditures were not covered by one budget. The latter was completely independent of the former, so that taxation and saving were not in a position to keep pace with the fluctuating military expenditure. The

result was staggering inflation. The greater part of the
labour force in Ceylon, especially in the rural areas, was
unorganized, so that they did not experience any increase in
money wages, let alone real wages. The government servants
and mercantile employees, who formed the majority of the
middle class, suffered a reduction in real income. The low-
paid government employees and the estate workers appear to
have come out best, with their trade unions fighting for
higher minimum wage rates to keep pace with the rise in liv-
ing costs.

In 1942 maximum prices were fixed by the government for
a large number of commodities. With the fall of Burma, and
the drastic reduction of the food exports to Ceylon from
India, the government was faced with a serious food crisis.
When the Japanese bombed Colombo in April 1942, most of the
Indian traders, who had been the main stream of the food sup-
ply, fled to India, thereby disorganizing the already over-
strained system. The government came in with a rationing
scheme on a wide range of commodities, and a system of dis-
tribution through mobile and immobile "people's depots."
The government also organized a "stores drive," responsibi-
liity for which was later transferred to the Co-operative De-
partment which organized co-operative societies to distrib-
bute essential food stuffs.

The end of the war saw the world-wide scarcity of essen-
tial commodities continue, and the controls (and some of the rations) continued. Many Indian importers and shopkeepers had been more or less permanently displaced. The co-operative Wholesale Establishment had been designed to ensure a regular supply of imports to the consumer co-operatives which sold at retail. There was also a strong move to build a network of producers-co-operatives to eliminate the village boutique-keeper from his role of purchaser of the villager's produce.

When, during the war, the government took the initial steps in its new agricultural, marketing, and industrial roles, it did so reluctantly and because only a government agency could avoid chaos at that time. Wartime factories included manufacturing facilities for acetic acid, drugs, steel, ceramics, glass, leather, paper, and plywood. Although these were meant, at the start, to act only as emergency supply arrangements, by the end of the war majority opinion was that basic manufacturing industries should be reserved for the state and that planning was a major element in development. A new dimension was added by Oliver¹ who seems to imply that it was due to the unwillingness on the part of private enterprise to take on their role:

As late as 1940 the Executive Committee of Labour, Industry and Commerce hoped to rely primarily on private enterprise, but their failures to interest private capital in industries which the government wished to develop finally led them to look upon state ownership and management as the normal and preferable means of progress in at least the basic industries. . . .

The end of the war saw an easing of supply conditions for the importation of certain non-essentials. Pent-up demand was satisfied in purchases of these available but expensive luxuries. The post-war inflation was less harmful to the middle classes than the war-time experience, as the increase in their real incomes was greater in the post-war period than in the war years. Income receivers in the trade and employment occupational groups benefited most. Judging from the increases in their real incomes in the war years as compared to the post-war years, the high income groups and the lowest income groups suffered more than they did in the war-time, and city workers were better off than estate workers.

Das Gupta¹ states that the balance-of-payments difficulties which became acute at that time were due partly to the shift from essential to non-essential imports, and partly due to the fact that inflation in Ceylon was higher than

in the countries she was trading with. Perhaps it was due, in part at least, to Ceylon's agreement to a freezing of a part of the foreign exchange reserves built up during the war. This agreement was to enable Britain to stabilize sterling. Apart from the fact that this was an added and unfair burden on the average Ceylonese who had given "blood and sweat" during the war to build up these reserves, there were other important considerations.

Most of the industries started during the war had been equipped with old machinery. Most of the machinery and capital stock that Ceylon had at the start of the war, and the newly installed machinery, were worked at full capacity without replacements (and with little repairs) during the war. As a result, this productive equipment which had been "conscripted for service" was in a very poor state at the end of the "forties," and needed immediate replacement which was difficult to obtain because of both poor supply and insufficient foreign exchange with which to pay for it.

Generally, between 1939 and 1948 income from agricultural and investment sources declined, and those from trade increased. Over the period, the export contribution to GNP decreased from 41 per cent to 29 per cent, while the share of "fish and agricultural products, produced and consumed locally" increased from 13 per cent to 21 per cent.
The value of all exports increased by 208 per cent, and agricultural exports by 219 per cent. Total imports increased by 310 per cent, food by 355 per cent, clothing by 492 per cent, and capital goods by 333 per cent.

Social Development

The gravitation of population towards the Western Province continued during this period, and the most rapid urbanization took place in the Western, Central, and Eastern Provinces.

Medical facilities nearly doubled. A system of free medical care was undertaken shortly after the war, and between 1939 and 1948 per capita government expenses on medical and health facilities increased 238 per cent.

In education there was a nearly 50 per cent increase in the number of English-medium schools. University College became the University of Ceylon, a separate institution under a charter, in 1941. Enrollment in all schools increased 46 per cent, and 171 per cent in English-medium schools. Again, the increase in the enrollment of girls was higher than for all pupils. University enrollment increased 156 per cent.

In 1945 "free education" was introduced, making education non-fee-levying from the first year of school right
through university. This scheme was hailed as the greatest piece of social legislation enacted in Ceylon because it made education "free." But, in fact, it changed the situation only for those children attending English schools (no vernacular-medium schools had ever charged fees), or only about 13 per cent of all the children in school at that time. What in fact it did do was to make English-medium instruction available to those who could not afford it earlier, and make university education available to those who could not afford it earlier.

The cost to the state of education per pupil nearly tripled between 1939 and 1948, doubling itself between 1946 and 1948.

The period was also one when a great deal of labour legislation was enacted. Between 1941 and 1945 four Wages Board Acts were passed to provide for the regulation of wages and other emoluments, hours of work, and other incidental matters. Factory Ordinances were passed in 1942 and 1946 to provide for the safety and welfare of workers in factories. Also passed were Maternity Benefit Acts (1939 and 1946), and the Workmen's Compensation Act (1946). The labour situation itself and pressure from unions prompted these measures. Wages did not keep pace with inflation; unemployment was increasing, particularly among the unskilled; and several grievances had been settled after extended strikes.
In 1946 (the Census year), 69 per cent of the work force was employed, 8 per cent of these in the category "trade, finance and commerce."

The Rural Economy

War-time shortages led the government to make an intensified effort to increase agricultural output. In addition to the "grow more food" campaigns, several colonization projects got under way. The government cleared, irrigated, and improved the land in the Dry Zone areas, and released these lands to peasants and middle class farmers. They were encouraged to use improved methods of cultivation, were provided with credit facilities through co-operatives, and their produce was purchased at guaranteed floor prices. Traders were compelled to purchase a certain quantity of local produce before they were granted permits to import certain food items. It was a three-pronged effort—to become self-sufficient in food, increase employment, and use unutilized land.

Between 1939 and 1948 new settlement was twice as rapid as in the previous decade, but cultivated area per head in 1946 was only three-fourths that in 1931. Village expansion was less costly than new colonization, but the land was often not suitable for paddy cultivation. At the end of the period rice imports were low, but this was due more to world scarcities, and the trend towards the substitution of wheat flour
for rice, rather than to increased local production. Ceylon still grew less than one-third of its requirements of rice.

During the war and post-war years the market for rural produce, especially rice, was buoyant. The prices of the commodities needed by the farmers were also high, but there was little of these available, so the peasants ended the period in a more liquid (and debt-free) position than when they began.

The Plantation Economy

In 1946, 74 per cent of the cultivable land was under cultivation, 17 per cent in tea, 12 per cent in rubber, and 29 per cent in coconut. Tea acreage was almost constant over the period, but production increased 26 per cent. Acreage under rubber had increased seven per cent and production 58 per cent. The acreage in coconut had dropped 3 per cent. The plantation sector had also benefited under wartime subsidies designed to increase production.

The Co-operative Movement

There is no doubt that the consumer co-operative movement in Ceylon was not a people's movement. It was initiated (more correctly, perhaps, imposed) from the top by the government. The history of the movement speaks for itself; the year 1942 was the dividing line between a period of ex-
tremely slow growth and a period of phenomenal growth. Table III sets out the position strikingly.

Table III
Co-operative Societies

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Non-Consumer Societies</th>
<th>Membership in Non-Consumer Societies ('000)</th>
<th>Number of Consumer Societies</th>
<th>Membership in Consumer Societies ('000)</th>
<th>Working Capital of Consumer Societies (Rs '000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1939</td>
<td>1,488</td>
<td>55</td>
<td>24</td>
<td>11</td>
<td>142</td>
</tr>
<tr>
<td>1942</td>
<td>1,984</td>
<td>74</td>
<td>52</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>1945</td>
<td></td>
<td>4,004</td>
<td>1,011</td>
<td>15,188</td>
<td></td>
</tr>
<tr>
<td>1947</td>
<td>2,560</td>
<td>120</td>
<td>3,961</td>
<td>1,037</td>
<td>14,101</td>
</tr>
</tbody>
</table>

(Source: Department of Co-operative Development)

The government's "stores drive" had started in October 1942, and the co-operatives started taking over in July 1943. At first only rice was channelled through co-operatives. But later, with the profiteering by the private trade in other foods, all essential foodstuffs could be had only on ration and only through co-operatives or "authorized private dealers." The co-operatives certainly had a dampening effect on the inflationary tendencies. The government used its resources to create a distribution system for essential foodstuffs; a system that would be self-financing and thus not a financial burden as would have been a government distribution agency.

In 1943, the Co-operative Wholesale Establishment was set up as the government's agency for the wholesale distri-
bution of rationed commodities. It too was expected to pay its way from "reasonable" wholesale margins.

At the height of the consumer co-operatives' influence, in 1945, the co-operatives had registered with them 3.8 million of the 6.6 millions of the ration books held by the consumers.¹ That is, then, 59 per cent of the potential consumers were customers of the co-operatives. By 1948, some of these stores societies had died due to inefficient and/or corrupt management, and others had died because supply conditions had eased sufficiently for members to lose interest in them. Others carried on, mostly because the continuing controls made it necessary for the societies to continue, often inefficiently, in the distribution of essential foodstuffs. Das Gupta predicted, ² "As articles are decontrolled and private traders allowed to retail them, the monopoly advantage of the co-operatives in this respect will disappear."

The Ceylonese had had no tradition in economic controls, had not known of any interference in the ordinary course of business, and had never experienced controls over their consumption. The major part of the population, who

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were ignorant and illiterate peasants, transacted business by bargaining and purchased the bulk of their requirements on credit. To them, the co-operative movement itself had little meaning, and the way of doing business was not very helpful.

Ceylonese all over the country had been used to individual treatment by the shop-keepers. They had been used to receiving even a one ounce purchase of curry powder neatly wrapped (often in old newspaper). Then, at the co-operatives, they were required to take their own little paper gags to put their individual purchases into, and to carry a large shopping bag (which came to be known, contemptuously, as the "famine bag") into which to put all the small packets. Many people, including the poor, found it more convenient to purchase in private stores at blackmarket prices. Even the items supposedly available only in the co-operatives or at the authorized dealers' stores were available, at a price, in any shop because the private trader had learned how to spring a leak in the controlled pipelines.

The First Phase After Independence

The Commission on constitutional reforms, headed by Lord Soulbury, had arrived in Ceylon in December 1944. Under the new constitution drafted by the Commission, the House of Representatives replaced the State Council, a
Cabinet replaced the Board of Ministers, and a second chamber, the Senate, was added to the legislative institutions to be called Parliament. The request for Dominion Status had been turned down; but after discussions between the Chairman of the Board of Ministers and the Government of the United Kingdom, conferment of "fully responsible status," a new status that was less than Dominion Status, was agreed to. The Ceylon Independence Act, 1947, was passed by the Parliament of the United Kingdom, and on the appointed day, 4th of February 1948, Ceylon achieved independence.

The British Constitution had been evolved by a country with a different history, and a different economic and social structure from Ceylon's. And Ceylon was given a constitution that was modelled on the British Constitution because the politically conscious sector of the island, the "oligarchy," was English-educated and knowledgeable about English institutions. To 95 per cent of the people, who were not English-educated and not versed in the Westerner's ways, the newly won independence and its institutions meant little or nothing.1 Barely half the eligible voters cast their ballots in 1947, and the United National Party (UNP) got 48 per cent of the seats.

Just prior to the General Elections of 1947, those who constituted the Board of Ministers, with others who had been State Councillors between 1931-46, formed the UNP. The UNP was a group of individuals, and at best it was a coalition of political groups. Aristocrats with influence in the localities of the electorates were the source of most of the support for the UNP. The party's financial support came from the island's wealthy who saw their economic interests bound up with those of the moderately conservative UNP leaders.

The opposition was provided by the Marxist parties. They too were led by the English-educated (perhaps more English-educated) Westernized intellectuals of the upper middle class. The areas of Marxist support were also in the most Westernized of the provinces--regions which had been in touch with the outside world much longer than the rest of the country, and regions where education, urbanization, and commercialization had made greatest headway.

In the period immediately after independence, a generous lowering of tariffs led to the unprecedented importation of luxury goods which only the rich could afford. It was what one writer\(^1\) called "a generous bonanza to reward the faithful and to enlist support among key groups of

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voters. In Colombo a new type of social life for the 
oligarchy with cocktail parties and receptions produced a 
gilded swarm whose doings the English newspaper doted on. It 
was a brash and brittle era that the 'nobodies' had inaugura-
ted, with its synthetic culture."

In 1951 the Sri Lanka Freedom Party (SLFP) was formed 
when its leader, the son of the last British Maha (chief) 
Mudaliyar and godson of a British governor, broke away from 
the UNP, to essentially convert the then mildly Sinhalese 
nationalist Sinhala Maha Sabha into a fully fledged politi-
cal party of the hitherto unrepresented provincial and urban 
lower middle class.

During the early "fifties" the gap between the English-
educated and the vernacular-educated was widening, and the 
Buddhist clergy and laity were becoming restless. The fear 
was gaining ground that the Buddhist and Sinhalese ways of 
life were in danger.

**Economic Development**

At the time of Independence, the British dominated the 
plantation, financial, and commercial sectors of the economy, 
which was virtually the whole of the economy. The Indians 
shared the import sector with the British and, in spite of 
the co-operative movement, dominated a large part of the 
wholesale sector. The industrial sector was comprised of
what factories the government had started during the War.

During the early part of their regime, the UNP sought to establish a mixed economy, an industrial partnership between state and private capital. The state would manage one sector, control some segments of the private sector for "national purposes," and provide the proper environment for the private sector to manage the rest. They sought to encourage private foreign capital under safeguards. In addition to managing the "basic industries," the state was to undertake extensive irrigation projects. Price supports were to be used to encourage rice production. Trade with "new countries," Japan, Germany, USSR, and China, was reserved for Ceylonese only. They also sought to Ceylonize foreign business management.

In 1953 the Report of the Commission on Government Commercial Undertakings\(^1\) was published, which was a strong indictment of the manner in which the state-operated factories were being run. In 1954 the International Bank Mission\(^2\) submitted a report criticizing those of the government industrial projects then in production, and others that were under study. It deplored the Cabinet's emphasis on state


2. Experts of the World Bank visited Ceylon, studied the economic development of the country, and submitted a report on how Ceylon should handle her development problems.
enterprise and its failure to aid and encourage the private sector. Following the Bank's report, the Minister of Industries announced nine policy features which were incorporated into and worked out in detail in the Six Year Programme of Investment that was announced in 1955. For all practical purposes, the government was left only with its agricultural plans.

While the rate of private capital formation increased nearly 200 per cent and the rate of government capital formation increased by nearly 400 per cent between 1948-56, the contribution of industrial production to GNP increased 76 per cent. Gross investment increased from 2.5 per cent of GNP in 1948 to seven per cent in 1956. Capital expenditures which had been 26 per cent of the total budget in 1947-48 increased to 42 per cent in 1954-55, but less than 5 per cent was for industrial investment. Over the period a fourth of development funds went into irrigation, and a further fourth to transport and communications.

The period of UNP rule from 1948 to 1956 was considered to be the Golden Age of Foreign Investment, with its open-door policy and orientation to the West. In the peak year, during this period, new foreign investment amounted to Rs. 25 million, but repatriation of profits averaged Rs. 110 millions per year, over half of it from the plantations.¹

¹. Ceylon Economist, Vol. IV No. 4, p.453.
With the slump in rubber prices following the Korean War, and with the fall-off in exchange reserves through liberal imports, the government, in the face of strong American pressure, was forced to enter into the controversial Rice-Rubber Agreement with China in 1952. The Chinese offered to buy Ceylon's rubber at a premium over world prices and sell rice to Ceylon at a discount from world prices. This eased conditions for a little while, but an increase in the price to the consumers of subsidized rice, in 1953, led to a complete work stoppage by both white and blue collar workers. The ensuing crisis led to the resignation of Ceylon's second Prime Minister. From the early days of independence, the food subsidies (started during the War and continued thereafter) have been more of a political issue than an economic one.

Between 1948-56 total exports increased by 72 per cent and agricultural exports by 93 per cent. Total imports increased by 64 per cent, food by 36 per cent, clothing by 42 per cent, other consumer goods by 91 per cent, and capital goods by 443 per cent. Agricultural exports as a proportion of total exports increased from 65 to 73 per cent. Food as a proportion of total imports decreased from 52 to 43 per cent, while the share of capital goods increased from 4 to 12 per cent.

Taxable income increased 82 per cent (income from agriculture increased 226 per cent), and tax revenues increased
270 per cent. Private consumption expenditures increased 130 per cent, and private consumption expenditure as a proportion of GNP went up three per cent.

Social Development

For the first time, during 1948-56, there was a movement away from the trend of population concentration in the Western Province. The period 1946-56 was one of the highest growth decades of population, recording a 34 per cent increase. Between the Census years, 1946 and 1953, the percentage of urban population in Ceylon declined by just under one half of one per cent, the marked decrease being in the Eastern Province where new agricultural development had taken place.

Medical facilities were further improved, and the death and infant mortality rates dropped 26 and 27 per cent respectively. The birth rate also dropped 10 per cent from the post-war highs. Over-all medical expenditures increased 91 per cent and medical expenditures per capita increased 55 per cent.

There were many changes in the field of education. The number of schools increased by 10 per cent (English-medium schools by 2 per cent, and vernacular-medium schools 10 per cent) and school enrollment increased 60 per cent (English-medium 124 per cent and vernacular-medium 44 per cent). The
education budget doubled between 1948 and 1956, the cost per pupil increasing 20 per cent. The percentage of literate persons in the population increased from 48 to 58.

University enrollment increased by 58 per cent. A survey\(^1\) of university entrants in 1950 revealed that 22 per cent of the male and 42 per cent of the female entrants were from professional families (who were only 3 per cent of the population) and that 49 per cent of the students were children of government servants. Rural peasant homes that comprised at least three-fourths of the homes in Ceylon were represented by 6.3 per cent of the male and 1.4 per cent of the female students. Although only 6 per cent of the students were not Sinhalese or Tamils, 25 per cent of the students claimed English as the home language. At that time only 7 per cent of the Ceylonese were literate in English.

Administration even at the lowest levels was in English. The Senior School Certificate,\(^2\) obtained in the English medium, opened the doors to clerical and higher positions. The same Certificate obtained in the vernacular mediums doomed an individual to subordinate positions (e.g. peons—messengers, janitors) throughout life. In terms of staff,

\(^{1}\) Murray, A. Straus, "Family Characteristics and Occupational Choice of University Entrants as Clues to Social Structure in Ceylon," University of Ceylon Review, Vol. 9, pp.125-36.

\(^{2}\) The S.S.C. was granted on the basis of an examination after 11 years of formal education.
facilities, and equipment, the vernacular-medium schools were very much the poor relations of the English-medium schools. The field of higher education was open only to those with an English Certificate. In the mid-fifties some 8 per cent of the Ceylonese were estimated to have had an English education.¹

Reid² found that the difference in incomes of persons with different levels of education was nearly twice as great in 1953 Ceylon than in the U.S. When these figures are corrected for the differences between the English and the vernacular-educated, the contrast was very much sharper. Besides, it was a contrast again between the urban and the rural population. Ryan³ says "Even under colonial 'self-government' the educational system in the village was geared to the fundamentals of vernacular literacy. At the upper class urban level, education was guided by standards of a British intelligentsia. Educational opportunity beyond the vernacular level was a prerogative of the upper class, i.e. those who had in some way identified themselves with the European or were of the landed aristocracy."

Very early in the UNP days, it was considered both egalitarian and democratic to reduce the gap between the elite and the masses, and it was, therefore, decided that English-medium schools should switch to instruction in the "mother tongue." The transformation was to be phased starting from the first year of schooling and extended as text books became available in the vernaculars. The rate of availability of texts never kept up with expectations, and the government was accused of deliberately delaying the transformation.

In 1953, 67 per cent of the workforce was employed, 8 per cent of these in the category "trade, finance, commerce." Between 1948 and 1956, registered unemployment rose 28 per cent (the technical and clerical class increased 260 per cent, and the semi-skilled 107 per cent). The continual labour unrest and strikes were blamed on the machinations of the Left to "sell the country to the Russians." In fact, while the upper classes had been on their spending spree, the standard of living of the middle class had remained stationary, and that of the working class had improved slightly.¹ More important, the urban workers and the white collar workers had found sufficient common ground as to stand together against employers and the government.

Under strong trade union pressure social services were

extended, some 35 per cent of budgeted expenditures being on
social welfare schemes. That volume of expenditure was in-
deed a strain on the economy, but the UNP wedded to its phi-
losophy of "democratic socialism" had to take steps to in-
crease the standard of living attainable by the mass of Cey-
lonese who had limited personal incomes. The average stan-
dard of living in Ceylon at that stage was higher than in
the rest of Asia, but the distribution of incomes (and there-
fore the standards of living attained) was very heavily
skewed.

During the period 1948-56 one new English daily news-
paper and four new vernacular weeklies were started. The
circulation of English dailies increased three per cent,
that of vernacular dailies increased 114 per cent and that
of vernacular weeklies 180 per cent. A study,¹ made at
about that time, of male heads of village households, re-
vealed that newspaper readership varied from 75 per cent in
the village most exposed to urban influences to 10 per cent
in the least exposed. Wriggins states² that the Western
Province which had 25 per cent of Ceylon's population ac-
counted for 75 per cent of the country's newspaper circula-
tion.

1. S. J. Thambiah and Bryce Ryan, "Secularization of Family

In this period, the number of radios increased by 118 per cent, and in 1956 there was one telephone for every 214 homes and one car for every 151 persons in Ceylon.

**The Rural Economy**

During the period paddy acreage increased 27 per cent and paddy production increased 47 per cent. The stress of UNP policy had been on agriculture, and there was a 19 per cent increase in paddy production per capita during the period. An extension of colonization schemes, attempts to improve yields through improved techniques (the top quartile of paddy land yielded more than twice as much as the bottom quartile\(^1\)), and a guaranteed price scheme administered through Agricultural Production and Sales Co-operatives was the thrust. The Gal Oya scheme, a multi-purpose dam and a colonization scheme, was the show piece.

According to a 1950-51 survey, agriculture was the predominant occupational activity of 40 per cent of the rural people, but over 25 per cent of them had no land and a further 15 per cent owned less than one-half acre.\(^2\) It has been estimated that the median peasant paddy holding was less than one-half acre, and that two-thirds of agricultural

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labour were hired labour at that time. It was also said that 35 per cent of the rural population was landless peasants although there was "a relatively wide dispersal of village land and rice land ownership."

The backward Kandyan villages were perhaps the areas in which these conditions were extreme. As revealed by a University of Ceylon survey made towards the end of the UNP era, the picture there was much worse than the average and median figures for Ceylon's peasantry as a whole. A small proportion of households (5 per cent for paddy land, and 7 per cent for high land) held nearly 50 per cent of the land of both kinds. Paddy land ownership was less diffuse than high land ownership. Only three per cent of the households met the requirement of "owning three acres high land and two acres paddy" which was deemed sufficient to enable a peasant household to earn a satisfactory standard of living. Share-croppers, holding no land but cultivating 65 per cent of the paddy land, accounted for 55 per cent of the households con-


5. This was the basis for allocation in new colonization schemes.
nected with paddy production, in one way or another. Non-
cultivators, who got about three-fourths of their incomes
from sources other than paddy, owned 30 per cent of the paddy
land.

**Plantation Economy**

In the period 1948-56 acreage increased by three per
cent and production by 26 per cent. Rubber acreage increased
less than one per cent and production remained the same.
While the poverty in the peasant sector was not something
that was new, the plantation sector seemed to have slowed
down, and some observers thought that it had even started to
decay.  

The Indian plantation workers who had been organized,
by wealthy Indian merchants, under the Ceylon Indian Congress
(CIC) had not associated with the urban workers, and had
therefore been treated by the latter as non-national. The
UNP, who had been not unhappy with this state of affairs,
faced a new problem after 1947. Electorates where the plan-
tation workers predominated returned to Parliament, in 1947,
CIC nominees who were closer to the Left than to the UNP.


2. The CIC was formed in the 1940's, more as an organization
of Indians and less as a trade union. In this sense, it
is a racist political organization rather than a trade
union.
In 1949, the Indian and Pakistani Residents (Citizenship) Act was passed disfranchising a very large proportion of the plantation workers. As the Indian Government refused to accept them as Indian Citizens they became "stateless."

There were both racial and political overtones to this action. The majority of those Indians had been born in Ceylon but continued to think of Ceylon as a place for employment, and think of India as home. Although wages on estates were lower than those in the urban sector, both the standards and cost of living on estates were lower. Besides, whole families worked on estates, thus the capacity of a spending unit (the family) to save was higher. The ridding of estates of Indian labour, it was believed, would theoretically create jobs for Ceylonese who would (again, theoretically) retain their savings in Ceylon. Also, theoretically, these Ceylonese would have been closer to the Right than to the Left.

The Co-operative Movement

Between 1948 and 1956 the number of stores societies decreased by a third, and co-operative membership dropped by a little less than a third. The working capital of the remaining societies and of the unions increased by 11 per cent and 154 per cent respectively.

The UNP took a new and close look at the co-operative system. They wanted to improve the quality of the societies,
inculcate co-operative principles into the people, train office bearers and employees. They decided that these things had to be done before the system was expanded by the addition of new stores.

It seemed that the co-operatives had served their period and were on the way out. Rationing applied only to rice. Other commodities were freely available. The people did not always have ready cash as they had during the War. In fact, the sheltered conditions under which the co-operatives had grown had ceased to exist. Some societies could not compete with the private traders under normal conditions; and part of these normal conditions meant selling for credit, which the co-operatives would not do.

In 1949 the government had started a link-up scheme which came to be known as the "amalgamated co-operative system." Tried out in one area only, it was meant to fight competition from the private traders who had returned after World War II. The stores society sold goods to members on credit, and the production and sales society collected the bills when the member sold his produce to it. The scheme was not extended to other areas, but it came in a more all-embracing form during the regime of the next government.

Ceylon After 1956 - The Year of Revolution

The year 1956 is referred to variously as "the year when
Ceylon really became independent, the year of "the social revolution" or the "bloodless revolution," and the year when "the good old days ended." The change is well documented, albeit with different emphases.\(^1\) Arasaratnam\(^2\) makes an historical evaluation:

The 1956 election was a turning point in the history of Ceylon and well-nigh produced a social revolution. It resulted in the dethronement of the westernized elite, both professional and commercial, which had dominated the politics of Ceylon for 25 years. In their place it enthroned the nationalist-minded elite and the Sinhalese-educated professional classes. It thus broadened the base of political power and in a sense made Ceylon's democracy more genuinely democratic. It altered the nature and content of politics and introduced new values and a new terminology to the political scene.

The group that came into power in 1956 was not a single party. It was a coalition between the SLFP, the VLSSP (V for viplawakari, meaning revolutionary, a splinter off the LSSP), and the Basha Peramuna (Language Front). The coalition was called the Mahajana Eksath Peramuna (People's United Front—MEP). During the campaign it had been ably supported by the Eksath Bikshu Peramuna (United Bikkhu Front) and had fought the election on an electoral agreement with the two Left parties (the LSSP and CP) whereby there were no contests between "anti-UNP" candidates. With extremely few exceptions, the voters had been called upon to make a straight


choice between UNP and anti-UNP candidates. The MEP campaign slogans were: "Sinhala only," meaning Sinhalese alone would replace English as the official language for purposes of administration; and "Buddhism in danger" based on (what Singer\(^1\) called the "highly inflammatory document") the Report of the Buddhist Commission of Inquiry, highlighting the discrimination Buddhists and Buddhist institutions had suffered under the British, and which allegedly continued under the UNP. Socio-economic issues, such as the rice subsidy, increased employment, free mid-day meal to school children, and a vague reference to a socialist form of government, were of marginal significance.

It was true that the UNP had no roots in the soil. It could be said that the SLFP was anti-colonialist, nationalistic, progressive, and "close to the people;" yet it was difficult to say whom the party really represented. There were the lower-middle class Sinhalese-educated Sinhalese like the ayurvedic physicians (those trained in native medicine), the Sinhalese-trained teachers, and the Sinhalese-educated unemployed. Then, there were the Sinhalese-educated new-rich merchants who were "kept in their place" by the traditional English-educated merchants.

And there were the Buddhist clergy. During the British regime Buddhism had lost its place to the better-organized

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and state favoured Christian Church. The devout and the clergy had expected Buddhism and the Buddhist clergy to play a more important role after independence. But this was not to be. The older generation of Bikkhus were not too concerned about the maintenance of the status quo. The Eksath Bikshu Peramuna was composed mainly of a militant younger generation of bikkhus demanding that the state take steps to give Buddhism the pre-colonial position of superiority.

The MEP parliamentarians, themselves, were men of widely divergent economic, social and educational backgrounds. It was only their professed desire to give "Sinhalese and Buddhism their rightful place" that bound them together. Among the voters the forces of fear were of communalism and religion. In a country where, particularly for the S.S.C. educated, employment in the government services was still the most sought after in terms of salary and security, the Ceylon Tamils who were 11 per cent of the population held over 50 per cent of the jobs in government service, purely because English education was more pervasive in the Northern Province, the traditional homeland of the Tamils. In a country where Sinhalese Buddhists comprised 65 per cent of the population they held well below 50 per cent of the jobs, as the Christian Sinhalese held most of the jobs that all the Sinhalese had in the government service. Those were the
grievances, in economic terms, that the new militant attempted to set to right.

The Federal Party (FP) had been formed by a group of militant Tamils when the Indian plantation workers were disfranchised. Although their platform was the demand for a federal constitution for Ceylon, they were in effect demanding a separate Tamil-speaking state. They had not been very successful in the previous election, but in 1956 they won over two-thirds of the seats in the predominantly Tamil areas. Sinhalese communalism had been countered with Tamil communalism.

The first piece of legislation enacted by the new government was the Official Language Act making Sinhalese the single official language of the country. Communal disturbances started from then on. Besides the Tamils, the "Sinhala only" policy worked against the interests of the Moors, Burghers, and "those Westernized Sinhalese who were so detached from their culture that Sinhalese was, at best, their 'second' language."¹

Three years of MEP "welfare socialism" put increasing strain on the coalition. The conservative and socialist elements drifted apart on the issue of the extent of their

socialism. Finally, in 1959, the VLSSP was pushed out to continue as the MEP, and the SLFP was left to carry on the government.

Seven years after they had come to power, one observer\(^1\) concluded that the SLFP did not have any ideological bonds and therefore did not really represent anybody. Yet another study concluded\(^2\) that the new group which "was very largely drawn from the middle economic and social classes had a deep sense of identification with their traditional culture and values . . . a very local perspective . . . a strong sense of **ethnic nationalism.**"

Economic Development

The importation of consumer goods was almost eliminated. They had to be produced locally, or people had to do without them. The Government had set up, under state corporations, production facilities in textiles, sugar, steel, tires and tubes, hardware, hardboard, and fertilizer. Several state corporations had been set up to deal with small industries, engineering, flour milling, milk distribution, petroleum distribution, bus transportation, and cargo handling. In the last three instances, private companies al-

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ready in business had been nationalized or their facilities nationalized. In the private sector industries had been started by private businessmen embracing a wide and impressive range of fields. The contribution of industrial production to GNP doubled during the period. Between 1956 and 1963 the rate of annual private capital formation increased 16 per cent but the annual rate of government capital formation dropped 14 per cent. Private sector industries were controlled to the extent that exchange for importation of machinery and raw materials was based on the prospective industry's ability to prove that the over-all saving in imports (cost of finished goods less cost of raw materials) would more than match the cost of the machinery over a reasonable period of time. Essentially these ventures were import-substitution industries.

During the period, private consumption expenditures increased 50 per cent and private consumption expenditures as a proportion of GNP increased 16 per cent. The number of tax payers increased 56 per cent, taxable incomes 17 per cent, and tax revenues 15 per cent. In 1959 far-reaching changes were made in the system of direct taxation. The new system was "unique in certain respects, and it incorporated several provisions which have been often discussed by tax experts but seldom adopted by ministers of finance."\(^1\) The

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new scheme, directed against tax leakages, made the family (husband, wife, children living in the same household, and dependent relatives) the taxable unit, and comprised of a full set of taxes—on income, on expenditure, on wealth, and on gifts. The new tax system of 1959 provided incentives for industrial development in the form of depreciation allowances and development rebates. Corporate taxes were at 45 per cent. Although a study by Goode\textsuperscript{1} shows that the gradation of tax rates on private individuals was less steep than in the U.S., the tax reforms created a furor more for "plugging the holes" through the different components of the scheme than for its rate structure. The system was expected to be self-checking. Information in one tax return would have thrown light on the other tax returns of the same individual. Information in the return of one individual would have thrown light on the receipts of other individuals. It would seem that the self-check did not work. Five years later the Minister of Finance was very concerned about "massive tax evasion."\textsuperscript{2}

The whole banking structure was changed in 1960. The Bank of Ceylon that was expected to help both the small to medium Ceylonese businessman and the not-so-well-off indivi-

\begin{enumerate}
\item Minister of Finance, The Budget Speech, Colombo Ministry of Finance, 1964, p.47.
\end{enumerate}
duals, who comprised the average Ceylonese, had failed to do so. Except in some of the provincial cities and in the less well-to-do parts of the city of Colombo and its suburbs, the average man could hardly put up the minimum initial deposit to open an account at the Bank of Ceylon. Their system for withdrawal of savings deposits was archaic. The Agricultural and Industrial Credit Corporation, due to insufficient funds could not satisfy the big agricultural investor, much less the small man. The Development Finance Corporation was set up in 1956 to assist the private sector financing of industrial development. In 1960, the Bank of Ceylon (which up to that time was half government owned) was nationalized and the People's Bank (the small man's bank, as some call it) created as a 100 per cent government venture.

Gross national product increased 29 per cent between 1956 and 1963 and per capita gross national product 3 per cent, much lower rates of increase than in the previous period. The emphasis went back to industrial development under state control or direction. Industrial production increased 109 per cent, about a fourth better than during the period of the earlier government. Total exports increased 8 per cent while agricultural exports increased 36 per cent, both significantly below the increases in the previous era. Imports increased 21 per cent as compared to 64 per cent in the previous era, and food imports increased 43 per cent (compared to 36 per cent earlier). Clothing and consumer goods imports decreased, the latter
nearly 100 per cent. Food accounted for 51 per cent of imports in 1964 (1956 = 43 per cent), and capital goods accounted for 36 per cent (12 per cent in 1956). Consumer goods which had accounted for 32 per cent of imports in 1956 was less than one per cent in 1964.

Social Development

Between 1956 and 1964 Ceylon's population increased 19 per cent,¹ and the tendency to move away from concentration in the Western Province continued. The highest increases in the density of population occurred in the North-Central, Eastern, and Uva Provinces.

In the field of education, the number of schools increased 36 per cent, and the number of pupils increased 30 per cent during 1958-63. During the same period university enrollment increased 241 per cent and the cost of education per pupil increased 45 per cent.

The assisted schools policy was changed drastically. The assisted schools (schools run by religious organizations and receiving grants from government to supplement their own resources) were said to impede changes in government policy.

¹. This represents an average annual rate of increase of approximately 2.5 per cent. During the same period the rate of increase of population in the U.S. was 1.5 per cent per annum.
regarding the content of education and the direction it was
taking. The government passed legislation which placed the
management of all schools under the Director of Education.
The physical assets of all schools became vested in the go-
vernment and the teachers in all schools became employees of
the government.

Schools could opt to remain outside the scheme in which
case they did not get the government grant. But they could
not charge fees for tuition unless three-fourths of the
parents of the children then in the school and a similar
proportion of teachers in the school agreed thereto. Reli-
gious organizations (except the Catholic Church) decided
that, with the exception of a few schools, they could not
manage to stay outside government control, because they did
not have sufficient funds of their own and could not pos-
sibly persuade parents to pay fees. The Catholic Church
put up a short-lived fight using civil disobedience as its
weapon.

Unemployment increased 77 per cent during the period,
the "technical and clerical" and the unskilled grades being
the hardest hit. An increasing number of persons from with-
in the ranks was getting to positions higher up in the trade
union hierarchy; the general movement in politics seems to
have pervaded the trade union movement too. Labour unrest
increased, particularly in the early MEP days. The trouble
was created partly by the Left parties trying to blackmail the more socialist elements in the MEP into giving too much too quickly, or be branded anti-labour. Partly, it was due to the fact that the sudden socio-political awakening made labour lose sight of the fact that concessions necessarily had to have limitations, and that concessions also meant corresponding obligations.

Between 1956 and 1965 the number of English dailies increased by one, the vernacular dailies by two, and vernacular weeklies by one. The circulation of English dailies increased by 25 per cent, of English weeklies by 8 per cent, of vernacular dailies by 19 per cent, and of vernacular weeklies by 35 per cent.

Between 1956 and 1963, the number of radios increased by 118 per cent (as compared to a 479 per cent increase in 1948-56); the number of telephones increased from one for every 214 homes to one for every 179, (a 42 per cent increase as compared to a 94 per cent increase in 1948-56); and the number of cars increased from one for every 151 persons to one for every 128 (a 40 per cent increase, as compared to a 114 per cent increase in 1948-56).

The Rural Economy

Between 1956 and 1963 paddy production increased 82 per cent (about twice as much as during the last regime) and per
capita rice production increased 55 per cent (about thrice as much as during the previous regime). The Paddy Lands Act enacted in 1958 was one of the most important and also one of the most controversial pieces of MEP legislation. Essentially, it sought to provide security of tenure for the tenant, reduce (from one-half to one-quarter) the share of the landlord in sharecropping arrangements, and generally reduce the power of the landlord.

According to the Report of Paddy Statistics,\(^1\) in 1954-55 some 55 per cent of paddy land holdings (not acreage) was owner-cultivated, 29 per cent was sharecropped, and 14 per cent leased. Thus approximately 43 per cent of the landholdings was cultivated by sharecroppers, lessees, and service-tenure cultivators. The two former groups cultivated land belonging to white-collar workers, the propertied persons, village headmen (the representative of the government bureaucracy at the village level), and, to a lesser degree, businessmen. The latter group worked the lands belonging to the Buddhist temples and other places of worship. Five per cent of the paddy land holders held more than three acres each, and it was very likely (because the median peasant holding was half an acre) that all of this larger holder group was non-cultivator owners. Most of those who

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had backed the SLFP were the socially underprivileged Sinha-
inese-educated, but they were also those village school tea-
chers, small businessmen, and the newly-rich businessmen who
were paddy owners. They were opposed to the Paddy Lands
Bill. The frailty of the party cohesiveness built on eth-
nic nationalism and not on common economic interests resul-
ted in a crisis within the MEP parliamentary group as well
as among their supporters in the country. The UNP fought
the bill on the ground that it deprived the Buddhist temples
of their land, and therefore called it a Marxist move against
religion (the minister responsible for the bill was the
leader of the VLSSP wing of the MEP). But the bill sur-
vived, after some drastic pruning of the powers of the ad-
ministrative machinery proposed to oversee the implementa-
tion of the bill.

The Paddy Lands Act was followed by measures for crop
insurance. Co-operative sources of credit for the farmer
were inadequate and not properly organized. There was still
dependence on professional rural money lenders and the store-
keeper doubling as banker. When the minister proposed a
scheme to secure rural credit for the farmer through a state-
operated bank, the intra-party crisis boiled over and the
minister and his followers (led by the Minister of Indus-
tries) left the government. The economic and social conse-
quences of the paddy legislation were indisputable in the
history of the country.

**Plantation Economy**

Tea acreage increased 3 per cent and production increased 28 per cent between 1956 and 1963. Rubber acreage increased 3 per cent and production increased 18 per cent. During 1948-56 tea production had increased about as much as in 1956-63, and rubber production had not increased at all. Yet during 1948-56 the value of agricultural exports had increased 93 per cent as compared to an increase of 36 per cent in 1956-63. Partly, the trouble was the same as that faced by any other agricultural economy—decreasing world prices for agricultural produce. But yet, food purchased by Ceylon had increased in price over the period. It also would seem that the lower prices for Ceylon's agricultural exports (e.g. the average f.o.b. price of Ceylon's tea dropped from Rs. 3.30 per pound in 1955 to Rs. 2.50 per pound in 1963) were not reflected in price reductions to consumers in the importing countries. The government believed that the foreign agency houses (acting as agents for the estates as well as for the overseas buyers) were deliberately depressing prices. In 1964, legislation was proposed to control the activities of the agency houses.

It seems that those who had, in the mid "fifties," questioned the vitality of the plantation sector had, in
fact, raised some very relevant and frightening issues. Ceylon had to export more and more of its agricultural products to import less and less of its own requirements.

The Co-operatives

In 1957, multi-purpose co-operative societies were established by ministerial directive. All stores societies were requested to adopt new by-laws that transformed them into the new version. One society would then handle credit, production, marketing, consumer sales, and labour functions. Up to that time these functions were served by different societies, except in the case of the production and sales societies. Except for a handful of societies that refused to be persuaded (or even cajoled) all the others became multi-purpose, but most of them only in name. Hundreds of these societies had no functions other than retail consumer sales. The unions of the stores societies became MPCS unions. Most of these, too, did nothing more than the wholesaling function they had been engaged in.

In 1964, there were 786 retail stores societies with a membership of a quarter of a million and working capital of 8,500,000 rupees. At the same time there were 5,101 multi-

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1. Because the multi-purpose societies handled a wider range of functions they were administered under a stricter set of regulations.
purpose societies with a membership of 830,000 and working capital of 886,000,000 rupees.

In 1956, the sales of rice, flour and sugar accounted for 76 per cent of co-operative store sales. By 1961 this figure had dropped to around 70 per cent, and by 1964 only 60 per cent of co-operative store sales were of the staple commodities.

The functions of the Co-operative Wholesale Establishment were expanded. Retail shops of the CWE were opened all over the country to act as "fair price stalls." Food was scarce and private food importers and private food retailers were inclined to sell these items at what were believed to be exorbitant prices. Importation of food on price-loaded invoices (i.e. invoiced prices were higher than prices actually charged by the supplier) was becoming common as part of the black market in foreign exchange. As each new situation developed it was met by transferring the commodity to the CWE for importation and wholesale distribution. As time went on even non-food items were transferred to the CWE on grounds of alleged malpractices in the private sector.

Some of these CWE imported items were channeled to the consumers through both the co-operative and private retail outlets. But others were sold only through co-operatives. By the end of the SLFP era the CWE was no longer the import-
wholesaler for the co-operative system, but a state trading corporation, in fact if not in name.

Summary

This chapter has traced the developments in Ceylon from 483 B.C. to around 1965.

Sinhalese kings ruled the country up to 1815, although between 1505 and 1815 the coastal areas were ruled, in turn, by the Portuguese, the Dutch, and finally the British. In 1815, Ceylon became a Crown Colony of Great Britain. From that time the whole country was ruled by a British Governor, and later by a Governor and a council, the majority of whose members were nominated. The first measure of self-government was granted in 1931, and Ceylon achieved Independence in 1948. From 1948 to 1956, the government was formed by a group that was Western-oriented and popularly believed to be "right wing." From 1956 to 1965, the government was formed by a group that was tradition-oriented and popularly believed to be "left of center."

The population of the country has increased steadily to ten and a half million in 1965. Government directed health services and education facilities have increased fairly rapidly to maintain a healthy and literate nation. Although urbanization has been steadily increasing, in 1965 nearly three-fourths of the population lived in rural areas, engaged
mainly in paddy cultivation.

Beginning with the early British-owned plantations, the country has had a plantation-agriculture economy, with about two-thirds of the country's export earnings coming from three agricultural crops: tea, rubber, and coconut. The industrial sector was started during World War II and has expanded since Independence (and particularly after 1956); but it was not extensive in 1965, contributing less than 10 per cent towards gross national product. Part of the ventures in the industrial sector is operated by government corporations.

The first Ceylonese-owned bank was formed in 1938. In 1965, the numbers of the Ceylonese banking offices exceeded those of the foreign banking offices.

Since World War II, the government has participated in the trade sector through government sponsored institutions, such as the Co-operative Wholesale Establishment and a network of consumer co-operative stores.

The use of telephones, radios, and private automobiles has increased over the years. There has been a rapid increase in the circulations of newspapers, particularly of newspapers published in the vernaculars.

The period of foreign rule, and the emphasis on English education since 1815, have led to a rigid division of society
along English-educated and vernacular-educated lines. The English-educated minority has had political, economic, and social power since early British times. Almost unchallenged up to 1956, this power structure was, in 1965, in the process of being broken up, particularly in the political sphere. The economic power held by foreigners has been gradually eroded by Ceylonese businessmen since around 1931; but in 1965 the foreigner's power in this sphere was very substantial. Social power that was limited to the foreigners and the English-educated Ceylonese has been declining, but slowly.
Chapter III

CEYLON 1966: POLITICAL, ECONOMIC, SOCIAL AND BUSINESS ENVIRONMENTS

In the General Election of March 1965, the SLFP was voted out of power, and the UNP as the largest group in Parliament formed a coalition called the National Government. The FP, the MEP (former VLSSP), and other small groups joined the national government. The SLFP led the Opposition, which included the LSSP and the CP. Table I (page 97) shows the strengths of the parties after the General Elections of March, 1965. It also shows my own assessment of their orientations.

Political Environment

Except for the LSSP and the CP, the political parties in Ceylon have no real economic platforms. The UNP is a party of the Westernized Sinhalese, the SLFP is a party of the Sinhala-Buddhists. They are the major parties in all of Ceylon, except the Northern and Eastern Provinces. The FP is the party of the Tamils in the Northern and Eastern Provinces, and is the major party in those provinces. A cabinet system of government was unthinkable in a country without political parties. But the Ceylonese improvised a sys-
Table I

Political Parties in the House of Representatives after 1965 Election

<table>
<thead>
<tr>
<th>National Government</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>U.N.P. (Westernized-Sinhalese)</td>
<td>66</td>
</tr>
<tr>
<td>F.P. (Traditional-Tamil)</td>
<td>14</td>
</tr>
<tr>
<td>S.L.F.S.P. (Break-away group from S.L.F.P.)</td>
<td>5</td>
</tr>
<tr>
<td>T.C. (Westernized-Tamil)</td>
<td>3</td>
</tr>
<tr>
<td>J.V.P. (Chauvinistic-Sinhalese)</td>
<td>1</td>
</tr>
<tr>
<td>M.E.P. (Nationalist-Socialist)</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>90</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opposition</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>S.L.F.P. (Traditional Sinhalese-Buddhist)</td>
<td>41</td>
</tr>
<tr>
<td>L.S.S.P. (Trotskyite)</td>
<td>10</td>
</tr>
<tr>
<td>C.P. (Communist)</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>55</td>
</tr>
</tbody>
</table>

Independents

6

(The party standings are obtained from Ferguson's Ceylon Directory, 1966, p.80.)
tem of parties. When the British pulled out, the spoils were too few to go around. The break came first between the Sinhalese and the Tamils (the Tamil Congress preceded the FP), because of the difficulty of deciding who got how much. The second break was between the Westernized Sinhalese and the traditional Sinhalese. Economically, all three big parties (the UNP, the SLFP, and the FP) have members and supporters ranging from the wealthiest to the poorest. No party can adopt economic measures that will be even broadly acceptable to their full membership or to all their supporters in the country. Democracy was, after all, an agreement to disagree.

With each successive election voters had tended to vote more and more along party lines, and the six elections since 1947 had created the necessary atmosphere for political involvement of the voters. Since 1960 over 75 per cent of eligible voters have been casting their ballots. The democratic process in Ceylon appears sufficiently entrenched in the country for Ceylon to remain a democracy for a long time to come. No dictatorship can be rationalized unless its leaders can claim to represent the national interest. No group, of the Right or of the Left, can claim such a following. No group is sufficiently strong, within the institutions in charge of coercive power, to maintain such a dictatorship. No government could deprive the voters of their
right to choose, and hold out against the voters.

I have shown that historically neither of the two major Sinhalese parties was strictly Right or Left. The differences between the policies are matters of degree, the ends are apparently the same. It is only the emphasis on the speed of change that is different. The UNP that fought tooth and nail against the concessions to the Tamil language in 1958 enacted similar legislation in 1966. The UNP fought the 1965 election on the platform of more liberal trading rights for the private sector. One year later, there was no fundamental change in what was being done; perhaps there will not be, because some businessmen in the private sector are behaving in an irresponsible manner and the National Government is having second thoughts. The UNP has not denationalized any institutions that were nationalized, nor has it handed over to the private sector any of the industries or other ventures started in the public sector during the previous regime. It simply has not found it expedient to do so. To that extent there is stability.

The instability in the political situation arises from the religio-cultural differences between the parties. The UNP leadership is more Westernized, more urbanized, less Buddhist-oriented, less Sinhalese-oriented, and less oriented to Ceylon's traditional culture than the SLFP. The UNP leadership is more wealthy (perhaps, more correctly, those
of old wealth) than the SLFP. This I would submit is not too important because Ceylon has not, as yet, decided what kind of a society it wants to build. This has not been done at either the political or the economic level. And that is, in my opinion, the cause for the greatest instability.

Singer, who studied the emerging political elite in Ceylon, said

This new group is "middle" not only in terms of class and social background but also in terms of values and self-images. Members of this emerging elite are in many ways the synthesis of two cultural systems, which are, at times, totally antithetical. . . . While to some degree rejecting traditional values as outmoded and Western values as alien, members of the emerging elite are at the same time capable of empathizing with both. . . . Where fusion or synthesis is not possible, the result has often been ambivalence. . . . Where synthesis between the two worlds has not been possible, change has been in the direction of ever-increasing traditionalism.

When the voters exercise their choice at the general elections they can return to power one of two sets of leaders (the chances of the Left being elected to power are extremely dim) who differ in degree as to what road is to be taken, but both groups want to progress towards a modern industrial type of society that must be peculiarly Ceylonese. The disagreement is on the extent of the Ceylonese flavour. Without a clear political and economic assessment of the de-

sired goal of Ceylonese society, the institutions wielding political power can not be shaped for the desired task.

The relevance of all this for my later analysis is that the ambivalence in the political environment inhibits the development of other social institutions, including marketing institutions. Businessmen do not know what institutions will find favour with the powers that be. I shall revert to this in a discussion of the environment created by the government's own business activities.

Economic Environment

Since independence (1948) a great deal had been achieved economically by 1966. In the field of agriculture, tea acreage had increased 6 per cent and production had increased 61 per cent. Rubber acreage had increased 3 per cent and production 7 per cent. Per capita paddy production had nearly doubled. Industrial production had increased three times, and per capita energy production had increased more than three times. Per capita GNP had nearly doubled.

However, two important things had not happened. The structure of the economy and the economic structure of society had not changed very extensively, and sometimes, as in the case of agricultural exports, the changes have not been in the desired direction. Tables II (a) to (e) illustrate this point.
### Table II

<table>
<thead>
<tr>
<th>Description</th>
<th>1948</th>
<th>1963</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Gross National Product</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Agricultural Exports in GNP</td>
<td>29.0</td>
<td>24.9</td>
</tr>
<tr>
<td>(b) Exports</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agricultural Exports</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Food and drink imports</td>
<td>64.5</td>
<td>90.9</td>
</tr>
<tr>
<td>(c) Imports</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food and drink imports</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Food and drink imports</td>
<td>52.2</td>
<td>51.0</td>
</tr>
<tr>
<td>(d) Number of families in Ceylon</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Families with incomes over Rs. 2,500</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Number of families in Ceylon</td>
<td>3.8</td>
<td>3.3</td>
</tr>
<tr>
<td>(e) Taxable incomes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income from agriculture</td>
<td>18.1</td>
<td>16.4</td>
</tr>
<tr>
<td>Manufacturing &amp; production</td>
<td>4.7</td>
<td>4.8</td>
</tr>
<tr>
<td>Government &amp; public employment</td>
<td>17.4</td>
<td>22.6</td>
</tr>
<tr>
<td>Other employment</td>
<td>13.9</td>
<td>18.0</td>
</tr>
</tbody>
</table>

Ceylon was and continues to be a predominantly agricultural country. Not only is nearly 50 per cent of production agricultural, but also Ceylon’s exports are primarily agricultural, more so in 1963 than in 1948. Half of export earnings continue to be spent on the importation of food. When one considers the fact that both the importation and distribution of food are controlled, it is seen how Ceylon was and continues to be dependent on the outside world to give its people the minimum requirements of food.

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1. Figures for (a) to (c) are from the Annual Reports of the Central Bank of Ceylon, figures for (d) and (e) are calculated from the Administration Reports of the Commissioner of Inland Revenue.
In 1948 (and still less in 1963, due to about a 15 per cent increase in the cost of living) no family with an income of less than Rs. 2,500 per year could be thought to be lower middle class. The number of families that would meet that criterion is less in 1963 than in 1948, but in both instances is very small. Within the group there appears to have been a slight upward shift. There are slight changes in the sources from which these incomes were received. There appears to have been a slight increase in the incomes from employment.

I would submit that the economic environment in 1966, and the changes in that environment since Independence, were not conducive to any important or extensive changes in the consumer marketing institutions.

Retailing developments such as specialization by product line or by function, self-service, supermarket operations, and forms of aggressive selling at the retail level appear to be institutional features of an economy where incomes are growing and where the numbers of people with discretionary income are increasing (or stationary at a reasonably high level). In Ceylon this applies to less than 5 per cent of the people. It is true that 5 per cent of the people in 1963 represented some 200,000 more people than the 5 per cent in 1948. Yet, 95 per cent of the people are, for all practical purposes, not potential customers of any but the
most basic retailing system and products.

Race and Religion

Ceylon today is a multiracial, multireligious country where the bulk of the people are still emerging from a peasant, feudal order. The overwhelming majority of the population lives in immobile, cohesive peasant communities, with a place of worship and/or school that serves both as a religious and as a social focal point, and a cluster of shops that serves as the economic focal point.

A two-way breakdown of the population on a race and religious basis would turn out (roughly) as in Table III.

Table III
Ceylon's Population by Race and Religion
(All figures - percentages)

<table>
<thead>
<tr>
<th></th>
<th>Buddhist</th>
<th>Hindu</th>
<th>Christian</th>
<th>Moslem</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sinhalese</td>
<td>64</td>
<td>5</td>
<td></td>
<td></td>
<td>69</td>
</tr>
<tr>
<td>Ceylon Tamil</td>
<td>9</td>
<td>2</td>
<td></td>
<td></td>
<td>11</td>
</tr>
<tr>
<td>Ceylon Moor</td>
<td></td>
<td></td>
<td></td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Indian Tamil</td>
<td>11</td>
<td>1</td>
<td></td>
<td></td>
<td>12</td>
</tr>
<tr>
<td>Ceylon Burgher</td>
<td></td>
<td>0.6</td>
<td></td>
<td>0.6</td>
<td>1.4</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td>0.4</td>
<td>1</td>
<td>1.4</td>
</tr>
<tr>
<td>Total</td>
<td>64</td>
<td>20</td>
<td>9</td>
<td>7</td>
<td></td>
</tr>
</tbody>
</table>

Each of the groups, Sinhalese and Ceylon Tamil, could be divided into two major sub-divisions: the Low country Sinhalese, and the Kandyian Sinhalese; the Colombo Tamil, and the Jaffna Tamil (Jaffna is the principal city in the Nor-
thern Province). These divisions represent the extent of exposure to Western influences—the Low country Sinhalese and the Colombo Tamil being more Westernized (and often, proportionately, more Christianized) than their respective counterparts. It would be also correct to say that, generally, the Low country Sinhalese and the Colombo Tamil are more urbanized, and further correct to say that an overwhelming majority of the "above-Rs. 2,500 per year income group" would be among the Low country Sinhalese and Colombo Tamils.

In the case of the Ceylon Moor, a small fraction is much more Westernized, much more urbanized, than the rest of the Moors. Unlike the commercialized Sinhalese or Tamils, the commercialized Moor is not Westernized, at least not to the same extent as the commercialized Sinhalese or Tamil. The Moors are perhaps the only community in Ceylon where commercialization and high incomes have not necessarily resulted in a break from tradition, particularly religious tradition. The Indian Tamils are predominantly plantation workers, and are clearly outside the mainstream of the rest of the social organization and of the consumer economy. The Ceylon Burghers, with few exceptions among those of Portuguese origin, are the most Westernized, Christianized, urbanized community in Ceylon.

Ryan¹ said that Ceylon

is a mosaic of diverse ethnic groups, of diverse forms of community organization and economy, of diverse religious faiths, within each of which there are varying degrees of urbanization, commercialization, and emancipation from traditional attitudes. Further, colonial administration and missionary activities have had different effects upon various ethnic groups and localities. Ceylon is a multidimensional mosaic.

Each cell in an expanded version of Table III is different from all the others in many important respects. The possible combinations are numerous and confusing: but it will suffice to say that a Westernized Low country Sinhalese Buddhist would be different from a tradition-oriented Low country Sinhalese Buddhist. An urbanized Low country Sinhalese Buddhist will be less Westernized than an urbanized Low country Sinhalese Christian. And so on. An individual's world outlook, value system, as well as his willingness and ability to consume the package called "value added by marketing" will be different depending on the cell he falls into.

A Westernized Low country Sinhalese Buddhist would, for example, tend to buy prepared curry powder sold in packets, whereas a tradition-oriented Low country Sinhalese Buddhist would prefer to buy the ingredients separately and make the curry powder herself. An urbanized Low country Sinhalese Christian would have no qualms about purchasing a pound of frozen fish in a polythene bag, though the packet right next to it was one of frozen beef, but an urbanized Low country
Sinhalese Buddhist would perhaps hesitate to do so. These are, indeed, important considerations in pre-packaging, a necessary prerequisite for self-service. The most Westernized of the Ceylon Moors will not patronize a store that has a counter for frozen meat, including pig products. These are typical of the environmental constraints arising out of the "multidimensional mosaic."

**Social Stratification**

As late as 1962, Ludowyk\(^1\) could say that the nineteenth century stratification of Ceylonese society was still in operation. At the beginning of the twentieth century these strata had come to be known as the "somebodies," the "nobodies," the "anybodies," and the "everybodies." Those of traditional wealth and power (acquired through service to the foreign rulers), the landed aristocracy, the most Westernized of the Westernized English-educated, were the "somebodies." The "nobodies" were those with wealth but without power, the English-educated Westernized Ceylonese middle class. Those of wealth but Sinhalese education were the tradition-oriented "anybodies." The mass of the population, those of rudimentary education, were the "everybodies." It is true that caste (which I shall discuss later) was important in the case of the "somebodies." They were exclusively

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high caste. The other "bodies" were multica ste. Essentially feudal deference was shown on the basis of economic and social power. The "everybodies" tilled the land--as hired labour or sharecroppers--of all the other three groups, and sometimes as service-tenants of the "somebodies." The "everybodies" were domestic servants in the employ of the "somebodies" and "nobodies," and to some extent, of the "anybodies." Even today there is so little industrial employment that many "everybodies" are in the employ of the three higher strata. And they are essentially unorganized labour serving at the pleasure of the feudal, or at best quasi-feudal, master.

The "hamuduruwo" (translated the "respected one") cult persists to this day. It is not only in the rural areas where the agricultural land is, but also in the city "wala lawas" (manors) of those "somebodies" that the cult persists. Along with commercialization has grown an achieved status structure parallel to the existing old inherited status structure. But commercialization and industrialization (and in some rural areas the money economy) has not gone far enough to completely emancipate the rural population from these economic bondages. The Paddy Lands Act went a long way towards a breakup of the feudal structure linked to land (this was the most vicious and degrading form), but in 1966 the feudal order was still in the process of being
broken up.

Rural Communities

In most rural communities the Buddhist vihare, the Hindu temple, the church, or the mosque is connected with the school. Although in 1966 the school was being run by the government, it was probably started by the denominational group concerned and was located on property belonging to the organization. Often the school and the place of worship are next to each other. Religious and social gatherings are often conducted in the school hall and it is the meeting place of the villagers.

Eighty per cent of the Ceylonese population lives in rural communities. A general store, a bakery-tea-kiosk, and sometimes a co-operative store make up the shopping centre. At times, the number of stores may total five, or perhaps ten to fifteen in the relatively more prosperous "towns" which act as trading centres for a group of rural communities around them. Local terms meaning "locality of shops," "street of the shops," or "town" denote, in ascending order, the importance of a shopping area in terms of the number of shops and the variety of goods they carry. The term "town" does not, in the context in which it is generally used by these rural folk, mean an urban area. It is merely a larger cluster of shops, perhaps with the added facility of a sub-
post office and a government-run outdoor dispensary.

Within the villagers' limited requirements, each rural community is more or less self-contained. Visits to the town are often, and to the "big city" always, important occasions. Ryan, who made an intensive study of a rural community in the most Westernized part of the Low country, and about 40 miles from a fair-sized coastal city, reported: 1

Usually the frequent travellers to the city are shop keepers . . . the villager's affairs in the city are limited to those of a consumer-purchaser. . . . Apart from kinship connections with urbanites the villager's participation in city affairs was impersonal and transitory.

With increasing literacy and formal education at the village level, the most pervasive mass media in Ceylon, the national newspapers, are breaking into the village scene. In the 1950's nearly 75 per cent of the circulation of national dailies was in the most urbanized Western Province. In 1965, less than 50 per cent of the circulation of all national newspapers and about a third of the circulation of the vernacular newspapers was in the Western Province. It is reasonable to assume that at least part of the increase in circulation outside the Western Province was in rural areas. A 1964 study showed that 34 per cent of the men and

6 per cent of the women in the rural sector had read the "daily" of the previous day, and 33 per cent of the men and 10 per cent of the women had read the "weekly" at its previous issue.\(^1\) The study revealed, however, that 22 per cent of the men and 51 per cent of the women in the rural sector were not contacted by any media (newspapers, other print media, radio, or cinema).

I would submit that the rural sector population, as removed as it is from the currents of change, is not at this point potential for any remarkable marketing or retailing innovations.

Social Class

Superimposed on the urban-rural division of society is the general (non-feudal) social class structure. I have referred to the "local" division of society—the system of the "bodies." The "somebodies" would correspond to the upper-class in the terminology the sociologists have developed. The upper segment of the "nobodies," that segment with land (I shall later discuss the partiality for "landed-property"), would correspond to the lower-upper class, and the bottom segment to the upper-middle class. The "anybodies" are the

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lower middle class. Among the "everybodies," owner-cultiva-
tor peasants, and urban industrial labour would be the upper-
lower class, and the rest lower-lower. Family standing,
level of education, level of income (and wealth), and nature
of employment are the critical factors in determining a per-
son's position in the class hierarchy.

The class division cuts across race, religion, and
caste. These class divisions are rigid and exclusive, per-
haps much more so than in other countries. The gap between
the upper-upper and lower-upper is more in the nature of in-
herited differences. The gap between the lower-upper and
upper-middle is peculiarly Ceylonese. The distance between
the upper-middle and lower-middle is more a chasm, as is the
distance between the lower-middle and the upper-lower. Up-
ward social mobility is rare; and changes in the numbers in
the groups are a result more of net natural increases or de-
creases of population within them, rather than a result of
movement between them. Economically and socially the class
division is the single most significant factor in Ceylonese
society. No other division of Ceylonese society bears com-
parison to the class division.

Attempts to under-emphasize the class division, or to

1. Wriggins, Op. cit., pp.48-49; and Sir W. Ivor Jennings,
The Economy of Ceylon, Madras, Oxford University Press,
1948, p.10.
give it equal emphasis with other divisions, injects unnecessary confusion into the picture of Ceylonese social organization. In different places on the very same page of his book, *Caste in Modern Ceylon*, Ryan says:

Ceylon obviously has social classes in the Western sense. In fact in this sense Ceylon society is more definitely class structured than are most Western societies, for the socio-economic levels are more sharply distinguished from each other. In terms of comparative opportunity, comparative well being and the range of subcultural differences, these classes are infinitely more important than caste. . . . We may speak of classes within castes and in so doing refer to a type of status gradient which is of universal significance. . . . We may, on the other hand, speak of classes that cut across the division of caste uniting individuals of diverse castes on the basis of common economic interests, similar power positions etc. Class in this latter meaning is but an embryonic development even within city environments. The caste-class is an ubiquitous and real social grouping; the societal-class is largely abstract . . .

and then on the next page,

The emerging form of social organization is one that is neither caste in the conventional sense nor class in the societal sense. It is a bastard product of Asian design, Western ideology, and the imminent effects of moderate urbanization. The social organization . . . is increasingly similar to that of a non-caste plural society.

Societal-class is very real, and because of its very rigid structure is almost frightening in its very real implica-

tions; that is, unless one wants to deliberately play them down.

Incomes are vastly different between the classes, who essentially go into different kinds of employment. Salaries (and wages) are not necessarily correlated with manual dexterity, manipulative skills, or training; but they are correlated to the status of the job, which in turn is correlated with the social class "eligible" to fill the job.

The mode of dress is vastly different between the small group above the lower middle class and the rest of the people. Few men of the upper middle class and above would risk being seen outside their homes (and sometimes even inside) in anything but Western dress. In the lower middle class there is a mixture of Western dress and the white cloth and banian (a type of long-sleeved shirt worn out of the cloth at the waist). In the lower classes the dress is the sarong and Western style shirt (or more often a cotton vest) worn inside the sarong at the waist. The upper lower class would, for ceremonial occasions, wear a Western style coat (jacket) too. For many years the white cloth and banian combination had come to be called the "national dress" or the "dress of the Aryan Sinhalese," although the same dress with a very

1. A cloth is like a sarong, but unlike a sarong its ends are not stitched together.
slight difference was being worn by the lower middle class Tamils, too. On receiving Independence, the government of the day decided to adopt a "tight breeches and long frock coat," in the style of the Indian sherwani, as the national dress for "official occasions." Yet essentially the three modes of dress, as above, continue as the dress of the classes. Until the "social revolution" of 1956, one could identify the class a man belonged to from the type of dress he wore. The new government in 1956 "adopted" the cloth and banian as the national dress when all MEP parliamentarians started wearing it. Since then, there are many people in the middle and lower classes who use it as their everyday dress.

The whole class structure is sustained on the basis of the economic differences of income and opportunity, and on the deliberate social differentiations made to magnify the differences. Partly, this is self-glorification, and partly, after 1956, to "keep the common people in their place." The first ever (and to date only) working class man was elected to Parliament in 1956. The manner in which he was treated by his fellow parliamentarians, the press, and the social elite was, to say it mildly, shabby. In 1953, Morgan said 1 "Looks bear out the inequalities more than the data . . . the average

Westerner in Ceylon is struck by the luxurious life of a minute segment of the population who have large American cars, huge houses, flocks of servants, and jewellery by the pound. The typical Westerner has not associated in his home country with a comparable wealthy section of the population, nor are the Western rich and not-so-rich nearly so given to conspicuous spending as are their parallels of the East." Status symbolism in the class structure was so extreme that some observers thought it was bordering on vulgarity. And, in an attempt to be identified with the higher strata, some people are trying to acquire symbols they can ill afford.

These features of the Ceylonese class structure have implications for the marketing man. Most important, he has to avoid the mistake of generalizing to the mass of people what he sees in the few. For some of those among the few, the psychic demands are converted to physical demands under economic strain. A merchant who was being interviewed and was speaking of the general prosperity of the middle and upper classes, switched suddenly to the vernacular to use an expression which translates rather loosely as "to the world the display, to the home chaos." If the products carried, the price lines, and the general appearance of the store are intended (it would seem that in some instances this may not be intentional) to make it exclusive to one class only, the potential clientele is limited, especially when catering to
the higher levels. Those upper middle class and above do not wish to "mix" with those beneath them, even at the purchaser level. The lower middle class or below are overawed by the product-price-appearance of stores or are resentful of them. The masses think of the stores catering to the "rich" as belonging to rich men, and the other storekeepers as not-so-rich.

At all social class levels, and in most families, the woman of the house holds the purse strings. The wife receives money and with it full freedom in its disbursement. Women are believed to be more thrifty and better shoppers than men. All matters concerning household expenditures and activities are in their hands and the men rarely, if ever, interfere. Except at the lower levels of the lower middle class, the houses of the upper and middle classes have domestic servants (recruited from among the lower classes). In the wealthier home they can be easily afforded, though ironically it is in these homes that one finds expensive labour-saving housekeeping equipment. In the less wealthy homes, perhaps, the wife is also working. Such homes cannot afford the luxury of labour-saving gadgets, but they can afford a servant to do that work, as domestic help is relatively cheap. In all homes where there are servants, they do the cooking; and in most homes they do the shopping for food. The lady of the house does not go out
to the store or market to make food purchases, it is not "the
done thing." The servant goes out, often with a memorized,
and sometimes written, list of requirements. Interesting
questions to the marketing men are: "to whom do we advertise
food?" or "who sees that point of sale display material?"
The readership survey mentioned earlier found that in the
sample of upper and middle class urban women 95 per cent read
the daily and 95 per cent the weekly papers, and that 85 per
cent listened to the Commercial Service of Radio Ceylon.
Yet these impressive figures (these percentages are double
that for all urban women, and many times more than double
for all women) would not mean much to the marketer of food.

Ceylonese Caste

I would submit that, in comparison to the class struc-
ture, caste hierarchy has little or no bearing on the deve-
lopment of business, marketing, or retailing. Misunderstand-
ings with respect to caste in Ceylon arise from three sources:
thinking of, or at times even attempting to trace the origin
of, the Ceylonese caste system in terms of the Indian system;
economic and social mobility being discussed without distin-
guishing between upward and downward mobility; the affairs of
the home and family not being separated from the affairs of
general social and economic well-being.

There is little doubt that the Ceylonese caste system
originated in Ceylon, and was later influenced to some extent by the Indian system; it was not transplanted from India. In ancient times the land belonged to the king. This land was given to the people by different types of feudal assignment. All the land recipients were to use the land for their support. The nobility among them were required to repay the king in loyalty. The administrators were required to administer the country's system of government. Others were required to give part of the produce of their land to feed the royal household, and still others were required to give part of their produce to the Buddhist vihāras for the sustenance of the bikkhus. Small groups of the people were required to perform (for all of the people) various service functions like drumming (beating of drums at social occasions, an important activity in Ceylon) or washing, and craft functions like smithery, barbering or pottery making (all cooking vessels were of clay). These latter groups with assigned service or craft functions were smaller, and in relation to the needs of the whole community. The larger group of people was engaged in farming as its main occupation. This division was by Order of the King. With

the passage of time, that original assignment of duties and rights came to be fixed by custom, as were the orders of precedence, which, it appears, varied from time to time depending on the importance of that service or craft to the community at the relevant time. These groups came, over time, to be known by the service or craft names: Govi (farming), Karawa (fishing), Rada (washing), etc.

The caste system was thus a product of a feudal structure based on the division of labour. Later, three streams of influence affected caste. The groups themselves turned them into craft or service guilds, keeping the others from competing in the area. Successive regimes, including all the three foreign powers, used them to maintain the feudal structure to their own economic ends. Hindu influences from India sharpened the differences by making them more socially different than economically different entities.

These latter influences did not go far enough to make the Ceylonese caste system correspond in content or gradation to that in India; nor did they give Ceylonese caste the religious overtones and sanctions as in India.

The concept of caste does not encompass segregation, or manifestations of privilege associated with the closed class system. Today, caste is not formally organized; it has not been so since about the middle of the last century
when the political-economic structure reared on the principle of "usufructuary rights" in return for services started disintegrating.

Caste manifestations do exist in the names of persons and in some service and craft trades. Sinhalese names are of three parts—a ge-name or clan name, a first name, and a surname or family name. Some Sinhalese names have only the first two parts, and others have substituted the ge-name (without its ge suffix) as a surname. The ge-names are exclusive to castes. Each caste has several ge-names, but no two castes have the same ge-name. Among surnames there are some that are exclusive to a caste; other surnames are common to castes. One could then, provided one knew the histories of these names, identify a person's caste by knowing a person's name.

Again, there are certain services or crafts performed exclusively by persons of certain castes. This is the cause for commentators on caste speaking of the "injustice and immobility of caste." This is, at best, a half truth. Fishing, washing (laundering), drumming, pottery making, and smithery (gold and silver) are examples of such services and crafts. Fishing is done by the people of the Karawa caste,

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1. A usufruct is a legal device under which a person has the right of temporary possession, use, or enjoyment of the advantages of property belonging to another.
washing by those of the Rada caste, etc. There are no barriers, implicit or explicit, physical or otherwise, to these people being doctors, lawyers, civil servants, school teachers, etc. They have always farmed; the chief occupation of the high caste Govi was never his monopoly. Yet, no non-Karawa person would take to fishing, nor would a non-Rada person take to washing. If the castes were ordered hierarchically (a hazardous occupation, as the position of only the top caste is undisputed), there are no bars to mobility upwards; but there are individually self-imposed bars to mobility downwards. There are very illustrious examples of so-called low caste professional men and administrators. The fact that no member of such a caste held cabinet rank in the government until 1956 had less to do with caste than with the fact that the political elite of that time were the "somebodies" who were the "old" families with landed wealth.

In economic and social life there are no caste taboos. They do not exist at all in the urban areas, and in rural areas where they may exist, they are so very subtle that they make little or no difference. It would, however, be incorrect to say that people do not think of caste. People of the same caste are "our people," but this does not have any manifestations in the social and economic life at the communal level. When people meet at social gatherings, or when people purchase their requirements in stores, they are
not concerned about caste. It does, however, have very strong influences within the confines of the family; and this is so in marriage.

Although the Ceylonese family unit is the nuclear family, the concept of family embraces a much larger assortment of lineal kin. As I have indicated, family standing is important in Ceylonese society. Part of that standing is "family blood purity," and so marriage is an affair from which the blood kinsmen cannot be left out. An action of one individual is a reflection on the whole family. An inter-caste marriage "dilutes that purity" and the "honour of the family is lowered." That is the rationale for "arranged marriages" (which have to be distinguished from child marriages); and the institution of arranged marriage is the only remaining bulwark for the preservation of the caste system.

All through the period of commercialization under the three foreign rulers, it was individuals from the so-called lower castes who made advances in the business sector. They modelled their enterprises on the European model and became the entrepreneurial class. While the so-called high caste went after political power, the so-called low castes went after economic power. A high proportion of general business, and a higher proportion of retail outlets are owned and operated by people of these so-called lower castes, es-
especially from the south-western part of the country. The average Ceylonese is most certainly not aware of the caste of these commercial groups that they patronize.

Caste, combined with the old social structure and the new plantation economy, has had an unfortunate impact on the economic and business development of the country. Deep down in every Ceylonese has been ingrained the belief that cultivation of land is the noblest occupation, and possession of land, whatever the extent, is a symbol of status. The caste hierarchy, with the farmer at the top, reinforced this belief. And the patently obvious luxury in which the early (and this is true even of the present) foreign planters lived reinforced it still further. The new entrepreneurial class invested its business profits in land, at the beginning mainly in coconut and rubber land. The class members modelled not only their business enterprises, but also their plantation enterprises, in the fashion of the European whom they wished to emulate. It was partly the need for psychic identification with the European, and partly a symbol to be waved in the face of the "old-family," "old-wealth" upper class. Even today there is this partiality for farming land (where annual profits at between 15 and 20 per cent on invested capital are not unattractive) as it is still a status symbol. The share certificate of a joint-stock company does not move one from the upper middle to the lower upper class,
but the notarial deed to real property does. The implication for economic and business development is that savings and investments tend to go into land (often into already developed estates owned by Europeans, or into residential property) where, unlike in industry or commerce, there is no incremental production of goods and services.

Ceylonese Entrepreneurship

Many observers have commented on the lack of entrepreneurial spirit in the Ceylonese. For the mass of the people savings are impossible. For the few who can save, in most instances, the money goes into jewellery and land. Characteristics associated with the Protestant Ethic would be hard to find among what may be called a "singularly unenterprising middle class," concerned with jobs in the government services or in the professions, and with "cushy" jobs giving lots of money and leisure time.

Singer says "The lands occupied by the Sinhalese are among the most lush in the world . . . If economic privation is a precondition for high need achievement, then it is not difficult to see why this is not one of the outstanding components of the Sinhalese personality. . . . Unfortunately for the Ceylon Tamils, the lands they inhabit are among the least fertile in the island. . . . Thus the Ceylon Tamil has been found to work very hard on the land and to seek oc-
cupation off the land when possible."¹

The Sinhalese, and to a lesser extent the Tamils, love leisure, and are often characterized as lazy. Rather it is that the Ceylonese does not regard work as good per se. If work has to be done he works very hard. The Ceylon Tamil, who benefited less from the commercialization and therefore predominates in the government services, and the Sinhalese who predominates in the mercantile services are equally hard-working. When it comes to working the land, the Sinhalese can claim so much as "the bounties of nature," that he has to work less hard.

In the mid-1940's, the Vice Chancellor of the University of Ceylon had written,

A university graduate, with a background of Bambalapitiya and the 'educational triangle,' cannot acquire the peculiar type of low cunning (as it seems from the Olympian Heights of a University) - which, com-bined with an equally peculiar but quite definite principle of commercial probity, seems to be neces-sary for success in business - by spending two years with clean hands and a series of lecture notes on 'commercial subjects' in the sanctity of a managing-director's ante-room in the City of London. He could run a government office with satisfaction to himself and no great dissatisfaction to anybody else, but he could not compete in a cruel world with an Indian whose mother tongue was business or a Briton who graduated from Shrewsbury to the indignity of an office-boy's stool and worked his way down to a swivel chair.²

2. Jennings, Op. cit., p.117 (Bambalapitiya is a prominent middle-class residential area, and is also referred to as the home of the intellectuals, artists, and musicians).
That was, perhaps, a survey of the world from an ivory tower.

Several studies have been conducted in the 1950's on the occupational preferences among Ceylonese. The findings all tend more or less in the same direction: verbal scholarship, which was highly regarded in the Orient and had been reinforced by the British tradition of academic scholarship;¹ occupational choices of university students corresponded with the occupations of their fathers, except that there was a more pronounced preference for the government services; only two per cent wanted to go into business. "The lack of interest which the students display in commerce, and in planting, probably represents in part a realistic evaluation of the demand situation in respect to the employment of Ceylonese nationals;"² school leavers showed an overwhelming preference for government employment; a striking contrast between vocational ambitions and vocational opportunities; rank-ordering of 12 occupations by adults and the boys showed remarkable similarity; a correlation coefficient of .95 between prestige status as determined by adults and the rank order of initial salaries attached to the jobs;³ "... the widespread desire


for government employment is heavily marked ... it is least in the Western Province which offers relatively greater opportunities for employment in other spheres. ...

The overwhelming demand for government employment though, to some extent unavoidable in a society where the government is the chief employer, is also evidence of the search for security and the unwillingness to depart from tradition or accept risks - conditions essential in private enterprise;"¹ "There are many productive occupations which enjoy only a low prestige ... the attitudes of teachers are such as to accentuate rather than relieve the situation."² For the purposes of the present study, it is important to remember that the "subjects" of the studies reported above are the "men" in Ceylon today.

At the time of the Sinhalese Kingdoms, service to the ruler was the highest calling. With each successive foreign ruler, the machinery of education had been geared to producing people for running the new institutions of government that were being introduced. The competitive examinations held to recruit to the bureaucracy created the justifiable impression that it was the cream of Ceylonese youth that was

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being recruited to man the posts in government service. Service to the ruling Raj continued to be the highest calling in the land. The commercial and planting sectors (with the exception of small-shop retailing) were controlled by the Europeans and the Indians. Employment in this sector (sometimes in European establishments, never in Indian establishments) was obtained, not on the basis of competitive examinations but on the basis of the "right" family connections. The higher up on the hierarchy the applicant sought employment the more "right" those connections had to be.

The Ceylonese emulated the European who was the symbol of all that was progressive. The European administrator, businessman, and technician lived luxuriously and leisurely, dressed replete in tie and coat, and never dirtied his hands on the job. "The traditional culture and high status attributed to foreign supervisors who seldom did manual work has led to an undervaluation of the manually skilled."¹ The Briton's world in Ceylon did not extend very far from Russel Square. But the Ceylonese thought that to be the best way to work and live. It would seem that when Ceylonese imbibed the culture of the West, it was not "Western cultures in their wholeness and in their variety. On the contrary, the impact that we in this country . . . felt was confined to

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that insignificant, diluted and false segment of Western culture that was exportable."¹

Consequences of Buddhism

It has been mentioned earlier that there appeared to be some evidence that the majority of merchants were Christians. This observation, and interpretations of the "philosophy of Buddhism" have led many to believe that Buddhism, the religion of the majority of the Ceylonese, is in some way responsible for the lack of entrepreneurial spirit in Ceylon.

Buddhism is not a mere philosophy, as unlike the latter it puts special emphasis on practice. On the other hand, it is not a religion in the commonly accepted sense of a "system of faith and worship owing allegiance to a supernatural being." It is rather an ethical code of conduct coupled with wisdom or knowledge. "The base of Buddhism is morality and wisdom its apex."²

Theravada Buddhism is not entirely other-worldly. Meditation is not an attempt to close the mind and hold it blank,

but an active striving to discipline the mind and canalize thoughts along desired lines.

It is true that the concept of sorrow is central to Buddhism, but Buddhism is not pessimistic. Buddhists are not taught to accept the status quo and resign themselves to it. They are not required to ponder constantly on suffering and the misery of life. "... Buddhism is not a doctrine of pessimism, a teaching for the feeble-minded who look at things from the most unfavourable point of view... it is a true warrior's religion."¹ It has been said of Buddhist pessimism,

Oriental pessimism, at least as understood by Europeans, is best exemplified by Buddhism... the original doctrine of the Buddha... is in fact as optimistic as any optimism of the West. To call it 'pessimism' is merely to apply it to a characteristically Western principle according to which happiness is impossible without personality.

A Buddhist is called upon to analyze the causes of sorrow and rid one's self of the causes of sorrow to reach a stage of "no suffering." That is not a doctrine of pessimism.

Mental, intellectual, moral, and temperamental differences between individuals are explained in Buddhism in terms of Kamma. This does not mean that Kamma is unalterable, or

that everything is due to Kamma, for then a state of man is unalterable. Kamma has not only a retributive principle but a continuative one as well. Besides, according to Buddhism, Kamma is only one of five orders or processes which operate in the physical and mental world. The four others are: the inorganic order, order of germs or seeds, order of mind or psychic law, and the order of the norm.

It is perhaps true that where the fundamental timeless principles were expounded as applicable to daily living, they are difficult to apply in an urbanized, or even semi-urbanized, society.

There are, however, clear principles on the question of wealth and its acquiring, a matter of central interest to this study. "Classic precepts" call upon Buddhists to show "dauntless energy in wealth" or "mindfulness in keeping what is earned."¹ It is only if such possessions are misdirected, or forcibly or unjustly acquired that wealth is a cause of sorrow.

And again, Buddhists are exhorted to refrain from the following five trades: sale of meats and flesh; sale of slaves and animals; sale of liquor; sale of arms and ammu-

nition; and the sale of poison. The sale of slaves and poison have gone out of fashion. Generally, the proportion of Buddhists in the other trades would be lower than their proportion in the population.

To say that Buddhism acts as a deterrent to Buddhists being entrepreneurs is to push the ascetic element of Buddhism too far. Partly this is because of an inability to explain an observed fact. Except in the instance of the ultra-Westernized who are skeptical of religion (if not downright irreligious), Ceylonese of all faiths, and markedly so Buddhists, are closer to religious traditions in their everyday behaviour. Yet, Buddhists do not obey commandments, they observe precepts. And organizationally, Buddhism is characterized by informality - no "membership" of vihāres (churches), no compulsion to attend religious discourses (services), no remonstrating bikkhus (Buddhist monks) on errant dayakayas (parishioners). But the Buddha's teachings are manifest in kindness, hospitality, harmlessness, tolerance, gentle permissiveness, etc., as displayed by the people. It is a hasty conclusion that if they are all that without any regimentation, they also have to be ascetic.

But Buddhists can, and do, differentiate between Budd-

hist metaphysics of timelessness and selflessness as contained in the Abidhamma Pitaka (Book of Philosophy), the precepts for asceticism as contained in the Vinaya Pitaka (Book of Conduct for the Sangha), and the Sutta Pitaka (Book of Discourses). It is in the latter that the Sigalowada Sutta brings Buddhism's middle way, between sensual indulgence and self-mortification, to the real life situation of the lay Buddhist. Such a discriminating approach to the Teachings does not make poor Buddhists out of people, because Buddhism is concerned more with man's relations to his universe than with his role in any particular secular order.

Besides, in a discussion of the entrepreneurial spirit, there should be a distinction between capital used in small-shop retailing, large-shop retailing, and manufacturing. And all these should be distinguished from the bringing together of other people's money for the purpose of investment in any of these. Of the first variety there are innumerable entrepreneurs, mainly not-so-well-to-do Buddhists and Hindus for whom a small retail shop is a cover for under-employment. When one gets into the second category, the Indians, the Ceylon Moors, and Ceylonese Christians predominate. I submit that the spirit to invest in this instance has less to do with religion and more with the availability of capital. In the third category the critical factors are the availabi-
lity of capital and of suitable investment opportunities. Of the fourth category it has been stated that "it is reasonably certain that not even the 'super-optimists' of the New York Stock Exchange (if they survive) will be prepared to lend money to inexperienced Ceylonese entrepreneurs."¹

Up to 1956, there really was no incentive to invest in manufacturing in view of governmental policy. In the commercial sector, the Indians had both the capital and the overseas connections. The Moor had been the Ceylonese trader for several centuries, and the Christian Sinhalese had, under foreign patronage, become the new force in the business world. Entrepreneurship in this respect depends on commercial connections and the availability of (or access to) capital.

The social environment in Ceylon, as represented by a very small percentage of people in and above the lower middle class, a rigid social structure, a highly segmented market due to the society's multiracial and multireligious composition, and a high percentage of poor immobile rural dwellers, limits the introduction of modern marketing institutions or techniques. Physical mobility could have helped out in such a situation, but in 1964 there were (including taxi cabs) fewer than 83,000 cars in the country—about one car for every 125 persons. The bus services have improved

tremendously since 1956, but public passenger transportation is still below adequate levels. I submit, further, that caste has no important bearing on the problem of marketing development in Ceylon; and, also that the lack of entrepreneurship, which does have a bearing, is less a result of religion than a result of the business environment itself.

**Business Environment**

The business environment in Ceylon is undeveloped and static, because business in Ceylon is colonial, monopolistic, traditional, and under-financed. The foreign agency houses are a colonial heritage. They export Ceylon's produce, and hold agencies for the most lucrative import lines. Nearly half of the bank deposits and more than that of foreign trade transactions are in the hands of foreign owned banks, another legacy of the colonial era. Oliver and Wriggins in the late 1950's, and Singer in the early 1960's, referred\(^1\) to the unquestionable economic power of the European, predominantly British, sector. Attempts by Ceylonese to break into these virtually exclusive business rings have ended in failure. The only time a government decided to step in, it was defeated in Parliament before these intentions went beyond the proposal stage. It may have been a

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coincidence, but it is idle to believe that some measure of political power is not associated with the position of being economic leaders. The economic consequence of this continuing colonial-type relationship is obvious.

Business in Ceylon is monopolistic, or at best oligopolistic. The agency Houses, Indian merchants, and a few Ceylonese (with the right social, and sometimes political, contacts) have been handling imports. The Ceylonese are handling mainly the imports from Ceylon's new trading partners, Germany, Japan, China, Russia, etc. The importation of some items has been transferred to the CWE. For the rest, licences have continued to be issued on the basis of "previous imports." If the foreign exchange quota for, say, potatoes, is fixed at Rs. 10 million for some year, and if in the previous year Company A has imported five per cent of the value of all potato imports in that year, then Company A is issued a permit allowing the importation of Rs. 500,000 worth of potatoes. So the monopoly continues.

Some of the Indian merchants have taken out Ceylon Citizenship, but there is widespread belief that this is for commercial purposes only. They have extensive connections with commercial interests in India, from which the bulk of their imports come. Frequent accusations have been made of illegal transfer of funds through price-loaded invoices. The situation took a new turn in 1966. The government had
imposed a ceiling on unit prices for certain imports. Sur-
prise checks, by import and customs authorities, revealed
that the quality of the items imported could not have been
purchased at the price ceiling. It was also found that these
items were being sold to consumers at 20 to 50 times the im-
ported value. Full consignments of some 50 or so Indian
merchants were impounded. In characteristic fashion, the
government concerned itself more with the breach of the ceil-
ing unit price ban than addressing themselves to the question
"Where did they get the money to pay the correct price to the
exporter?"

As has been mentioned earlier, a very wide range of
import-substitute manufacturing industries has been started.
With the curtailing, and often total banning, of imports the
entrepreneurial spirit has had such a boost that there is a
surfeit of would-be-investors seeking government authority
to import machinery for these manufacturing industries.
Some of these are manufacturing ventures by persons who have
suffered cut-backs in their import business; a majority of
this group are foreign nationals who are Ceylon citizens.
But the much larger proportion of investors are persons who
have not been in import or retail business. Some of these
have been in the employ of foreign import firms for long
enough to know the sales potential and other characteristics
of products they want to manufacture.
When the government issues licences for the importation of machinery it is attempting to control investment, presumably to see that there is no over-investment in one line of manufactures. The rationale is that Ceylon's limited foreign exchange reserves can not be dissipated in importing machinery for more than one or two manufacturing units that can cater to all of Ceylon's requirements. But, in the absence of parallel government machinery to supervise, if not enforce, quality standards and fair prices, powerful monopolies have been created. In many products, the quality of Ceylonese production is good, but the prices charged are equal to or higher than the prices of similar imported products. Prices are strictly on the basis of "what the market will bear," and in the present economy of scarcity those prices are very high. Maximization of short-term profitability appears to be the guiding factor. That has always been the Ceylonese tradition.

Before the government got into the import-wholesale-retail picture, the channels of distribution for food were as in Figure I (p.140).

The importer, importer/wholesaler, and, to a lesser extent, the wholesaler/distributor, has tended to be a foreigner. A majority of the district wholesaler/retailers, and many of the larger country storekeepers, have tended to be Indian. The main food wholesalers are located in down-
Downtown Colombo is a strip that runs south-west to north-east, with the sea as the western boundary. In the south-west end (the "Fort" as it is called) are housed the offices of agency houses, the banks, the department stores, and other stores carrying relatively expensive merchandise. The north-east end (called the "Pettah") is separated from the Fort by the granaries, a walled-in storage area mainly for grains and flour. The Pettah is an area about twice the size of the Fort and houses stores for every conceivable consumer goods item available in Ceylon. Some companies have two retail outlets, one in the Fort, the other in the Pettah, selling items of identical quality at vastly different prices. The Fort was, and is, the shopping area of the
white man and the upper-middle-class-and-above Ceylonese. The Pettah (once called the "native quarter") is the shopping area of the lower-middle-class-and-below Ceylonese. To this day, when one buys an item in the Fort, one pays a premium for "atmosphere." The hub of the food import-wholesale trade is in the core area of the Pettah.

When the government got into the picture, the channels multiplied with each government or semi-government agency between the producer and the consumer. Some produce passed only through government organized channels (as will be seen later in Chapter IV), but essentially, the channel members have retained their nationality. The Ceylonization of the import function has not gone to the extent it is generally believed to have gone. The Indian, who was supposed to have been shut out, is very much in the picture. And perhaps this is a good thing. As one interviewee said, "The day they put the Indian out, the bottom will fall off the food market, because there will no longer be any credit to the retailer." What is more important, however, is that despite my expectations to the contrary, the marketing effort throughout the channel has remained the same if it has not, in fact, declined.

With extremely few exceptions, no member of the channel, at any level, "marketed" food, they merely "sold" it to the members at the next level who came to them. This has been
the tradition and continues to be so. Importer-wholesaler interviewees were emphatic that they had at no time thought it was necessary to promote their products, or have any but in-store salesmen. At the importer-wholesaler-distributor level they were, very often, monopolists. Also, they were the only ones who could finance carrying of inventory at lower levels. They have money of their own or have access to funds. As one goes down the channel, the monopoly aspect decreases but the credit aspect remains more or less constant.

Much the same type of thing happens in locally produced food. Vegetables and fish, for instance, are consigned to city-based commission agents by collectors who act for the commission agents in vegetable growing areas, or by the commission agent's representatives on the fishing grounds. In each case the commission agent sells the produce at the "going wholesale market rate of the day" to wholesalers or retailers who come to him. The proceeds of such sales, less the agent's commission, are remitted to the collector, who then pays the producer. If the collector is not a paid employee of the agent, but happens to be a country storekeeper, the producer receives the proceeds less a further deduction for the services rendered by the country storekeeper. In most instances where the country storekeeper gets into the channel, either he has advanced money to the grower (or fisherman) who is then obliged to sell his produce to the store-
keeper, or he happens to be the only person in the area to whom the grower could possibly sell his produce. The commission agent normally allows a day's credit to his wholesaler customers. Due to the almost complete absence of refrigeration facilities in the private sector, fresh produce can be kept for a maximum of 72 hours and fish for no longer than 24 hours.

In the instance of the locally produced goods, the monopoly position arises from the fact that the country store-keeper is the owner of the only transportation facility available, or from the fact that general transportation is linked to, if not owned by, the commission agents. Until the producers' co-operatives, and the government Marketing Department entered the channel, the growers had only two buyers for their produce—the commission agent and the country store-keeper. Again, the promotional and selling aspects of modern marketing are much less evident in the channel for locally produced foods, than even for imported foods. But unlike in the imported food channel, both the monopoly and credit aspects decrease as one goes down the channel levels.

Except for almost all consumer durables, and for a few consumer convenience goods, there is little advertising. Most businessmen consider advertising a waste of money or, at best, a necessary evil. Most advertisers tend to think of advertising in terms of "prestige advertising," mostly of
an institutional nature. Promotional advertising is of very recent origin in Ceylon, and the result of some very aggressive selling by the recent advertising agencies. Because of this general attitude, some products that have been very heavily promoted (especially by foreign operated firms) have transformed brand names to generic terms. But by and large, advertising is at a very early stage of development. Promotions, except for price-reduced sales (of which the public are suspicious) are almost non-existent.

Up to the time of the recent restrictions, the traditional businessmen, at all levels of the channel, used to say "We don't have to promote or go out and sell this product, because people come to us when they want it." Now they say, "We don't have to advertise or go out and sell because there aren't sufficient products to go around to all the people who want them." They have been making a great deal of money because of high prices, though they did no aggressive selling. It is very doubtful that cost-price-volume-profit relationships mean much to most businessmen, and still less to government officials who administer prices. "Controlled prices" for certain commodities continue to be fixed, although there has never been an attempt to determine costs of distribution.

Apart from the businessmen's attitudes, advertising has to face the peculiarities of Ceylon's main advertising
media—the press and radio. In the second half of 1965, the circulation of daily newspapers in Ceylon was 262,000, of which 243,000 was from papers published in Colombo. The circulation of weeklies was 435,000 with 416,000 of this originating in Colombo. Except for two newspapers, one published in Jaffna in the Northern Province and the other in Kandy in the Central Province, all others are published in Colombo. One newspaper group has about one half the circulation of all newspapers. In the case of the dailies 25 per cent, and in the case of the weeklies 20 per cent of the total circulation was in Colombo. About 44 per cent in both cases was in the Western Province. For retail food advertising 75 per cent of the circulation was absolute waste. In view of the segmentation of the market discussed earlier, 50 per cent of the circulation was useless for the advertisers of certain products. When this is taken in conjunction with the findings of the readership survey referred to earlier, press advertising looks rather hopeless for most merchants.

The only radio station in Ceylon is government controlled (it is a government department) and has six simultaneous services: the National Service and the Commercial Service,

1. Urban men – both dailies and weeklies are read by 71 per cent; rural men – 34 per cent read dailies, 33 per cent weeklies; urban women – 49 per cent read dailies, 54 per cent read weeklies; rural women – 6 per cent read dailies, 10 per cent read weeklies.
each in three languages of Sinhalese, Tamil, and English. All broadcasts are from Colombo. In 1963, some 14 per cent of the homes possessed a licensed radio, but the readership survey findings report that 20 per cent of the households (66 per cent urban, 10 per cent rural) "claim to possess a radio." In the urban sample 64 per cent of the men and 52 per cent of the women, and in the rural sample 21 per cent of the men and 5 per cent of the women "listened to the Commercial Service."

Over-all, businesses in Ceylon are under-capitalized and under-financed. The fault lies partly with the financial institutions, and partly with the people. There is no organized stock market in Ceylon. Most stocks are placed and traded privately, and the few that are not, are handled by a small group of brokers, who are more in produce brokerage than in share brokerage. No serious attempt has been made to mobilize the available capital. No attempts have been made by anyone to promote the idea of joint stock companies. Besides, some very serious fraudulent floatations have kept investors away. The popular image of a businessman as a "money-grabber" has been reinforced to such an extent that the business community is not widely trusted.

This, I submit, is the reason for the preponderance of proprietorships in Ceylonese business. Money is believed to be safe if only the person to whom it belongs handles it.
In response to the question: "Why are most companies in Ceylon proprietorships?" the interviewees responded with answers that ranged from "It is traditional," through "Company regulations are difficult to follow and expensive to conform to," and "In the food business it is very important for quick decisions, and this is possible with only one individual," up to the extreme "Most people do not want others to know exactly what they are doing." Whatever it is, capital in Ceylon tends to be invested in companies where the individual or the family has a very large say in affairs.

There is a shortage of medium and long-term credit because of the conservative attitudes of the banks and other financial institutions, such as the Agricultural and Industrial Credit Corporation, and the Development Finance Corporation. The conservative attitude is due in part to the modelling of these institutions on the traditional British pattern. Partly, it is because of the insufficiency of collateral would-be-borrowers are able to offer in the form of real assets. The inheritance laws, which require that every child acquires an equal right (and every grandchild acquires an equal right to the share of a deceased parent) to intestate property, have led to the most contentious land titles, thus complicating the matter further.

I would submit that the limiting factors of the business environment can be serious for marketing development,
but are, nevertheless, amenable to correction and revitalizing in the furtherance of new institutions and techniques in marketing.

Government in Business

The government got into the industrial sector, and into the import-wholesale-retail sector, during World War II. What started as emergency measures, in the latter case have continued (and continue to grow) because of foreign exchange difficulties necessitating continuing exchange and import controls, and because of the socially irresponsible acts of the private sector. The irony is that the government sector is unplanned, in the sense that the various components are ad hoc measures or, at best, unco-ordinated units, and do not fit into an over-all plan. The casual observer thinks that the government has a tight grip on the whole economy, but a more careful look will show that the preponderance of numbers does not mean the type of rigidity that it implies. It seems more that the private sector uses government involvement as a red herring to draw attention away from its own shortcomings.

This does not mean that all is well within the government sector, or that its relationship with the outside world is exemplary. Most of the government ventures are managed by public servants (no public servant in Ceylon thinks of
himself as a servant of the public) who are untrained in business. They are guided by archaic treasury regulations that were meant for disbursement of funds in government departments during colonial times. Temperamentally, the managers of government corporations are bureaucrats rather than managers of organizations that have a product or service to sell. Financially, they are circumscribed by criteria unfit for modern government and still more so for modern corporations.

Six government or government-sponsored institutions have a direct impact on food retailing in Ceylon. They are: the Food Control Department, the Marketing Department, the Department of Agrarian Services, the Co-operative Wholesale Establishment, the consumer co-operatives, and the Fisheries Corporation.

Certain foodstuffs are imported into the country and allocated to various channels for distribution by the Food Controller. Local produce is purchased (at floor prices) by the packing stations of the Marketing Department and allocated to the regional Marketing Department organizations for sale in bulk to non-commercial institutions or for sale at retail in the Marketing Department's own retail outlets. The Department of Agrarian Services acts as the government's purchasing agent for commodities coming under the Guaranteed Price Scheme. These commodities are then put into the distribution channels through the Food Controller, the CWE, and
the Marketing Department. The CWE's imports are distributed through the CWE's own retail shops, the co-operatives, and the CWE's "authorized" private traders (mostly wholesaler/retailers). The co-operatives (which have the monopoly of distributing certain items) get their supplies from the CWE itself, or from co-operative unions, which in turn draw the bulk of their supplies from the CWE. The Fisheries Corporation, which has its own fishing fleet, but supplements its requirements from private fishermen, sells at wholesale to private stallholders who are agents of the Corporation. The Fisheries Corporation also has its own retail outlets, which it inherited from the Ceylon Co-operative Fish Sales Union, which was absorbed by the Corporation. Appendix E shows all the channels for food distribution in 1966, and the extent (which is considerable) of government sector involvement is readily seen.

The government's involvement in the import-purchase and distribution channels is aimed at four objectives:

(a) importation at "real" prices in the interests of conserving foreign exchange. The story of government's entry into dried fish imports is a case in point. Private traders were importing dried fish on price-loaded invoices. Not only was foreign exchange being drained away illegally, but the consumers were paying higher prices on the basis of these supposed
(b) equitable distribution—with the scarcity of imported commodities the private trade was creating a black market, so that only people able and willing to pay this price could get the commodity;

(c) equitable prices to the local grower—in areas where the Marketing Department and the Fisheries Corporation make purchases, the price paid by the private trader to the producer is considerably higher than in areas where the government institutions do not operate;

(d) equitable prices to the consumer—in shopping areas where there are retail shops of the CWE or the Marketing Department, prices to the consumer in private shops are lower than in areas where such shops do not operate.

These attempts are not entirely successful because of poor planning and management at the top, and because of corruption at the bottom. The poor planning is partly due to the ad hoc measures (e.g. withdrawing the import licences from the private sector before ensuring supplies to the government, or at least establishing supplier contacts), and partly that the "manager" has little comprehension of what he is managing (like the chairman, board of directors, of a
service type corporation who insists on authorizing the "sale of the service" even if it were of the most insignificant sale value). A corrupt and avaricious private sector combines with poor management to corrupt at the bottom. Authorized private agents of government institutions leak commodities into the private trade blackmarket (better quality fish from the Fisheries Corporation's agents leak into the stalls of other private traders who then sell it at prices much higher than those the Corporation fixed for its own traders), and employees of government institutions at the retail level are induced by handsome payoffs to leak scarce commodities to the private trade. When the highest paid employee of a government organized or sponsored store is paid an annual salary of Rs. 1,200, and the daily sales of such a store run between Rs. 5,000 to Rs. 10,000, the temptation to succumb to payoffs from the private trade is quite understandable.

The ambling, blundering, "progress" the government or government-sponsored institutions have made in the system of food distribution is most certainly a nuisance to the development of marketing and retailing institutions and techniques. Yet, I would submit that what has come to be called "governmental interference" is not as extensive and not as crippling as retailers and businessmen would have us believe.
CHAPTER IV

FOOD RETAILING IN CEYLON - 1966

In this chapter are described the food retail institutions and techniques found in use in Ceylon in 1966. In each instance I discuss the origins of, and the reasons for, the specific features of the institutions and techniques. I also discuss the organization and consequences of four non-retail institutions - the Co-operative Wholesale Establishment, the co-operative unions, the Ceylon Fisheries Corporation, the traders' organizations - that seem to be important from the point of present impact on, and future development in, retailing. Another special institution discussed is the Ceylon Milk Board. Lastly are discussed the channels through which food moves from growers and manufacturers to the consumers.

Retail Institutions

At the time I conducted my field research I could identify (using local terms, except in the instance of "partial self-service" stores) twenty-three types of food retail outlets in

1. Photographs of most institutions discussed here appear in Appendix D.
Ceylon. Table 1 sets out these types of outlets and indicates, very approximately, their relative importance in terms of numbers and sales.

Six of these outlets had appeared on the retail scene after 1956, one after 1948, and two during World War II. Prior to World War II, there were fourteen types of food retail outlets: bakery produce stores, department stores, drug stores, estate (shops) stores, fairs, frozen produce stores, general merchants, grocery stores, green grocery stores, hawkers, municipal markets, oilman goods stores, small stores, and variety stores.

Now I shall describe these outlets in detail.

**Bakery Produce Stores**

I estimate there to be 1,200 bakeries with total sales of Rs. 250 million. These figures represent two per cent of retail food outlets and 10 per cent of retail food sales. Every one of the bakeries, ranging in sales from 100 pounds to 10,000 pounds of bread daily, has its own retail outlet. Most bakeries in urban areas, also, have their own house-to-house deliveries. And, although bread is the major product, most bakeries are part of a "bakery and hotel (restaurant)" business. The capital investment required to run a bakery is very small. Except in the case of one firm, all bakeries have brick ovens. They are not expensive to build. Prac-
### TABLE 1

**APPROXIMATE IMPORTANCE OF DIFFERENT TYPES OF FOOD RETAIL OUTLETS**

|                      | Numbers | Sales Rupees |  | Million |
|----------------------|---------|--------------|----------|
| "Small-Sundry" Stores| 30,000  | 50.00        | 150.00   | 6.00    |
| General Merchants    | 12,000  | 20.00        | 1,000.00 | 40.00   |
| Co-operative Stores  | 6,000   | 10.00        | 450.00   | 18.00   |
| Grocery Stores       | 1,800   | 3.00         | 125.00   | 5.00    |
| Oilmangoods Stores   | 1,800   | 3.00         | 75.00    | 3.00    |
| Bakery Produce Stores| 1,200   | 2.00         | 250.00   | 10.00   |
| Hawkers              | 1,200   | 2.00         | 10.00    | 0.40    |
| Pavement Hawkers     | 1,200   | 2.00         | 5.00     | 0.20    |
| Drug Stores          | 1,200   | 2.00         | 1.25     | 0.05    |
| Variety Stores       | 900     | 1.50         | 75.00    | 3.00    |
| Municipal Markets    | 600     | 1.00         | 160.00   | 6.40    |
| Green Grocery Stores | 600     | 1.00         | 25.00    | 1.00    |
| Fairs                | 450     | 0.75         | 50.00    | 2.00    |
| Partial and Full Self-Service Stores | 450 | 0.75 | 12.50 | 0.50 |
| Estate Shops         | 300     | 0.50         | 75.00    | 3.00    |
| Petrol Stations       | 120     | 0.20         | 1.25     | 0.05    |
| Fisheries Corporation Stalls | 60 | 0.10 | 12.50 | 0.50 |
| Marketing Department Stores | 46 | 0.07 | 10.00 | 0.40 |
| CWE Shops            | 40      | 0.07         | 7.50     | 0.30    |
TABLE 1 (Continued)

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* These figures represent a very crude estimate of the numbers of different types of stores and their sales. According to the Census of Merchandising and Services, in 1952, there were 40,275 food retail outlets (excluding hawkers and fairs). I estimate a total of 60,000 outlets in 1966. Figures for numbers of stores in 1966 are available only for co-operatives, Marketing Department shops, department stores, and frozen produce stores. The Census classification of "Sundry Shops" includes both my classifications of "small-sundry" and general merchants; and in 1952 these two groups accounted for 60 per cent of all food stores. The total food sales in 1952 were, according to the Census, Rs. 1.5 billion. This was approximately 43 per cent of personal consumption expenditure in 1951. On this basis it was estimated that food sales in 1966 were Rs. 2.5 billion (personal consumption expenditure in 1963 was Rs. 5.2 billion and was estimated to be Rs. 5.5 billion in 1966). Sales figures are available only for co-operatives and Marketing Department shops. The Census figures show that its category of sundry shops averaged sales of Rs. 25,000 to 30,000 per store. My category of "small-sundry" shops is the 60 per cent of the Census category that had sales of Rs. 5,000 or less per year. The Census category of sundry shops accounted for 40 per cent of food store sales in 1952. I estimate that the general merchants alone account for 40 per cent of sales, as it seems from the Census definitions and "numbers of stores" figures that the larger general merchants have been included in its category of department stores.
tically every village in Ceylon has its own bakery, and there are numerous bakeries in each urban center. Extremely few bakeries cater to customers outside their immediate locality.

Except in the case of two bakeries in Colombo City, none of the bread is sold under brand names. They are the only two bakeries that advertise bread. Except for a few bakeries in the largest urban areas none of the bread is pre-wrapped. Although the Food and Drugs Act requires that the bread be wrapped, it has never been enforced due to the inordinately high cost of wrapping paper, all of which has to be imported. Ceylonese like their bread warm and fresh. Some people prefer to pick up their bread at the bakery rather than have it delivered because they want to have it fresh. I learned from my interviews that a very, very small part of the bread sold in Ceylon is through non-bakery food stores.

Prior to World War II, the bulk of the bread was, according to my interviewees, consumed by those in the middle classes and above. At that time, the overwhelming majority of people ate rice for lunch and dinner, and preparations out of rice-flour were eaten for breakfast. Shortages of rice during the war led to the substitution of bread for rice at either lunch or dinner (lunch in the case of the lower-middle class and below, dinner in the case of the upper-middle class and above). I was informed that bread output of bakeries,
compared to pre-war, tripled in most bakeries, and increased four- or five-fold in others.

It was during the war that some non-bakery food outlets started selling bread, but this is still only sporadic and in very small quantities. The price of bread has been controlled since 1942, with the retail price of a pound of bread being fixed equal to the retail price of a pound of flour. From 1942 to 1951, the price was 30 cents per pound, and has since been 25 cents per pound. As a pound of bread contains approximately three-fourths pound of flour, there has never been a satisfactory gross margin over the cost of flour (the price of other ingredients have been steadily increasing since 1942) to allow sufficient margins to intermediary sellers, like food stores.

In the urban areas, bakery sales outlets are open from 8 a.m. to 8 p.m. In the rural areas (where they are always connected with a restaurant or tea-room) they are open from 5 a.m. to midnight. The opening times tend to get earlier and closing times tend to get later as one moves from bakeries in the large cities to those in the rural areas.

Most bakeries make other lines, such as tea buns, rolls, biscuits, and pastries. The variety of these additional lines, and their importance in the product mix, increases from the village bakery to the city bakery. In the village bakeries,
there is no demand for the extras, and their lower overheads make it possible for them to manage without them. In the cities, these more profitable sundry lines often make the difference between a profitable and an unprofitable operation.

A look at two bakeries illustrates this point. The two bakeries are managed by essentially the same persons. The purchases for both are made at a central office so that raw material costs are about the same. There are three important differences between the two. First, bakery A is located in the city of Colombo and 90 per cent of its sales are to residents in Colombo. Bakery B is located in a suburb of Colombo and 95 per cent of its sales are to residents of the suburb. Second, although bakery A is only 10 times as large as bakery B in terms of the volume of flour used daily, bakery A is about 25 times as large in terms of sales. Third, about 85 per cent of the sales of B are of bread, whereas bread accounts for only about a third of the sales of bakery A. For the years for which financial statistics are available for both companies, the gross profit rate of bakery A is 50 to 100 per cent more than that of bakery B.

Department Stores

The institution known as the department store in Ceylon is (as will be seen from what follows) different to the
department store in North America. There are in Ceylon
three department stores, and one discount type department
store that is run by the Co-operative Wholesale Establish-
ment. The CWE department store is run in the premises where
Ceylon's most exclusive (in terms of prices and customers
served) department store was operating up to the mid 'fifties,
when it was closed down. The three regular department stores
have "wines and groceries" or "wines and stores" departments
that carry (in addition to liquor) canned, bottled, and
frozen foods. The food departments of these stores (eight,
including branches) account for 0.01 per cent of Ceylon's
food retail outlets and their total sales of approximately
two and a half million rupees represent 0.10 per cent of re-
tail food sales. These food departments have been integral
parts of the business from the very beginning of the existence
of department stores in Ceylon.

There seem to be at least three reasons for this feature.
Food departments were common in early British department
stores. Department stores in Ceylon were transplants of the
British institution, and at the beginning catered to the
foreigners in Ceylon. These foreigners shopped for all their
requirements at the department stores, at times by visiting
them, and at others by ordering by mail or telephone. Finally,
the department stores held the import agencies for a
large number of the most profitable lines (including food
lines). These imports are sold to the trade through the stores' wholesale divisions; and the wholesale business is a very important part of the over-all business of the stores.

Until World War II, all three stores were British-owned. Since then, the ownership has changed gradually, until today they are almost fully Ceylonese-owned and managed.

The management of one department store would not divulge the break-down of its sales between wholesale and retail. For another, retail sales have been 20 to 25 per cent of total sales throughout the store's lifetime. For the third, retail sales have increased from 25 per cent of total sales in the late 'forties to 75 per cent in 1966. This change is due to the fact that import restrictions have reduced their supplies to the extent where they are unable to meet all their wholesale requirements. It is also due to the fact that there is a larger group of people now in the import business.

All these department stores have catered to the upper-income classes. Their prices, for comparable products, have always been higher than outside. And, they have tended to carry better quality, more expensive, items. An executive\(^1\)

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1. Almost all the quotations in this chapter are anonymous as I assured my interviewees that the specific sources of the information given me would not be disclosed.
of one of the firms did, however, claim that their prices had always been lower than in other stores, and that they have not had a conscious policy of catering only to the upper-classes. "If we are upper-class" he said, "that was by choice of the other classes". One of the department stores, for a number of years, had a "bargain basement" type operation. In a part of their premises (in the same building, but separately) they had a small scale department store under another name. This store carried lower quality items at lower prices. It was less elaborately laid out than the main store. It was given up after some time, because people got to know that both stores were run by the same people, and the image of the main store was being hurt.

From the beginning, these stores have been well laid out, and had credit accounts, deliveries, and expensive packaging. Up to very recent times, their advertising was of an institutional nature. As one executive said, "all the people knew you could get anything at X, except for a motor car, an aeroplane, and fertilizer". Product advertising by these stores is of very recent origin.

All stores have had buying offices or buying agents in England, and some of these are still used to obtain goods on the import allocations granted. All these stores have had their private brands for many products, including food products, but the lack of volume because of import curbs, has
led to a reduction of private brands. Local manufacturers of import substitute lines have not been anxious to work out any private branding arrangements. Local manufacturers used pricing structures that have very large manufacturers' margins and very small retailers' margins, quite the reverse of conditions during the era of imported goods. It is claimed that this has led to a reduction of department store margins. Department store executives also claim that heavier import duties have tended to reduce their own margins. A superficial examination of prices seems to support this claim that margins have been reduced. However, although it is impossible to say with certainty in the absence of margin data, I do not think that margins have in fact been reduced.

Representatives of all the department stores say they price on a cost plus fixed margin basis. Prices are not generally adjusted for competition, they say, although they claim that very infrequently they are brought down in line with competition. By and large, the other types of stores fluctuate their margins on the basis of scarcity. Many interviewees told me that pricing was "purely economics, supply and demand". Thus, for some items, prices in other stores (particularly in the Pettah) are higher than in the department stores. This gives the impression that department stores' prices (and therefore margins) are, for certain products at certain times, lower than they had been in the past. It
would seem that, in fact, their margins have remained the same, whereas margins of other stores have been increased to reap the benefits of supply shortages.

This stable margin policy (or "fair price" policy, as all department stores call it) has led to the lower-middle class patronizing these stores for items (like butter, milk foods, etc.) that are cheaper in them than in other types of stores. Still, very few working class people ever shop in them. Ceylon being a country where there are strong price-quality associations, the managements are rather concerned about the lower prices. For most of these items, "lower price" means that it is the price at which the government has "controlled the price"; and, most stores are trying to sell above controlled price, while the department stores never go above it. There are some items for which the department stores could, under their pricing scheme, fix prices that are a few cents below the controlled price. They say they are reluctant to do so because consumers will question the quality of the item, and this may have repercussions on the other items they carry.

Photographs of the grocery departments of the department stores are included in Appendix D.

**Drug Stores**

The terms drug store, pharmacy, and dispensary are used to describe stores where the main product line carried is
pharmaceuticals. They carry patent medicines, and have (as is required by law) a qualified pharmacist to dispense prescriptions that require preparation (mixtures, as they are called in Ceylon). Milk foods (including evaporated, skimmed, and condensed milk), which in Ceylon are classified either as invalids' foods or as infants' foods, are carried by druggists. These milk foods have been a part of the druggists' product line since they started in business. Most drug stores have carried canned foods for many years. As one interviewee told me "generally in Ceylon druggists have carried a number of household lines for immediate use". Since 1963 or so, some druggists have added frozen foods to their lines. Except for the three or four very large druggists (who are also drug importers) who carry only milk foods in addition to their strictly pharmaceutical lines, nearly all other druggists carry food lines. I estimate there to be about 1,200 druggists handling food items (two per cent of food retail outlets) having food sales of one and a quarter million rupees (0.05 per cent of retail food sales).

In the late 'forties, grocers added pre-packaged pharmaceutical products (patent medicines as they are called in Ceylon) to the lines they carry. This was an attempt to circumvent the 'shops closing hours regulation' that applied to grocers but not to druggists. Some of them have dropped this line, but others continue to carry it. This expansion of
druggists into food lines (and other lines) and the expansion of grocers into pharmaceuticals has in some instances been so extensive, that some stores are difficult to identify as either grocers or druggists. The sign on one drug store says:

A & CO.
Pharmacy, Grocery, Oilman Stores

and the sign on another store says:

XYZ FAIR
Dispensing Chemists, Frozen Food, Groceries, Cosmetics, Gift Articles, Pharmaceuticals.

In Ceylon, the general practitioner is still the predominant medical man. All G.P's, without exception, have their own dispensaries dispensing prescriptions, powders and tablets, and prescriptions for drugs to be purchased at a drug store are infrequent. As such, the volume of business for drug stores is low. Unless the drug stores are very large, even the very high retail margins in drugs do not turn up sufficient gross profits for the store selling drugs only. For survival most druggists have to sell other products (e.g. sweets, cosmetics, foodstuffs, tobacco) as well. In fact, the main products carried by one of the drug chains are drugs, foodstuffs (canned, frozen, cured or preserved), and liquor. They do not call themselves a drug store, but
B & Co., and have outlets in all major cities and towns. Roughly a third of their business is in each product category.

Although, with respect to the diversity of product lines carried, the drug store in Ceylon is in many ways similar to the drug store in North America, the drug store in Ceylon is not the high-volume, low-margin institution such a store is in North America.

**Estate (Shops) Stores**

These stores are operated by the managements of the tea and rubber estates, and date back to the beginnings of the plantation economy. From that time the attempt was to keep coolies as far away as possible from the local inhabitants. At the beginning at least, this was because of a fear that they might run away from the slave-like work conditions. These stores cater exclusively to the estate labourers on the respective estates. The smallest of these handle only rice, flour and sugar. Others carry a fair range of essential to semi-essential foodstuffs. They are convenient for the labourers who do not have to leave their estates and visit trade centers (which are sometimes several miles away) to obtain supplies. Also, the goods are supplied on credit and the bills deducted from the payroll. A few of these stores are run on a co-operative basis (the earliest co-operative
stores in the island were on estates), but most of them are owned and operated by the estate management. Some are leased out to operators who run the store under management supervision. There are about 300 estate shops (0.50 percent of food retail outlets) with sales of about seven and a half million rupees (three per cent of retail food sales).

Prices at estate stores are, often, cheaper than those in retail shops in the neighbouring villages and towns. The price differential varies with the estate store’s source of supply. There are (as shown in Chart I) essentially three channels: producer/importer to estate agent to estate store; or, producer/importer to estate supplier to estate store; or producer/importer to estate supplier to estate agent to estate store. Often there is no physical movement of goods through the intermediaries. These institutions are described in more detail in the following paragraphs.

CHART I

ALTERNATIVE CHANNELS OF SUPPLY TO ESTATE STORES

Producer/Importer ↓ Estate Supplier ↓ Estate Store

Producer/Importer ↓ Estate Agent ↓ Estate Store

Producer/Importer ↓ Estate Supplier ↓ Estate Store

Producer/Importer ↓ Estate Agent ↓ Estate Store

The estate supplier is an individual or firm specializing in supplying food and other requirements of estates. They
import or procure locally in very large quantities, and supply the estates. In some instances even the shop on the estate is run by the estate supplier. And, in all these cases, he is entrusted with payment of wages as well, and therefore he sells to labourers on credit.

The estate agent is, in almost all instances, a foreign firm that "manages" the estate. The superintending, supervisory, and clerical staff of estates (i.e. all except the labourers) are recruited and directed by the agency firm. All employees on the estate are responsible to the superintendent (the resident manager), who is responsible to the agency firm. The agency purchases all requirements for the estate, and sells all its produce. A few foreign-owned estates and most of the Ceylonese-owned estates are not managed by agency houses.

The estate store, with extremely few exceptions, is a very primitive retail outlet. Most estates have "issue days". The store-foreman reads out a name and the labourer concerned steps up to the counter. He asks for his quota, or states his requirements if the item is not on quota. The measuring, or counting, or weighing over, the items are put into bags or containers provided by the labourer. The value of the purchases is recorded by the foreman, who then calls out the next name on the list. And, so it goes on.
The estate generally sells the items at cost, and absorbs the store expenses as the cost of part of fringe benefits provided. Depending on the number of intermediaries between the importer/producer and the estate, the cost to the labourer varies. In addition to the institutional intermediaries, the chief clerk of the estate and the purchasing clerk at the agency pick up commissions of their own.

Fairs

A fair is an open garden farmers' market (see Appendix D for photographs). In 1966, there were 450 fairs in Ceylon (0.75 per cent of food retail outlets with sales of about Rs. 50 million - two per cent of retail food sales). Most of these fairs are open one day a week, and a few operate seven days a week. Others are open from two to six days per week. Accounting for the fairs that are open more than once a week, there are about 1,000 "fair days" per week.

Of two fairs visited by me, one is located eight miles from 'downtown' Colombo, and three miles from the southeastern limits of the city of Colombo, and the fair (called a pola) is held every Sunday. The other is located in a tea-growing area town in the hill country, and about 125 miles from Colombo. This fair is also a Sunday fair, and called the sundae (pronounced, sunthey). About three-fourths of the products sold in all fairs are foodstuffs. Among food
items sold are: rice, fresh vegetables, fresh fruits, fresh fish, fresh meat, and currystuffs. There are two groups of products sold at these and similar fairs: the produce and products of local farmers and artisans; produce and products from outside the area (and even imported items). Those that trade in the second group are generally merchants from the cities who move from one fair to the next on different days of the week. At these fairs, items of local production are cheaper than in normal shopping areas, and the locally grown vegetables and fruits are much fresher. The prices of the non-local items are lower than or equal to those in the normal shopping areas.

Started originally as a meeting place for local farmers and artisans to exchange their surpluses for other items they needed, these fairs have now developed into regular market places attracting a very wide range of shoppers of all social and economic classes, and from an area much larger than the area originally conceived of as local to the fair. The fair in the up-country town is closer to the original conception of the fair. Generally, as one moves away from Colombo, or other large urban areas, the importance of the local product component in the fair increases, and the number of sellers decreases.

The fair is an important retail institution in Ceylon. They are similar to the feiras in Latin America and the
"collective markets" in Tropical Africa. The Department of Census and Statistics is planning a detailed survey of the fairs in Ceylon, and the information gathered there will enable a more realistic assessment of their importance in terms of volume. There is no doubt that their importance increases as the area becomes more rural and more distant from urban centers. The farmers sell their produce and purchase their requirements at these fairs. There are three different types of vendors at these fairs: residents of the area selling local products (almost invariably agricultural products); residents of the area selling products from outside the locality (mostly meat, fish, manufactured consumer essentials); those resident outside the area and selling produce and products grown and manufactured outside the locality. These three types are selling at the fairs for different reasons.

The first is near-barter exchange. This group seldom goes home with the money from the sale, but uses the money instead to buy its own requirements. The second group has an opportunity to make some extra money on fair days. For the third group, this is their means of livelihood.

Table II shows some of the differences between the two fairs I visited.
TABLE II

<table>
<thead>
<tr>
<th></th>
<th>Colombo</th>
<th>Hill-Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of sellers (approx.)</td>
<td>200</td>
<td>65</td>
</tr>
<tr>
<td>Sellers who are local residents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- by vendors' estimates</td>
<td>25-50%</td>
<td>80-100%</td>
</tr>
<tr>
<td>- by own estimates</td>
<td>33-1/3%</td>
<td>75%</td>
</tr>
<tr>
<td>Local produce as proportion of all produce</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- by vendors' estimates</td>
<td>25-40%</td>
<td>75-90%</td>
</tr>
<tr>
<td>- by own estimates</td>
<td>10%</td>
<td>66-2/3%</td>
</tr>
<tr>
<td>Total sales of all suppliers (on fair day)</td>
<td>Rs. 5-10,000</td>
<td>Rs. 3-5,000</td>
</tr>
<tr>
<td>- by vendors' estimates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- by own estimates</td>
<td>Rs. 12,000</td>
<td>Rs. 5,000</td>
</tr>
</tbody>
</table>

Most of the fairs are in the mornings, from about 7 a.m. to about noon. Few fairs are held in the afternoons, and fewer still run for a whole day. The fairgrounds are maintained by the local government authority, which charges a very nominal amount for the ground area used by each seller. Sellers tend to specialize in the products they handle (sometimes even down to one variety of vegetable), and, by custom, different areas of the fairgrounds are occupied by those handling different products. Figure I is a sketch of the layout of the fair outside Colombo.

The reasons for the non-farmers, and particularly the non-local resident upper and middle classes, that shop at the fairs do not seem to be very logical. Vegetables and fruits are available in very wide variety, perhaps unlike
**LAYOUT OF FAIR**

- **Pathways**
- **Covered Stands**
- **Permanent Store & Tea Room**
- **Parking for carrier vehicles**

**Products**
- C - Coconuts
- CP - Coir Products
- CS - Curry Shuffs
- DF - Dried Fish
- EW - Earthenware
- FF - Fresh Fish
- FG - Fancy Goods
- HG - Hollow Ware and Glassware
- KH - Knives and Hardware
- LS - Local Sweetmeats
- M - Mirrors

**Stalls**
- MB - Mats and Bedding
- O - Onions
- P - Pork
- R - Rice
- SF - Salted Fish
- T - Tea
- TB - Tobacco
- TC - Textiles and Clothing
- VF - Vegetables and Fruits
anywhere else. The locally grown vegetables and fruits are also fresher. Prices are lower, but if urban dwellers have to drive out, or travel by poor public transportation a minimum of three to five miles, the savings may not be sufficient. For some rural dwellers it is an outing. For the urban dwellers it is, perhaps an opportunity to "go primitive".

Frozen Produce Stores

There are in Ceylon three (strictly) frozen produce stores (0.01 per cent of food retail outlets) with sales of approximately one and a quarter million rupees (0.05 per cent of total retail food sales). While other stores may have a counter (very often a single freezer) for frozen produce, there are three that handle frozen produce as their major line. The largest of the three is many times larger than the second largest.

If butter is excluded, the frozen produce sold in Ceylon consists of meats (roughly 80% by value), fish (15%), and vegetables (5%). The prices of the frozen products are much higher than for fresh products, and the frozen produce market is, therefore, limited to the upper-middle class and above. Even among these, there is strong preference for fresh over frozen produce.

Right up to the recent import and exchange restrictions, the bulk of the frozen produce sold in Ceylon was
imported. Prior to World War II, there was a larger market for frozen foods. This was due partly to the low tariffs at that time enabling cheap imports, and partly to the presence of a large number of foreigners. Since the end of the war, imports have been gradually cut down, tariffs have generally gone up on frozen products (considered as a luxury line), and since independence the number of foreigners has been decreasing, particularly in Colombo and its environs. The increasing patronage by Ceylonese has not offset the volume drop caused by loss of the foreigners' buying.

Part of the products of these stores now consists of local meats and fish, and yet their prices are much higher than that of fresh meats and fish. These stores seem to have two types of customers: those who want the much more expensive imported frozen products; and, those who want the less expensive local frozen products. None of these stores has self-service. Prepackaging is very limited because, as one interviewee said, "when they pay this price, they want to see the cut of meat they are getting". These stores are trying to change their image from that of exclusive shops for the rich, to one of "quality products at reasonable prices". For all this, their market is limited because the number of households with refrigerators is extremely low, not more than five per cent at best.
General Merchants

The general merchant in Ceylon is like the operator of the general store in nineteenth century North America. The 12,000 or so general merchants in Ceylon represent 20 per cent of the food retail outlets in Ceylon, and their total sales of about one billion rupees account for 40 per cent of retail food sales. These stores carry an extremely wide range of products: food to hardware, furniture to textiles, pharmaceuticals to tobacco, bicycles to building materials. All the items normally found in a department store are jammed into a very small area, and some of the general merchants like to think of their operations as a department store. In Colombo, almost all general merchants have large establishments and generally all of them are only in the retail business. Almost every general merchant outside Colombo District (the "outstations", as they are called) handles wholesale business, regardless of the size of his retail operations.

All the general merchants I interviewed said that unless they have the widest product range, their customers will go elsewhere to purchase part of their requirements. They do not want this to happen. General merchants in the outstations also claim that it is uneconomical to specialize. "In the outstations there is no merchant doing a single business. If you see a business there it is hardware,
potatoes, cloth, everything, because it is not economical to do business in one item only. In the same way, when the villager comes to the town to buy things, the shop must be able to give whatever he wants. Otherwise, he will lose the business because the man will have to go to one place to buy a bag of cement and to another place to buy one pound of onions.

People refer to these stores in terms that translate as "large boutique" or "shop boutique", and every shopping area, whether in the heart of the most fashionable residential district in Colombo, or in the most rural district, has at least one general store. The number of customers that visit one of these stores, on a normal day, will vary from 1,500 in Colombo to 75 in a rural area. The product range varies little between Colombo and the outstations, but the selections within the product (in brands and sizes), and the quality, do vary. In Colombo these stores are open from 8 a.m. to about 6 p.m., but as one moves away from Colombo it is not unusual to find them open, officially, from 6 a.m. to 10 p.m. or even midnight. Unofficially (i.e., presumably, without knowledge of the authorities enforcing the Shops Hours Ordinance) they are "open" much longer, in the sense that they transact business although "the front-door is not left open". In the most important lower-middle class residential area in Colombo City, there is a general store
of which it is said that "At X you can buy anything other than your parents, and you can buy it at any time of day or night".

**Grocery Stores**

Stores selling groceries only are few, and stores using the term grocery in their names (e.g. X Grocery Store) are fewer still. Again, few stores describe their business as "grocery business", most of them are in other businesses as well. I estimate there to be about 1,800 grocery stores (three per cent of food retail outlets) with total sales of about Rs. 125 million (five per cent of retail food sales). Those that are grocery stores are very much like the groceries in North America, except for the total lack of self-service, and at least partial lack of opportunities for a customer to inspect the merchandise without the assistance (or intervention) of a salesperson. Normally, goods are stacked away behind counters, which in turn are, often, wooden-topped glass showcases with doors that open on the side away from the customer.

I shall discuss this aspect of it later, but it seems that the reasons for the small number of grocery stores are the same as those for the large number of general stores. In addition to the lack of volume to encourage specialization in the sale of groceries, the unit margin for groceries
is so small, that if one out of 48 tins of canned fish in a case is lost (a two per cent leakage), that takes away more than the gross profit that could have been made after retailing the contents of the case. Some selling groceries claim that the only margin is obtained by selling the empty case (often wooden) for Rs. 1.00 to 1.50. (Incidentally, most grocers do not approve of the present export practice of packing in paper-board cartons.)

One of the few items for which I could obtain prices illustrates this point. A brand of condensed milk is sold by the importer to the wholesaler at Rs. 43.00 per case of 48 tins. The wholesaler takes a margin of Rs. 2.00 when selling it to the retailer, thus the price to the retailer is Rs. 45.00 per case or 93.75 cents per tin. The retail price of this brand varies between 90 cents per tin to Rs. 1.00 per tin. At best, the retail markup is a little over six per cent.

Green Grocery Stores

If the stalls in the municipal markets, and the pavement (sidewalk) hawkers are excluded, there are extremely few stores that sell vegetables (and fruits) only. There are about 600 such stores (one per cent of food retail stores) with total sales of about Rs. 25 million (one per cent of total sales).
Perhaps the only "fruit only" store is the plantain (banana) boutique, which is found in every community of over two or three thousand people. There are about 50 varieties of bananas to suit every taste and purse, and bananas are a very high consumption item. No shopping area of any consequence, whether rural or urban, is complete without one of these stores. Traditionally, these stores are run by Indians, and stock only bananas. There are no counters or fixtures, except for beams from which the bunches are hung, and a small table at which the proprietor-salesman-cashier sits. Including the proprietor, the total number of employees in such a store is two, or at most three, and expenses (as with overheads) are minimal.

The few "vegetable only" stores are found in the shopping areas in better residential districts. They are small stores, often owner-operated. The arrangements in, and appearance of, these stores are better than those of the vegetable stalls in the municipal markets. Correspondingly, prices are higher. Most of these stores are in close proximity to municipal markets, and they are patronized by the "lady-of-the-house" shoppers, who apparently wish to keep away from the hustle and bustle of the market stalls. Most of these stores offer a sort of "drive-in service", where an employee will come up to the parked car, take the lady's order, pack the items, and bring the package to the car.
The 1,200 or so hawkers in Ceylon represent about two
per cent of food outlets, and their sales of about five
million rupees account for about 0.20 per cent of food sales.
Vegetables, fruits, and fish are hawked from door-to-door in
the urban and semi-urban areas. Of meats, only pork is sold
by hawkers. The wares are generally carried on the head or
in boxes fitted to bicycles. Sometimes, the hawker has an
assistant (usually a young boy) to carry the load. A few of
these hawkers use push-carts, and fewer still use small vans.
The stock carried is small, the variety is limited, and the
prices are generally higher than at regular shopping areas.
However, purchasing from hawkers saves the housewife the in-
convenience of walking to the market to make the purchases.
Since, in the absence of refrigerators, most households make
daily purchases, walking to the market daily could be a
nuisance.

These operators purchase their stocks at wholesale
rates from central marketing points. Along the coastal
areas, fish hawkers (known as fish-mongers) purchase their
stocks from in-coming boats on the beaches. For some per-
sons, hawking is a life-time occupation. There are those
who take to hawking in their late teens or early twenties,
and quite literally do not "lay down their burden" till age
and health make it impossible for them to continue. There are those who carry that load and walk miles daily to make a mere pittance, which in their circumstances goes a long way. It makes the difference between subsistence and hunger. To others, hawking is a stepping stone to "fixed shop" retailing. Four individuals who, in the writer's boyhood days called at his home hawking fish, vegetables, bread, and textiles, are today, respectively, a fish merchant, a green grocer, a bakery owner, and a textile store owner in nearby shopping areas. One of these individuals told me, during the period of my field work, that in those days it was difficult for him to net Rs. 5.00 per day. Now, it is unusual for him to net less than Rs. 50.00 per day.

Hawking is less prevalent today than it was some years ago. With increasing general education, fewer people are willing to go into hawking. Improved rural conditions are also reducing the numbers considering hawking. And, increasingly, the Ceylonese housewife is willing (and able) to go out and shop at a market.

Municipal Markets

In Colombo there is a municipal market for each ward of the city. In other urban areas, the municipality or other local authority has built a single market at a central location, or several markets in different sections of the
city. There are about 600 such markets (one per cent of food retail outlets) and their sales of about Rs. 160 million account for 6.4 per cent of total retail food sales.

In each of these markets a section is set aside for groceries, another for green groceries, and one section each for fish, beef, mutton, and chicken. Usually in deference to the wishes of the Muslims, the stall selling pork is located outside the main market building. Each section is divided into a number of stalls. These stalls are rented out to stallholders who stock them with the respective items and carry out independent businesses, bound only to maintain certain sanitary conditions. Some stallholders have two or three stalls next to each other, and thus have arrangements like a fair-sized store. Generally, prices for identical products are the same at all stalls in one market. Price differentials, where they exist, are small, and are invariably related to "fresher" produce or fish. Meat prices are the same at all stalls in the same market. In the more modern markets there are sections for textiles, hardware, handicrafts, etc.

The municipal market is like the old American combination stores except that there are several stores that deal

1. Mueller and Garolian, Op.cit., p. 11, writing of the U.S. says, "By the early 1920's a fourth major step had been taken toward the modern grocery store - the combination store...the combination store brought together under one roof - but not necessarily under one management - departments which sold fresh meats, fresh fruit and vegetables, and dairy products, in addition to groceries."
in the same line of products.\(^1\) At a business level, the only co-operation between stallholders is in the joint transportation of purchases stallholders make individually. Stallholders in the fish and vegetable sections make their purchases daily in the wholesale market, or collect their orders from railheads. In some instances, especially in areas outside Colombo, fish are delivered to the stalls. In all instances, meat contractors deliver requirements from the nearest slaughter house. In the absence of cool rooms (refrigerator rooms) at the markets, only groceries and a few vegetables are kept overnight. Produce, meat, and fish purchases by stallholders are limited to amounts required for a day's sales. If any fish or meat is left over at the end of the day's sales, it is packed in ice and stored away for sale when the market opens between 6.30 and 7.00 a.m. the next day. Fresh stocks start coming in between 8.30 and 9.30 a.m. Markets are open till 8 p.m. (or later if produce, fish, and meat stocks are still available). The markets are open seven days a week.

The average market caters to people in the locality, within a radius, generally, of about one mile, and at most two miles. Some markets, because of the range and depth of

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1. In layout they are similar to farmers' markets in North America, but the vendors are not farmers or even remotely connected to farmers.
their stocks, can attract customers (often those with private transportation) from a larger area. Each stall may have calls from about 300 to 400 customers per day at a more popular market, and have sales of Rs. 250 to Rs. 350 per day. Most customers call daily for fish and/or meat, and two or three times per week for vegetables.

Oilmangoods Stores

There are about 1,800 oilmangoods stores (three per cent of food retail outlets) and their sales are about Rs. 75 million (three per cent of retail food sales). These stores carry products identical to those in a grocery store. It seems that the expression "oilmangoods" preceded the word grocery in being introduced to business circles in Colombo. There are some stores that describe themselves as oilmangoods stores. Yet others call themselves "grocers and dealers in oilmangoods". The only perceptible difference between grocery and oilman stores is that the latter appear to be carrying more canned and bottled foods. This is only from observation, and cannot be verified without a breakdown of sales by type of product.

Interviewees offered a wide range of answers to the question as to what oilmangoods were. These can be said to cover any item of food that is canned or bottled. Very few answers were obtained as to why such items were called oil-
mangoods. The three most plausible are: (a) Most canned foods are packed in oil; (b) items of this nature were in the early days hawked around by the man selling oil for lighting and fuel; (c) the men who started life selling oil were the first to set up business at a fixed place and to offer products of this nature for sale. The last two explanations appear to be the most acceptable. Besides, it is my contention that, as the oilman was selling an item which could possibly contaminate other products, he stocked only canned foods. Today, however, oilman stores do not carry any fuel or lighting oil.

**Little-Sundry Stores**

Most of the stores selling food items in Ceylon are referred to by a term that approximates the expression "little-sundry", a term close to five and dime store in the price component, but which also implies small size. Generally, it is a small shop that sells a variety of products, mainly foodstuffs. There are about 30,000 such stores (50 per cent of food retail outlets) and their sales total about Rs. 150 million (six per cent of retail food sales). The annual sales of the average store in this group are Rs. 5,000 or less than Rs. 20 per day. These little sundry shops that predominate in the retail scene in Ceylon are often operated by a man who is otherwise employed for only part of the day,
and his family.\(^1\) In the urban areas they are located on the outer fringes of shopping areas. In the semi-urban and rural areas, they are located, generally, at the intersection of two roads of even the smallest importance (a cliche speaks of Ceylon as "a nation of boutique-keepers"). They carry limited stocks, but a surprisingly (for their situation) large variety.

One such small (sundry) shop is typical of these stores. Located in a rural hamlet, the shop is roughly 15 feet square. At the back of the shop area are the living quarters. Racks run down two sides of the room. In the center is a box-counter divided into nine sections. These contain grains, onions, potatoes etc. A small table makes up the rest of the fixtures. There were currystuffs, toiletries, dried fish, coir products, vegetables, and some earthenware. The operator claimed he had a stock worth Rs. 200 to Rs. 250, but a quick assessment suggested it to be around one-half of that figure.

On either side of the road in this hamlet there are buildings (five on one side, three on the other) that accommodate three tea-boutiques, a fairly well-stocked co-operative store, a rubber purchase depot, a sub-post office, and

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1. This type of shopkeeping is thus a cover for underemployment.
two small stores. The operator claimed that 150 of the 600 persons in this area are his regular customers, and that his sales are Rs. 50 to Rs. 60 per day (which seemed to be an inflated figure), and that about one-half of the sales are on credit. Unlike the co-operative which does not allow credit and is open from 9 a.m. to 6 p.m. for five days of the week, and from 9 a.m. to 2 p.m. one day of the week, his store is open seven days of the week from "early morning" till "late at night". He will serve a customer at "any time of day or night". On every other day he goes to a "town" 13 miles away to make purchases.

Variety Stores

There are some retailers (in Colombo and the larger cities) who call their establishments variety stores. In fact, they are a type of general store; usually better in terms of quality of goods (excluding some lines such as hardware and building materials that they do not carry), better layout, better display, and generally better overall appearance. Unlike general stores, they carry inexpensive toys, and small items such as imitation (costume) jewellery. However, the main line is foodstuffs. Some of these stores do not carry rice and currystuffs. Also, some of them have open counters so that customers can inspect and select items. In some of them there is partial
self-service. There are about 900 such stores (1.5 per cent of retail outlets) with sales of Rs. 75 million (three per cent of retail food sales).

These so-called variety stores seem to have a combination of the better-class features of the general store, the grocery store, and the oilmangoods store, plus the added line (e.g. toys and jewellery) that in Ceylon is called by an expression which translates rather loosely, as "assorted fancy goods". There is one such "variety chain" with three stores in Colombo City, and one store in another Colombo District City. They are all small stores. A few of the variety stores in Colombo are quite large, and are departmentized in layout, though not in administrative organization.

During World War II were born two food retailing institutions: the co-operative store, and the Marketing Department shop.

**Consumer Co-operative Stores**

As described in Chapter II, when the Japanese bombed Colombo in April 1942, the government was faced with two difficulties: (1) the Indian merchants who controlled most of the import and distribution decided to leave; (2) the supply sources for food were disrupted and rationing had to be introduced. On account of the second difficulty the
government started its own importing, and undertook a co-operative drive, i.e., a drive to encourage the formation of co-operatives, to meet the first emergency. A large number of co-operative stores failed to carry on after the war. Despite government assistance in the form of a monopoly for the co-operatives to distribute certain commodities most of them remain to this day as retail outlets for only essential foodstuffs. A handful of the co-operatives have developed into high-class general stores. But, generally, the co-operative store is an institution that is co-operatively owned and sells a limited range of products at controlled or fair prices. ¹ In 1966 there were just under 6,000 co-operatives (one per cent of food stores) with sales totalling Rs. 450 million (18 per cent of retail food sales).

From a management point of view, there are three types of consumer co-operative stores: those run by consumer societies, those run by multi-purpose societies, and those run by the co-operative unions. Almost always, the quality of the merchandise and store layout is lowest where it is run by a consumer society, and best where it is run by a union. In one way, this is a result of finances, and in another, the experience and attitudes of management.

¹ The term "fair prices" is commonly used in Ceylon to mean just, equitable or non-excessive-profit prices.
Consumer stores originated in a period of austerity and stress. The intensity and direction of governmental push was aimed at establishing a society and therefore a store, regardless of the honesty and integrity of the office-bearer members to serve the co-operative (if not the national) cause. The supervision provided by the officers of the government's Co-operative Department was minimal, as they had an insufficient number of trained men to cope with the sudden increase in the numbers of store societies. And the trained men of the department were (and are) grounded in a co-operative philosophy that was austerity-oriented. They prove to be very useful auditors ("They are like criminal investigators, trying to find out what we do wrong, not trying to help us") but are, in my opinion, unable to offer any meaningful advice on running a store as a retail business. Many co-operators, complain that the department is obstructing progress. Others are complacent, and carry on a store which is really a rationed-goods distribution point. Still other co-operators are reported to be making a living for themselves by all manner of corruption. Extremely few co-operators are equipped to emerge into a period when austerity is not acceptable to the consumers. As a result of these factors there is confusion, corruption, and stagnation in the consumer co-operative stores.

How does one shop in a co-operative store? First, the
member (some stores sell to non-members too) makes a list of all his requirements. Second, he picks up the containers (baskets, bags) that he can take down to the store and goes there. Third, he stands in a queue (line) to get to the "bill clerk". When he gets to the bill clerk he states his requirements. A cash memo is written out in detail for all the items required (the bill clerk knows by memory, or has to verify, the items that are available). The member next moves on to the cashier, pays for the purchases and then goes on to the counter where a salesman (really a weighing and measuring man) issues the goods into the container that the member produces. Without counting the time spent standing in a queue, the buying process takes about twice as long as when making the purchase in a non-co-operative outlet. A handful of stores had two bill clerks; the norm is one, though in many cases the manager or the cashier doubles as the bill clerk. In 1951, as many as 27 per cent of the co-operatives had only one employee, 72 per cent had one or two employees, and 85 per cent had one to three employees.

Table III is made up of data I gathered from three co-operative stores visited by me. These have all progressed from the ration-goods-issue-depot stage, but they have grown differently due to differences in the philosophy of the members that make up the committee of management. Of the data in the table, only items 1, 2, 4, and 13 are
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* Ration books registered at store gives indication of total consumers served on regular basis.

** If each household has average of 5 consumers, number of ration books divided by five gives indication of total households served. This figure less number of members gives indication of non-members.
available in the reports and financial statements. The rest of the data are from my own calculations. To the question as to why they do not increase the number of employees and eliminate the queues, the answer the co-operators gave was, "We can't afford it". I showed them the rate of gross profit they were making, and also showed them the return they were making on their investment, and suggested that as co-operators they should be offering services and not making money. They were surprised that the departmental officers had never suggested looking at their accounts that way; and, one group told me that their auditor (the departmental inspector or supervisor) has been at them trying to get them to improve their profit position!

All four co-operatives that I saw said that they "want to make 10 per cent on sales, overall". When asked what, in fact, they were making, they did not know. Of the three stores for which statistics are shown in Table III, the store of the multi-purpose society B is closest (in layout, number of employees, and customer facilities) to a private store. It may not be a coincidence that it has the largest proportion of non-member customers, which in itself is a sign of its ability to draw consumers away from the private trade. It also has the best growth rate and the best profit performance.

Most co-operators appear to think of the co-operative
as a store that has to be run with the minimum of customer services, facilities, and product range. Without better services and facilities no co-operative store can draw people who are interested in non-controlled items. Unless they sell these high-margin items in sufficient quantities, they cannot make a sufficient gross profit to improve their facilities and grow out of the austerity store class. A co-operator was constrained to say, "Few people are willing to stand in a queue for half an hour to get a tin of fish or a tube of toothpaste". Surprisingly, a student of the co-operative movement\textsuperscript{1} was critical of stores that were trying to grow out of the austerity store class and says of those who want to improve the product range and facilities of co-operative stores, "...makes the error of equating the aim of a co-operative shop to that of a private trader's shop; a co-operative shop aims not at selling like a private trader, but as a benevolent association trying to help its members to enable them to buy what the association members want at the lowest price".

The regulations governing the co-operative movement (and enforced by the government's Department of Co-operative Development) are generally conceded by the co-operatives to be archaic, although the official viewpoint is very strongly

contradictory. It seems fair to say that the regulations were drafted for the operation of co-operatives in educationally illiterate and economically backward areas. Yet, they are applied equally to stores managed by individuals who are more educated, and more experienced (sometimes by actually managing stores for several decades) than some of the departmental officers. This is very serious in a situation like Ceylon’s, where the co-operatives did not grow out of a peoples' desire for co-operation. The absence of this urge on the part of the people means that the running of an elegant and efficient store is more important than some co-operative principles the people do not understand, and could not care less about if they did. Of the four society groups that I interviewed, the two that had progressed most admitted that if they had stayed within the regulations, they would never have got anywhere. When the operating procedures of one of these are compared with the governmental regulations that govern co-operatives, it is difficult to classify this society as a co-operative. Yet, as far as I could find out, that society is the "prize exhibit" of the Co-operative Department.

Four of the most contentious regulations refer to granting credit, payment of purchase dividends, rotation of management, and obtaining of prior departmental approval before certain expenditures are made.
Most people in the co-operative field, including some government officials, admit that the co-operatives can not compete with the private trader unless they start selling on credit. But the Co-operative Department will not allow it, as it would be contrary to the Rochdale Principles.¹ No one has addressed himself to the question of the circumstances prevalent in England at the time the Principles were enunciated. No one has considered whether they have to be modified to suit the different environments in the countries in which they are to be applied. Where incomes are highly seasonal, and where wages from regular employment are received once a month, the Principles would have a difficult time surviving. Indeed, I suspect that (at least some of) the societies that have more successful stores have successfully circumvented the embargo on credit sales.

The payment of purchase dividends (another fundamental principle of co-operation), it has been argued, is very important to co-operative store patronage. Two things can be said of this in Ceylon: in some areas the total annual purchase by a member is so very small, that a dividend on that is insignificant, if not meaningless; stores that have successfully withstood the internal temptations, and the

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¹ These principles are set out in Chapter II.
departmental pressures to pay dividends have not had a loss of members or of business, but have built reserves that are used to finance working capital needs and investment needs in their expansion programmes. Some multi-purpose societies (and some societies that were de facto multi-purpose before the ministerial diktat) have used these funds to build co-operative hospitals and schools. Some societies declare the annual purchase dividend, but instead of paying out cash add it to the members' contributions (or shares) in their books.

The government regulations require that a member cannot serve on the committee of management for more than three consecutive years. The experience of many societies is that they can barely make the quorum of 21 for a general meeting. The simple fact is that, so long as they get their requirements cheaply, the members are not sufficiently interested (or bothered) to care about what goes on.

Certain expenditures, like investment in land and buildings have to be approved by the Co-operative Department. This regulation, according to some societies, is "in the way" of any society that is planning expansion. Bureaucratic machinery moves so slowly that the delays in approval can (and do) result in lost opportunities and frustration to societies eager to progress. What upsets the societies even more is the inherent assumption (a very
hazardous assumption at that) that some bureaucrat knows the best investment for the society. Societies that have been successful have either adopted devious means to circumvent this regulation or have blatantly ignored it. Two of the four co-operative presidents I met are, each, men with substantial business acumen. Both of them have uncondoned contempt for the department; but, whereas, one of them was backed by a committee that gave him full rein, the other had a committee that wished to placate the Department. It cannot be a coincidence that the first society has moved ahead of the latter in almost every way.

None of the societies that have grown out of their austere beginnings and up-graded their stores, has consciously increased its margins. None of the groups I spoke to had ever considered it necessary, and, I suspect, did not understand the concept. The increase in margins that has been achieved is due to an increasingly larger proportion of non-controlled items that they are selling. Although all societies claim to be working toward a margin of 10 per cent on sales, none of them was achieving it because they have only the vaguest idea of the mix of items priced at different margins.

There are some co-operative unions that run consumer stores. In this instance, these stores are somewhat like a co-operative chain. Besides these, there is one multi-
purpose co-operative society that has a network of 36 branch stores. This network is a real co-operative chain. Purchases, accounting, and administration are centralized. Most of the store managers are on salary plus commission, a few are on straight commission. Prices are uniform throughout all stores, and individual managers can stock in quantities and varieties that are deemed suitable for each locality. Their total sales have remained around three million rupees per year, since the early 'fifties.

Marketing Department Shops

The retail shops of the Marketing Department\(^1\) are also a war-time innovation that has stayed on. During the depression of the 'thirties, the government had created the Marketing Department to assist the farmers by organizing the sale of their produce. In the early 'forties, an old railway workshop was converted into a tea store for the Marketing Department. At that time there was no other government building that could be released for use by the department. It was called the Tripoli Warehouse, as the department took over the premises on the day of the Allies' victory in Tripoli, North Africa. During the war-emergency

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1. The Department of Marketing Development is a government department within the Ministry of Agriculture and Food.
of 1942, the consumers in Colombo were finding it diffi-
cult to obtain vegetables. The Civil Defence Commissioner
ordered the department to "supply vegetables to Colombo
residents in sufficient quantity and at reasonable prices",
and they were told that they "may lose up to Rs. 50,000 per
month" to meet that objective.

That was the beginning of the Marketing Department
shops. Today, the former Tripoli Warehouse is the Tripoli
Market, the showpiece of the department. What the depart-
ment calls satellite stores are located in various parts of
the city. As at September, 1965, there were 46 Marketing
Department shops (0.07 per cent of retail food stores) in
every part of the country and in the financial year 1964-65
total sales amounted to nine and one half million rupees
(0.40 per cent of retail food sales). In addition to vege-
tables and fruits, these shops today sell food items of
local manufacture and processing such as canned fruits,
jams, sauces, and biscuits, and also currystuffs. Except
for the Tripoli Market, the Marketing Department shops offer
a limited range of goods at 'fair' prices. Prices at all
shops are the same, regardless of location.

The Tripoli Market is the closest establishment in
Ceylon to a supermarket. The only missing ingredient is
self-service. Fresh produce, fresh meat and fish, curry-
stuffs, foodstuffs, dairy produce, are all available in
well-laid out sections of the store. The prices are about
the lowest anywhere, and the volume is very high. Very con-
siderable improvements have been made to the store, over the
last five to six years, but the margins are reported to
have remained the same.

The margins, between 10 and 25 per cent, for different
products, are decided by the Assistant Commissioner for
Marketing Development for Colombo, and these margins are
fixed over time, and are uniform regardless of the geogra-
phical location of the outlet. The pricing process starts
with the department's market intelligence unit ascertaining
the retail prices at the private wholesale vegetable
market in Colombo (this market sells a small part of its
stock at retail). Marketing Department prices to the con-
sumer are these prices. The Marketing Department price, less
their margin, is the price paid to Marketing Department
packing stations in the growing areas. The packing station
price, less a standard handling charge, is the price paid
to the producer. These packing stations buy any quantity
that is offered at that price. Each price structure is
effective for two weeks.

Prices for purchases from the private sector, e.g.,
biscuits, are fixed by annual tender; and, prices for pur-
chases from government agencies like the Food Commissioner,
the Department of Agrarian Services, the CWE, and the Milk
Board, are fixed by negotiation between the Marketing Department and these agencies.

The Marketing Department advertises the "prices for the week" for the different items available, and acts primarily as a store at which people check prices before shopping elsewhere. Consumers know the prices at which they could make purchases if they were to go to a Marketing Department shop. They also have a standard to compare against on which to bargain for prices in stores in the private sector. The latter, in turn, use the Marketing Department prices as a guide line. They know that they cannot obtain prices that are very much more (generally five cents, seldom ten cents, per pound) than those prevailing in the Marketing Department shops.

The Marketing Department shops all over the country are almost always crowded. Perhaps, the least crowded is the Tripoli Market, which, is out of the way, unless one has private transportation or is prepared to walk about one-third of a mile from the nearest bus stop. Except at Tripoli, one generally stands in a queue (like those at the co-operatives) to get to the bill clerk. Except at Tripoli, where the upper classes from Colombo and its suburbs predominate, the lower and lower-middle classes form the bulk of the Marketing Department shop customers. By an historical accident, the largest of the department's "fair price"
stalls caters to those who can most afford to pay higher prices in the private sector.

The Pavement (sidewalk) Hawker is an immediate post-war phenomenon that has now become an important retail phenomenon. I estimate that in 1966 there were 1,200 pavement hawkers (two per cent of food retail outlets) with sales of five million rupees (0.20 per cent of retail food sales). The pavement hawkers deal in a wide range of goods and product categories including food. Those who sell food-stuffs do not deal in other lines and vice versa. They bring out their wares in the morning, spread them out on the pavement and start business. At night they gather up their stock and leave for the day. Normally their products are cheap and of inferior quality. Most of the original pavement hawkers were ex-servicemen or people displaced by the war, mostly men from rural areas who had come to Colombo to work in emergency services. Today, there is a new generation of pavement hawkers. They have successfully withstood periodic evictions and prosecutions by the authorities.

In practically every shopping district in Colombo, it is common to see these hawkers crowding the pedestrians out from the pavement on to the road. A couple of boxes topped with board form a counter. A tarpaulin is rigged up to provide shade from the sun and protection from the rain.
It is widely believed that they cheat on weighing and measuring, yet, they have (literally) a roaring trade. Their only item of cost is the cost of their purchases. They pay no rent, nor have they other business expenses, except in the case of a few of them who use old newspaper for wrapping. ¹

Attempts to get them off the pavements and into covered stands and special pitches built for them at different locations have proved unsuccessful. This is due partly to the backing they have from a certain section of politicians. Partly they want to be where the traffic is, outside the doors of shops in the shopping areas. They also seem to act as "bargain basements" for the regular stores. When the government required that a minimum quota of locally made cloth had to be purchased to import a certain quota of cloth, the importers passed on the local cloth in that ratio to retailers. The retailers, in turn, sold the local cloth to the pavement hawkers at reduced prices. The pavement hawkers also provide the outlet for shop-soiled and out-dated items. The stock left over at regular fish and vegetable stalls is "passed on to the

¹ The overwhelming majority of stores in Ceylon use old newspaper as the standard wrapping material. Almost all the kraft paper is imported and is very expensive.
pavement". These leftovers and fresh items are mixed in the sales made by the hawkers. There are some pavement hawkers who make their purchases just like the stallholders at the municipal markets do, but they are few and far between.

During the period of my field work there were several items of price-controlled foodstuffs that were in "short supply" in regular shops. These same items were available from pavement hawkers "at a price". They seem to be a convenient outlet, some suspect even a "branch operation" for some storekeepers.

Between 1956 and 1965 there have been six additions to food retail institutions: CWE shops, Fisheries Corporation stalls, milk bars, petrol (gasoline) stations, partial-self-service stores, and self-service stores.

**CWE Shops**

The 40 or so CWE shops (0.07 per cent of food retail outlets) with sales of about seven and a half million rupees (0.30 per cent of retail food sales) are the retail shops of the Co-operative Wholesale Establishment. Answers to the question, "How did the CWE come to start their retail shops?", range from, "Let's not talk about it", to "It was a good business decision". I shall revert to this
question later, when I discuss the role of the CWE, but it appears that retail shops have been started for business, and economic, as well as political reasons.

There is little difference between the co-operative stores, the Marketing Department shops, and the CWE shops. They all offer a limited range of essential goods at "fair prices". The queue and the bill clerk are, as in the others, part of the CWE shop institution. Sometimes the CWE, Marketing Department and Co-operative shops are set up in direct competition with each other. It would seem that some of the members of Parliament believe that their success is measured by the number of cities or towns in their electorates that have both a CWE shop and a Marketing Department shop (they invariably have a co-operative store).

Some CWE shops carry, in addition to foodstuffs (excluding fresh produce and meats), textiles and other lines imported by the CWE. Generally, CWE shops are better in appearance than the Marketing Department shops and most co-operatives; and, they have attractive signboards unlike any store of the other two types. Part of the difference could be attributed to the administrative set-up of the CWE, which is very much more business-oriented (within limits I shall discuss later) than the Marketing Department, and all but a handful of co-operatives.
Fisheries Corporation Stalls

The Ceylon Fisheries Corporation is a production and sales organization. The Ceylon Co-operative Fish Sales Union, in some ways the predecessor of the Corporation, was only a sales organization. The Corporation has about 60 stalls (0.10 per cent of food retail outlets) in various places, with total sales of about Rs. 12.5 million (0.50 per cent of retail food sales). The stalls taken over from the Union are run directly by the Corporation, but these are few. The bulk of the Corporation's stalls are run by its agents. The Corporation has stalls in all public markets, and at approved sites on which the agent puts up the structure. At the public markets, the stall is identical to the ones held by other fish traders, the other Corporation stalls are wood and galvanized metal structures with a "fishboard" acting as a counter. There are no refrigeration facilities at any of these stalls, and the Corporation delivers supplies to them daily.

The Corporation's agents are required to sell at prices fixed by the Corporation. In 1966, Corporation prices were the same as those fixed when it started operations in October, 1964. These prices are almost invariably lower than the prices (which change from day to day, and even hour to hour) at private stalls, but there are generally no long queues to get fish at these stalls. Few
stalls have any fish left over at the end of the day, but there is no rush to them because of the lower prices prevalent there. This phenomenon, which is contrary to patronage of other government-owned or government sponsored "fair price" stores, is a result of a rather peculiar pattern of Ceylonese consumer preference for fish.

In Ceylon there are four types of fish: fresh fish, wet fish, chilled fish, and frozen fish. Consumer preferences (and prices) are highest for fresh fish, next highest for wet fish and lowest for frozen fish. Fresh fish is from fishing grounds near the point of sale, and from boats (mostly outrigger-canoes) that do not go very far out to sea. Wet fish is from similar boats, but from fishing grounds at distances of about 10 hours travel time from points of sale. During this period of transport the fish is packed in ice. Chilled fish is from trawlers that have been out at sea for several days. The fish is gutted immediately it is caught and then put on ice. Frozen fish is fish that is stored in cold rooms, and could have been of any of the three other types before it went into cold storage.

An insignificant part of the fish sold in Ceylon is in packaged cuts sold out of refrigerated cabinets. The average Ceylonese living within a few miles of the sea can, on examining the fish, differentiate between fresh and wet
fish. Ceylonese, generally, can differentiate between these two types on the one hand, and the chilled and frozen fish on the other. Few could differentiate between chilled and frozen fish. But, almost everybody knows that Corporation fish is frozen fish, and therefore people are reluctant to purchase it. Besides the Corporation, there is one other very large frozen fish supplier in Ceylon. Many wholesalers, and some retailers, purchase their stocks from this source, and almost invariably pass them off as "wet" fish, on the uninitiated. Correctly timed and properly frozen fish is always better than inefficiently packed wet fish, although few Ceylonese will admit to this fact. No advertising has been ever directed to educating the consumer, and persuading him to change his preference.

Because of the price differentials between the types of fish, the Corporation stalls have failed to act as a price regulator for private fish stalls. Prices in the latter stalls fluctuate very widely and bear no relationship to Corporation prices. Although Corporation stalls offer a full range in variety to suit all tastes and purses, the major proportion of the supply and of sales appear to be in the middle to low price range.

Milk Bars

Operators of milk bars act as agents of the Ceylon
Milk Board (to be discussed later) and sell milk in one-third, half, and one pint containers, both for "on the premises" consumption and to be taken out by customers in their own containers. Milk in the one-third pint containers is available plain or flavoured with chocolate. Most of these bars also sell other Milk Board products such as yoghurt, and ice cream (in cartons or frozen on sticks). Some of the bars have added lines such as biscuits, canned foods, jams, jellies, aerated waters (carbonated drinks), and even ready-to-cook food (e.g. vegetables washed and cut, with the salt and curry powder in small packets). There are about 25 Milk Board shops (0.04 per cent of food retail outlets) with sales of about one and a quarter million rupees (0.05 per cent of retail food sales).

In most instances these agencies for milk bars have been taken out by housewives looking for some extra cash to supplement family incomes. At first they sell only milk, and are open for a couple of hours in the mornings (7 to 9 a.m.), afternoons (1 to 3 p.m.), and evenings (5 to 6 p.m.). After a few months of operation they gradually start adding lines and extending the hours of business. At some stage they switch from being of partial and supplemental interest to a full-time occupation with the addition of sales people, and are open from about 6.30 a.m. to about 8 p.m.
Milk Board products have to be sold by these bars at prices recommended by the Board. Those that sell carbonated drinks sell them at prices recommended by the manufacturers, and are perhaps the only outlets at which these can be purchased at that rate (almost all other outlets charge from three to five cents extra per bottle). Other products are sold at prices comparable to those in other types of outlets in the area. The fittings and facilities at these stores vary from "standing room only" bars in the poorer areas, to a well laid out counter with bar stools, plus comfortable chairs and polished tables - at the shopping center of a middle-class housing estate.

Petrol (Gas) Stations

In 1960, an agent who ran a petrol shed for one of the oil companies, in a very fashionable residential district in Colombo, introduced the sale of fresh eggs in his petrol station. The company disapproved of this diversion, but the agent was a fighter in his own right, and was also an official of the recently formed union of the dealers (of all three petroleum companies) and was fighting for extended rights and privileges of the dealers. The agent refused to concede what he termed his right. About the same time, one of the three oil companies operating in Ceylon had struck a bargain with one of the leading ice cream manufacturers. The manufacturer, for whom ice cream was a small part of the over-all
business, was using large quantities of furnace fuel oil. The manufacturer agreed to purchase all the furnace fuel requirements from the particular company, if the latter would permit the installation of freezer cabinets in the company's stations, for the sale of ice cream. After the deal went through, agents of several of the company's stations were selling ice cream. Gradually, the movement caught on; chicken, fish, tinned and bottled foods, and later other food lines were added. Some of these petrol stations carry all but currystuffs, rice, flour, and sugar. In 1966 there were about 120 petrol stations (0.20 per cent of food retail outlets) selling foodstuffs valued at about a million rupees (0.05 per cent of retail food sales).

A few years ago, it was unthinkable that dairy products and petroleum products could be sold in the same store. Today, one of the most popular purchase points for curd (a product similar to yoghurt made from buffalo milk) is a city petrol station. The range of products would indicate that the old theory about non-canned foodstuffs and oil does not apply any more, but it would seem that oilmen are back in the food trade.

Although these outlets may have started with the agent trying to capitalize on one-stop-shopping for motorists, "the food purchasing is done while the car is being filled up", they have also turned out to be convenience shops for resi-
dents of the locality. Yet, unlike other convenience shops, their prices are equal to (and at times, one or two cents below) prices in regular shops.

The Ceylon Petroleum Corporation (a government corporation) which took over the distribution of petroleum products in 1961, objects to its agents selling non-corporation and unapproved non-petroleum products. A great majority of the stations that had put on their new lines had done so during the early days of the Corporation; so that, when the Corporation realized what was going on it was already a fait accompli. I believe that the agents simply had to add the new lines. With only the Corporation's brand of products available, the agents could no longer draw customers to their stations on the basis of brand preference (created by the extremely heavy advertising oil companies had done). Now, agents are required to submit for Corporation approval any non-Corporation items they wish to sell.

Self-Service Stores

There are food stores in Ceylon that have partial self-service. They are few. My inquiries located only two completely self-service food stores, one of them a miniature supermarket. I estimate there to be about 450 partial and full self-service stores (0.75 per cent of food retail outlets) with sales of about Rs. 12.5 million (0.50 per cent of retail food sales).
At the partial self-service stores, the goods are arranged in such a way as to enable customers to inspect the goods without the immediate intervention of a sales clerk. But sooner or later (at most placed, sooner than later) a sales clerk steps in to assist in the selection and in the carrying of items to the counter. These stores are almost invariably located in better residential districts. Most of these were opened around 1960 and a few around 1956.

The partial self-service store seems to have arisen for two reasons. The retailers are becoming increasingly aware of the importance of display, and some of them have realized that a good display cannot be built unless goods are taken out of locked show cases and out of racks behind counters. Secondly, the high turnover of salesmen has resulted in most stores attempting to manage with the minimum of sales persons. The idea of saving time has not been considered. Unless the store is operated completely by the owner and his family or two or three highly trusted employees, the sales people at these stores will write out cash memos detailing the items and quantities sold. Few stores use cash registers, and fewer still use cash registers alone. The bill is written out and then franked on the cash register at the time of payment. When the store is completely owner-, family- or trusted-employee-operated, there are no records of transactions. The goods are handed over and the cash put away in the till. On
a rough estimate, well over 75 per cent of the stores operate this way. The cash memo, or cash memo plus cash register procedure, is adopted by the larger stores employing non-family persons, or by larger stores that are not proprietorships. Few storekeepers are prepared to consider value control of stock to be equally efficient to unit control of stocks.

This "bill-writing" is the bottleneck in an interesting (and in a sense daring) experiment by one of the co-operative unions. They have one of the two completely self-service stores in Ceylon. Foreign co-operative experts had been repeatedly asking the Commissioner of Co-operative Development why co-operative stores in Ceylon are not self-service. At the request of the Commissioner, the particular union decided, in 1963, to open a self-service store on an experimental basis. In 1966, the union believed that it "was successful".

The store is small, but well laid out, and it stocks all foodstuffs except for meats and dairy produce. At the beginning they had three employees; a manager, a bill clerk, and a cashier. When they detected the third case of shop-lifting (all by "English-educated middle-class ladies") they added four security officers to their staff. They believe that there has been no shop-lifting since that time. Prices at this store are marked on all items, and are lower (for iden-
tical items) than at the co-operative stores in the area. Because both this store and the co-operatives price on a cost-plus basis, I believe that the price differential is due less to a positive policy of lower margins and more to their own costs for the goods being lower than the cost of the same item to the co-operatives.

The other completely self-service store in Ceylon is exactly like a supermarket in North America except that it is much smaller than the average supermarket in North America. Started towards the end of 1962, it is modelled after what one of its partners saw in England. The store is well laid out, and has one exit counter, complete with cash register. Prices for all items (except for meat and fish) are marked on the items or on the rack shelf on which they are stacked. A list on the freezer indicates the prices for the cuts of meat and fish pre-packaged in one and in half-pound sizes.

There are four employees: a manager, a cashier, and a parcel boy (for wrapping and carrying of parcels to the car), and a fourth employee who arranges displays, assists (on request only) customers who want assistance in locating merchandise, and doubles for wrapping parcels when necessary.

Located in a better residential area, the store draws about 75 customers on a normal day. For a store offering the range of products it does, and for a store in that locality, the number of customers is small. Most of the customers
are from the immediate locality, "It is a restricted, but respectable, type of customer...mostly executives, diplomats (and their wives), and such people". It would appear that even these people prefer to purchase onions, potatoes, vegetables, fruits, and patent medicines at other types of outlets. Offering these items (except for some common medicines) was discontinued after the first few months. I suspect that for the type of customer this store has, items such as these (except for medicines) are purchased by the house-boy or cook.

Peak sales are between 5 and 7 p.m., and peak sales days are between the 25th of one month and the 5th of the next. Most customers seem to purchase the bulk of their requirements during the end-of-the-month period.

Pricing is on the basis of cost plus a fixed margin that is uniform for all products. Therefore the prices are, for a few items, comparable to those in other stores. For the larger part of the items, prices appear to be lower.

Neither of these self-service stores undertake press advertising. The union store has had only one advertisement, a full-page one on the day of its opening. The other store used press advertising for some time at the beginning, but "it was discontinued...it was costly and wasteful as most of the papers were going to areas outside our own". They now
use personal mail promotions addressed to residents of the area. In fact, few people in Ceylon know of the existence of self-service stores there. Many people did know of "self-service" restaurants, which is the expression in Ceylon for cafeteria-style restaurants. When I started inquiring of people about any self-service stores, I got two responses, the general content of which could be summarized as: "When did we get that?", and, "Don't try to tell us what you had in Canada". After a long time, and after many questions, I heard that there were two such stores, but all my informant (an academic) could tell me was that one was "somewhere" in a certain suburb of Colombo, and that the other was "somewhere along" a certain road, which was about six miles long. The stores had to be searched out as even people in the immediate locality had no knowledge of them.

**Retail Features and Techniques**

A vast majority of food stores in Ceylon are one-man businesses. Most of these are registered as proprietorships. A smaller number of food stores are legally organized as partnerships. Very few are registered as limited liability companies. Proprietary businesses are largely under-capitalized despite the claim that a "person would not go into business unless he had sufficient money of his own". The stated reasons for the favouring of proprietorships are: that they offer more independence; and, that, in the food business, quick decisions are important, so that even a
partnership proves cumbersome. There are more likely reasons. Few seem to understand the legal requirements and implications for partnerships, and fewer still understand those relating to limited liability companies. A great deal of mistrust among businessmen, and between the business community and the public is evident. Some very serious swindles in the flotation of joint-stock companies are still recalled with bitterness. There also seems to be a reluctance, both for personal and for tax reasons, to keep accurate and sufficient records.

The proprietary businesses are more conservative and thus retard retail development. Of the four provinces covered by the MSI survey, the Central Province ranks first in the proportion of proprietary food stores. It ranks fourth and last in specialization, size of stores, pricing policies, and advertising. It ranks third in inter-store co-operation, purchasing policies, the offering of guarantees, and in loss-leader type selling.

When the four provinces are ranked for the proportion of proprietary stores, the two provinces with the highest proportions are the Central and Northern Provinces. Both of them rank low (third or fourth) on six retail features that I shall later (Chapter V) designate as "advanced", and rank high (first or second) on two other features designated as "backward". Of the seven other retail features for which
there are data, the ranking of the provinces tends to a high-
low association, in five instances, as for example:

<table>
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<tr>
<th>Proprietorships</th>
<th>Specialization</th>
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<tr>
<td>First</td>
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<td>Second</td>
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**Level Specialization** is rare in Ceylonese businesses except for the very large wholesalers. The department stores, the medium-to-small wholesalers in Colombo, all wholesalers in the outstations, and the ubiquitous general merchants are all to some extent in both wholesale and retail business. In the instance of the department stores it is a continuation of the tradition of the old British trading companies that had run their retail business (the smaller part of their business) as department stores. With the others this feature is due to the fact that a single business does not give them a reasonable turnover. Of MSI's food wholesaler interviewees, 13 of 15 in the Western Province, and 12 of 15 in the other areas "sold to individual customers". The proportion was higher for the wholesalers of the other products: 31 of 32 in the Western Province, and 32 of 32 in the other areas. The non-general-merchant large retailers seldom get into the wholesale business.
Store Location and Area of Operation. In the larger urban areas such as Colombo and about 10 other towns, there is a core shopping district that could be called "downtown". In the other areas, the shopping district is always the street called "Main Street". With few exceptions, the larger food stores are "downtown" or on "Main Street". Food stores of average-to-small size are located at almost all major (and even not-so-major) road intersections. Extremely few food stores in Ceylon could claim to cater to a population outside a five-mile radius. The average area of operation is nearer to a one-half mile radius. The scattering of food stores is a result of the wide dispersion of population; the largest city, Colombo, has a population of 511,000 (less than 5 per cent of Ceylon's total population). The two next largest cities have 111,000 and 94,000 respectively. The small area of operation is due to the lack of private transportation; when taxis are excluded from the calculations, there is in Ceylon one car for every 133 persons (or roughly) one car for every 27 families.

Product Specialization is rare in Ceylon. I have referred to this in the preceding discussion of various institutions. Traders add lines rather than specialize: "Customers force us to add lines. An alert manager can do wonders", "We change product lines to meet customer demand", "We drop lines when we can't get it. We are having more lines now
than ever before. Perhaps there are fewer than in 1959 or so. A stallholder at a municipal market said: "For 30 years I sold only vegetables. So did my brother-in-law. Now we work together and we sell vegetables, fruits, curd, jams, jellies, preserves. People ask for them". The executive of a trade chamber (a chamber of commerce) said: "In our country the tendency is for a man to start selling something with which he is acquainted. Gradually, with practice, he adds other lines". I submit that the specialization in the larger stores is due at least in part, to their ability to generate sufficient volume; and the specialization in smaller stores is due, at least in part, to the lack of both financial resources and trading knowledge. A recent trend is that some of the larger stores are diversifying their product lines because of the state intervention in retailing: "We are adding some new line every six months. With this uncertainty, we must have something to hold on to if the government steps in and wants to distribute something".

Sales Volume. Generally, sales per store have been increasing in rupee terms, but it is difficult to say whether there has been an increase in the volume of goods. Few could differentiate between the two concepts. Two strands of evidence seem to suggest that physical volume per store has decreased. Most of the imported goods are at very high tariffs ("We are selling customs duties. We used to sell
Rs. 500,000 worth of X with a 10 per cent duty. Today we sell Rs. 250,000 worth of X with a 100 per cent duty).) and local foodstuffs have also gone up in price. Second: there is a very widespread belief that there are far too many food stores and that they are increasing daily.

**Gross Margins.** More than two-thirds of my interviewees were unwilling (and, I suspect, unable) to tell me what their gross margins were. I have already shown how the co-operatives, that keep meticulous accounts, are unaware of their gross margins. In the MSI questionnaire there was a question on the gross margin for the item being dealt with in the particular interview. Thirty-five per cent of the interviewees claimed they "did not know", which could also mean that they were unwilling to divulge the information. Of the 65 per cent that gave figures, roughly one-half gave figures showing that the percentage margin on the selling price was equal to or greater than the percentage margin on buying price, indicating their complete lack of comprehension of this concept.1

Of my interviewees (about two-thirds) who spoke of trends in margins, roughly two-thirds said that they "were going down". Increased controls, increased costs that have out-

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1. I have a very strong suspicion that the concept of margins on selling price is understood and used only in North America.
paced price increases, increased competition, and reduced margins offered by local producers were cited as the reasons. While one retailer spoke of a policy of lowering margins to achieve increased volume, all those who had made improvements to their stores claimed that they have not increased margins. Partly, these statements could be attributed, I believe, to a lack of understanding of cost-volume-price relationships. Partly, they may be due to a lack of awareness of the facilities-services-margins relationship. At least in part, it is due to the attitude of the government in fixing or recommending prices without any reasonable idea of the costs of distribution, and without any idea of the differing circumstances under which purchases are made (e.g., is the sale for cash or on credit?).

Very few food stores that claimed decreasing margins have also cut down on their facilities. The department stores that have reduced facilities (by restricting credit sales, and reducing the frequency of deliveries) claim that they have done so because of the restrictions and scarcities reducing their volume of business. Some of the other types of outlets also speak in a similar strain: "With all these shortages we don't have to give credit or deliver. Now customers come to us and pay cash". But, it is difficult, in the absence of margin data, to be certain of what has happened. I suspect, though, that in most instances, unchanged
fixed expenses have made it necessary to attempt to keep gross profit constant. The only way these stores could do this, in the face of decreasing volume, is by increasing margins.

**Inventory and Purchasing Policies.** Inventory policies are elementary. A question like, "How long will this stock last if no further purchases are made?", is, in many instances meaningless. About two-thirds of my interviewees had some idea of the length of time their inventories would last, but about one-third of these had only one day's stock; and another third had "one or two weeks stock", which leaves room for a very wide margin of error. One wholesaler told me that for retailers "inventory policies depended on movements in the market"; and, a very large wholesaler of a very common and high consumption item said, "Dealers are not sufficiently sophisticated to talk of inventory for X".

It would seem that the general practice is to purchase items in a certain quantity, and then replace (to that original stock level) items disposed of in daily sale. For the smaller stores, replacement means purchasing A tins of Y on one day and B tins of Y the next day. With the larger stores, it means a purchase of A cases of Y on one Tuesday and B cases of Y the next Tuesday. Regardless of the size of the store, most of them seem to be purchasing daily, so that while the smaller stores purchase items A to Z daily, the larger
ones purchase items A to F on Monday, and items U to Z on Tuesday, and so on.

In purchasing, old ties with suppliers are very strong and enduring. The retailer has always gone, at times close to 100 miles, to the wholesaler or importer. In doing so, the advantage of better selection is claimed, as an important consideration, but the availability of credit seems to be even more important. Very few importer/wholesalers have at any time gone out to sell. They say it is not necessary to "push" during the present period of scarcity, and most of them do not seem to think that it will be necessary to do so in the future.

In the words of one interviewee, the following is a description of a typical purchasing trip by an "outstation madalali (merchant)"

"The madalali comes to a wholesaler in the Pettah and says, 'Here is the list of things I want. Here are my lorries. I have to go to the bank. I shall have a drink, and meet some friends and come in the evening'. The wholesaler will fill the order, getting the items from outside if they are not in his stock. He will also add items that are not on the list, and say, 'Look, I have given these items cheap, but I have added some items you did not want. You just keep them, and they will be sold'. The madalali pays the balance due on the previous purchase (perhaps last week), pays generally 25 per cent, at most 50 per cent, of the value of the day's purchases, tips
the nattamī¹ (that ensures a good selection), and drives away. When he gets to his store, he does not know of margins; he may even not be worried by costs. He prices on the going rate in his locality. There may be two, three, or four big chaps like him in his locality. They just keep the ruling prices going. They are neither price leaders nor price followers, but between them, the big men control about 75 per cent of the area's sales".

Two other interviewees (one of them a long-time wholesaler) said more or less the same thing, but in less graphic detail.

Credit Sales are very important. One of the major reasons for the co-operatives stagnating is their lack of credit facilities. Whereas some of the larger stores are not expanding their credit facilities, others are stepping in to do so. It would seem that some stores do away with consumer services when they have established themselves.² Yet, the small stores, including the smallest, are surviving because they grant credit.

Over one half of my interviewees were selling on credit. Generally, small stores in Colombo, and even larger ones in

1. The nattamī is a sort of contact man, and a very useful and influential man in food wholesaling. For the wholesaler, he acts as word-of-mouth advertiser of available stock, and he also acts as the broker who brings a prospective buyer into the wholesaler's store. For the retailer, he is a very useful source of information on what is available and where. He also supervises the filling of an order and its loading into lorries (trucks).

2. This is a reverse trend than would be expected from the "wheel" concept which will be discussed in Chapter IX.
the outstations, use a "pass-book" for entering purchases. The arrangement is very informal. Often there is no duplicate, and it is based largely on trust. A few stores, including one establishment that has an elaborate (for that size of store) system of credit invoices and monthly bills, thought that credit was not important. Yet, many interviewees spoke of the importance of credit sales in their businesses. A stallholder in a municipal market said, "It is impossible to do business unless we give credit". Representatives of a Colombo District co-operative said, "One of the drawbacks we have is that credit is not part of the co-operative system". A Colombo District general merchant said, "About 50 per cent of sales is on credit! It is impossible to do business without giving credit". An outstation general merchant said, "Credit is very important for us to compete. There are too many establishments in this town".

A few stores make an "accounts charge" which is, generally, a flat charge for maintaining and rendering accounts. Some stores, especially those that use the pass-book system, charge a "slightly higher price" when the purchases are on credit. Most stores do not make any extra charge, and credit purchases can be made as a matter of course. In rural areas, sales on credit are inextricably mixed with extra-consumption financing, and accusations are common that rapacious boutique keepers make more money on money-lending and on selling on
credit than they do in the normal business of trading. This state of affairs is also common in the plantation areas where the estate workers have to depend on private traders for a part of their requirements.

The credit sales in the rural areas are due to the seasonality of incomes, and the general inadequacy of these incomes when realized. In the urban and semi-urban areas, the reason is, at least partly, the practice of monthly wage payments instead of the weekly (or fortnightly) payment system prevalent in other countries. In urban areas peak sales occur towards the end of one month or the beginning of the next, that is about the time people get their wages or salaries. One MSI question asked for the day of the week when the store experienced peak sales. There were stores that said peak sales were experienced not on any particular day of the week, but at the month-end or beginning of the month or "on the day advances are paid". Of the MSI's food retailer interviewees, 7 of the 25 in the Western Province and 2 of the 21 in other areas claimed end-of-month peaks. For the non-food items the figures were 14 out of 47 in the Western Province and 14 of 59 in other areas.

1. Some blue-collar workers are paid an "advance" of about one-fourth the month's wages on the 25th, and wages on the tenth of the next month.
Delivery Services. It is common for bread and milk to be delivered to homes in urban and semi-urban areas. Delivery services for other foodstuffs are fairly important in the urban areas, and are offered by a few stores in the semi-urban areas. In all the rural areas delivery services, if available, are only for special customers. In urban and semi-urban areas, food stores of large-to-medium size, catering mainly to the upper and upper-middle classes, have delivery services as part of their customer services. The delivery service is rendered mainly to these classes. The bulk of the delivered food orders are orders telephoned in. A very small fraction of telephone subscribers would be below upper-middle class, and even in this latter group there are many who do not have a telephone. Even if one has a telephone, or has access to one, it is possible that the store one is dealing with does not.

One of my interviewees said, "We score with our delivery, more than 50 per cent of our sales are delivered. Most people don't have servants so they 'phone. Some have cars, but won't waste time. They want satisfaction at the door". One of the housewives surveyed said, "Groceries, I get from three stores - but the one with the telephone has the greater part of the order...I can telephone the order...and have it delivered...for convenience".
With extremely few exceptions, no special charge is made for delivery, but many people think that it is more expensive to have items delivered. It is possible that people are confusing the services with the store itself, where prices may be higher (or are believed to be higher). Delivery services are generally declining partly because of the scarcity of goods, and partly because of the difficulties of purchasing and maintaining delivery vehicles.

**Clerk Service.** The average number of sales employees per store is higher in Colombo City stores than in Colombo District stores, which in turn is higher than in outstation stores. This is true even for stores of the same type. Clerk service, some traders say, is important as a majority of the Ceylonese want to have someone waiting on them. They expect a sales person to approach them the moment they come in the door. The trait may be common to all Ceylonese: "Our people consider it a loss of prestige if they are not served immediately they come into a store". It may be that some customers such as the upper and middle class customers who patronize a certain store, desire it more: "You must have salesmen. Customers will wait for half an hour till a salesman asks them what they want, and then kick up a hell of a row for delay in attention". The general belief among storekeepers is along the line of sentiments expressed by an advertising agency executive, "Our educated middle-class types want to be
attended on", but their sensitivity to the class structure precludes any specific reference to a class. Even at the self-service stores, apparently, customers wish to be taken notice of and greeted with a "Good morning!" or a "Good afternoon!".

What most of the stores provide is not clerk service. When a customer gets up to a counter the sales person behind the counter will inquire of the customer what his needs are. Sometimes he may wait for the customer to state his requirements. He will then bring the needed items out of the cupboard or off the racks. It would seem that these stores, unlike the others, believe that their "salesmen are there to serve and not to sell". The initiative in the transaction has to come from the customer. Perhaps this is a result of the retailer extending to the customer the treatment meted out to him by the wholesaler and the manufacturer.

Porterage is provided by many stores in the urban and semi-urban areas, and in the larger stores in the other areas. Of course, the service is limited to the upper and upper-middle classes as they are the only people who shop by private cars or taxis. "Not essential but useful for the type of customer I have. Most of these customers come by car". The satisfaction a customer gets from a store employee carrying out even a small parcel to the car is effectively played upon by storekeepers: "Yes, porterage is very important, and the
publicity we get from this is very important advertising". 
"Customers are very pleased when we order one of our boys to 
put their parcels in the car". Only one large store claimed 
that porterage was "not too important, even our offers are 
refused".

Decor and Layout get attention only from a very small 
proportion of storekeepers. This is in sharp contrast to 
display, which most storekeepers are interested in. The 
well decorated and well laid out stores are those attempting 
to build an image of "class". One of these is faced with a 
difficult problem. The store is extremely well laid out, 
and compares favourably with the best anywhere. One of their 
original, and supposedly, "bread and butter" lines is a high 
consumption item which is sold at standard prices despite 
the very elegant fixtures and atmosphere of the store. Large 
numbers of lower-class customers patronize the store, but 
only to purchase the item in question. A special counter is 
set aside to sell this item. When the counter is well inside 
the store, "these people mix up with the better class of 
people" who patronize the store. When the counter is close 
to the door it is "blocked by these people". The management 
could solve the problem by increasing the price of the item 
(it is perhaps the most expensive store in Ceylon for other 
items), but they "think it is immoral to do so", and per-
haps even unwise as the "feelings of the masses may go
dangerously against us". They will not discontinue the line, I suspect, less for business than for sentimental reasons.

Only one of the stores that have devoted some attention to decor and layout (including a lounge) stated categorically that they were not seeking to build a "class" image:

"The new look was given after 1960. We try our best to be attractive. I am sure that to attract customers we have to have an attractive place. We did not have a type or class of customer in view. We want to attract everybody".

Self-Service. I have mentioned, already, that there are only two completely self-service food stores in Ceylon. From my interviewees' points of view, there are five reasons for the non-existence of self-service stores in Ceylon:

(a) the standard of honesty among Ceylonese is low,
"You need extreme honesty among customers for this"
"The standard of honesty among Ceylonese is not sufficient. There is pilferage now, with a salesman and a labourer at the counter. Perhaps the high standard of honesty will come with greater availability"
"We have never tried and don't think it will work due to thefts"
"No, the people in this area are not too reliable. As it is, I lose samples placed on the counter
and also weights used on our weighing machines"

(b) It is difficult to get trustworthy employees,
"The standard of honesty among customers is more than that of employees. They are racketeers"
"The difficulty is to get trustworthy employees"

(c) The time is not right for its introduction,
"It is too early for that"
"No, I have doubts it will work"
"The population of this country is not sufficiently advanced for self-service"

(d) Supply of goods is inadequate,
"We had made all arrangements for self-service, but stopped it due to uncertainties in supplies"
"We can't think or act like businessmen now. We have so little available for so many"
"There are insufficient supplies to stock for that"

(e) Customers will not like it,
"We are not sure the customers will like it"
"Clerk service, delivery and porterage are still important"

One store is planning on self-service, and as a first step is trying to get customers used to pre-packaged foods. Ceylonese food traders do not have pre-packaged food items except for the canned or bottled items. Some stores have sugar pre-wrapped in one-, two-, and perhaps three-pound
packs. A few traders (mainly the smaller ones) have tea in one-eighth and one-quarter pound cone-shaped packs. Packaging curry powder and chilli powder is of very recent origin. The absence of pre-packaging is due in part to the expense of packaging materials. Mainly, it is because Ceylonese want to "select" what they buy, largely because they distrust traders and fear that spoiled merchandise will be included in the package. Whether they are buying onions, or potatoes, or oranges, or even prawns (large size shrimps) they choose individual items. When they buy grains, they pick up a handful and let it slip through their fingers. When they buy meat, or fish, or common vegetables they inspect the items. Yet, only this single store referred to the need for pre-packaging as a prerequisite for self-service.

No storekeepers spoke of the need for every prospective customer to be able to read or understand figures. None spoke of the need for sufficient advertising so that the customer is pre-sold on the items available in the store. No one spoke of the economic and social consequences of a labour-saving device in a predominantly under-employed cheap labour economy. It seems unlikely that the mechanics of self-service have ever been considered. It is the very idea itself that is repugnant to traders. It appears that a phobia about dishonesty is the main deterrent. It is possible, though, that as an advertising executive put it,
"The fault is in the minds of the traders thinking of it and not in the employees or the customers".

Pricing is almost invariably on a cost-plus basis. Except for five of my interviewees who priced on "the going market rate" and two who were using "equitable prices to the customer", all of the others who agreed to speak on pricing worked on a cost-plus basis, with or without adjustment for market prices. Those who adjust for the market price claim to adjust both upwards and downwards, but most adjustments appear to be upwards.

I suspect that most retailers price at a level the market will bear in the circumstances. The market price is referred to as something different from, and uninfluenced by the price charged by individual stores. Asked further, several storekeepers spoke of supply and demand being the basis of market prices. Numerous instances that were mentioned by non-retailers would suggest that the supply side was always rigged. The clearest example of this occurred when the government urged a certain manufacturer to reduce prices on its manufactures as part of a plan to reduce the cost of living. The company reduced its prices to retail by 10 to 15 per cent, but the retailers continued to charge the same prices as before and pocketed the extra margin.

Most manufacturers' prices are recommended prices.
There is little or no policing of prices. Some retailers claim that while in the past they have sold below recommended prices, today (because of the scarcities) sales are at the recommended levels. Yet, the actual position seems to be that most of the retailers are charging prices higher than those recommended. As the bulk of the manufactured or processed foods is imported, even recommended prices make no significant impact. The importers of non-processed foods have no control over selling prices, although the CWE can theoretically (through government price control regulations) claim control over retail prices. Although they claimed to price on a cost-plus basis, in a majority of stores, and for a majority of products, there appears to be no necessary relationship between prices charged the consumer and the product costs to the retailer. As one interviewee told me, "In Ceylon there are no people that do cost analysis. If you find one I would very much appreciate your telling me".

Fixed and Marked Prices. Eighteen of 28 retailers claimed that the prices in their stores were fixed ("There are no personal prices in Ceylon, they are all business prices"), and 15 of these 18 had prices marked, at least, on some of the items. Several of the retailers who said they had fixed prices added a rider: "Prices are fixed, but we allow a few cents off to a good customer", or some state-
ment approximating that. In part, the lack of fixed prices is attributable to the bargaining tradition of the Ceylonese: "Fixed prices are difficult because all prices are on a demand basis. Bargaining is a very natural thing for a customer". In fact, the owner of a large and popular store said, "Traders who are doing well are one-price stores", but admitted that bargaining was still important and that "even one cent off goes a long way".

Stores having marked prices are less common than those claiming their prices are fixed. Partly, at least, this is the result of the absence of pre-packaging. Some stores do have prices marked on pegs or boards that are placed in bins containing the merchandise, but these are few. Government regulations require that the prices of certain items should be "prominently displayed". Some stores have a board listing these items, but the figures are seldom completely legible. More important, perhaps, is the tradition of bargaining. "Prices are marked on fast-moving items. We use a code on slow-moving items, where bargaining is important, so we can give five cents off".

Except in the food sections of department stores where marked prices have always been the rule, price marking in other food stores is of recent origin. Except in stores where the owner was on the job most of the time, prices have been marked, but in code. Some of these stores are
today in a transitional stage: "Marking was started less than 10 years ago. Some items are price marked. Some are marked in code showing the cost and the selling price. As bargaining is important, we quote the selling price and reduce to meet the bargainer. We do not quote, as some do, above the selling price and then lower it to the selling price."

As I have stated earlier, it is becoming increasingly difficult to get good employees and keep them. In the light of that situation, a statement by a non-retailer interviewee is significant: "In the old days prices were in code. Marked prices came with the quick turnover of salesmen. Today training in codes is impossible".

Although many retailers say that customers are bargain-hunters, there is a good number of retailers who try to get as high a price as the customer is prepared to pay. As such the reasons for the absence of fixed and marked prices, on an extensive scale, could be attributable to both the buyers and the sellers. It seems, though, that the labour situation is forcing retailers into adopting fixed and marked prices.

Loss leader (type) Selling is rare, and when it is practised, the product is, in most instances, of the milk foods or infants' foods category: "Selling one item cheap to attract customers who will buy other items is quite
common. We sell Sanatogan and Ovaltine at lower prices to attract customers. The margin on these items is very small, so we sell at cost all such moving items". The practice is by no means common, and is certainly not a general trend. In fact, there was considerable difficulty getting interviewees to understand the concept. There was, for instance, a general store that sold a popular brand of shirts at well below suggested retail, "because we think that the margin is too high and we want to let our customers have a lower cost of living. We are not doing this because we can sell more shirts. We don't know whether people who come to buy shirts buy other items at the same time".

There is also some evidence that selling two or three items at special prices, but not necessarily at cost or at a loss, was practised a little more extensively before the present restrictions and scarcities. Two interviewees recalled a "promotion war" that had gone on between two variety-grocery type stores in an area of Colombo City. Items that store A offered as specials on Monday were offered as specials by store B on Tuesday, and store A did the same with specials of store B. Later on, the time span shifted to morning to afternoon to morning. Although every retailer in the area, most retailers in Colombo City, and many in the outstations were aware of these promotional techniques, and their apparent success (both stores were doing quite well
for themselves), there is no other known instance of a similar "war". Action even on an individual basis was more the exception. At the present time, retailers say, it is not possible to engage in such activities because of the short supply of goods.

Guarantees and Return Privileges are offered by most of the larger stores. Few of the smaller stores do so except for "customers we know very well". Stores that do not offer these facilities also happen to be those that have not offered these in the past. But they express sentiments like, "We are not expected to extend guarantee and return privileges. You know some of these people do all sorts of things". One interviewee said, "some stores still have the system. But with the present scarcities and most untrustworthy customers, you can not work it. They will return substitutes". The philosophy of those who do offer the facility could be seen from two statements: "It is a matter of trust and we will accept without question anything at any time", and "This is very important, although sometimes the complaint is not genuine".

Retail Advertising for foods is almost non-existent. Among those who advertise, handbills are the most popular form. One interviewee claimed he used sandwich-boys, and another that he advertised over the radio. Press advertising is limited to the few very large stores, including the food
sections of the department stores.

In the press, the only price advertising at retail is that of the CWE, the Fisheries Corporation, and the Marketing Department. These advertisements are informational, and are designed more to restrain the consumer from paying more elsewhere, than as an attempt to get the consumer to purchase at the shops of these organizations. I have referred to the distribution of newspaper circulation between provinces, and suggested that for the retailer, in any one area, newspaper advertising is a waste of money. It is significant that the only press advertising is placed by organizations that have stores in every part of the country.

Even if the factor of the newspaper circulation is discounted, the attitudes of food retailers to advertising are negative. The overwhelming majority of food stores in Ceylon are so small that advertising, even if financially feasible, is almost useless to them. It is the larger stores in the urban areas that can afford, and profit by, advertising in some media. It is here that negative attitudes are very prominent: "useless" and "unnecessary" are the common responses. Even trade association executives voice similar sentiments. They invariably refer to the present scarcities and restrictions, yet offer no explanation for past non-advertising behaviour.
Promotions are rare and are limited to price-reduced sales, which are almost exclusively "clearance sales". There are no food store sales for special occasions, like the Sinhalese and Hindu New Year. The tendency, rather, is for food prices to go up during these "seasons".

Private Branding is almost totally absent for the limited range of foodstuffs that is pre-packaged. Except for two or three very large stores, no one has the volume to justify it. The department stores have had a few private brands packed by overseas suppliers, but today the range of items is very small. Local manufacturers consider the possible volume inadequate to consider private branding. There are only two instances of private branding by local manufacturers, both for a department store. Some manufacturers and processors will not, as a matter of principle, consider private branding.

What is referred to as private branding by some retailers is not that at all. These institutions package their own curriypowders and chilli powder. None of these use distinctive packages. A few of them have a card with the legend "Packed for X" or "Packed by X" inside the packet.

Hours of Operation. I have, on several occasions in the preceding discussion of institutions, referred to their hours of operation. As from January 1st, 1966, Ceylon is on a lunar-week. The weekly holiday is on poya-day (new-moon-day,
first-quarter-day, full-moon-day, and last-quarter-day). The normal work week is from post-poya-day to half day on pre-poya-day. The department stores and some of the larger stores in Colombo follow the office hours in the government and mercantile sectors and are open from 8.30 a.m. to 4.30 p.m. (or 9 a.m. to 5 p.m.) except on the pre-poya-day when they are open from 8.30 a.m. to 1.30 p.m. (or 9 a.m. to 2 p.m.) They are closed on poya-day. Thus the department stores, open for 45 hours per week, have the shortest period of business. The Shops Hours Regulations require that all establishments, except certain classified establishments, including places that sell perishable foods, be open only 45 hours per week. The enforcement of these regulations is lax. Generally, food stores, whether or not they sell perishables, are open for longer hours: "We can't work on these civil servants' hours. Of course, we make money, but people also have to get what they want".

As one moves away from "downtown" Colombo, the "open hours" per day for most stores become longer, and the "days open" per week also increase. As I have said earlier, some of these stores are not officially open, though they transact business. Yet, seven days per week, and 8 a.m. to 8 p.m. (or 9 p.m.) is so common for all food stores outside the core area in the Pettah that it is difficult to imagine that the Regulations are being seriously enforced.
A few stores that are open 8 a.m. to 5 p.m. daily, except on poya-day, are open for about two hours extra in the evenings about two days per week. While one retailer told me that he could keep open longer hours but did not want to, a trade association executive told me that "longer hours are not necessary during times like these". However, the thinking among retailers is that they should keep open for longer hours: "We must open early enough for the housewife to get something for lunch", and "Unless we keep open 'till late at night, it is not possible for working people to get what they want".

The Co-operative Wholesale Establishment

The CWE was incorporated by the Ceylon Legislative Enactments Act No. 47 of 1949. Certain minor amendments were made by subsequent Acts in 1950 and 1955. As originally conceived, the CWE was intended to perform four functions:

(a) to procure and supply the requirements of co-operative societies,
(b) to carry on business as wholesale and retail dealers in goods of every description required by such societies,
(c) to carry on such other trade or business, including any agricultural or industrial under-
taking or the business of banking, shipping or insurance, as may be incidental or conducive to the attainment of the aforesaid objects,

(d) to carry on the business of insurance of the lives and properties of the members and employees of co-operative societies.

Up to that time the CWE was organized as a department under the Commissioner of Co-operative Development. The CCD had distribution points in different parts of the island and the requirements of the local co-operatives were drawn from them. With the 1949 Act, the new corporation took over the import and distribution functions of the CCD, and the co-operative unions (which were formed and administered by the consumer co-operatives in an area) took over the CCD's wholesale distribution points in their respective areas.

With increasing foreign exchange difficulties, and with a parallel growth of suspicion that the private sector was indulging in anti-social activities, the powers of both the CWE and the Food Commissioner were increased in the import and distribution fields. The statutory powers of the CWE to handle these new functions began to be questioned. Finally, amending legislation was passed by Act No. 39 of 1957. The objectives (b) and (d) above were changed to:
(b) to carry on business as exporters and importers of, and as wholesalers and retail dealers in, goods of every description,
(d) to carry on the business of insurance of every description including the grant of annuities upon human life.

The CWE moved from being an organization to cater to the needs of co-operatives to being a state trading corporation.

Popular belief is that the CWE has a monopoly of most food imports. In fact, it has (in food lines) a monopoly only in the importation of chillies and dried fish. The Food Commissioner imports some foodstuffs. In addition, he has the authority for the allocation of certain imports, whether consigned to him or to a private importer. He assesses the supply, demand, and market prices at the time of the arrival of the shipment, and at his discretion may decide whether some part or all of it should be channelled through the co-operative system and CWE shops. Importations made by the CWE are channelled through the co-operative system, the CWE shops, and through authorized private wholesalers who in turn sell to the authorized private retailers in their respective areas. Imports secured by the CWE through the Food Commissioner are channelled through only the co-operative system and the CWE shops.
The CWE's responsibility as a source of supply to the co-operative movement still remains. Three of the nine members of the CWE's board of directors are representatives of the co-operatives. The CWE's accounts and transactions have to be submitted to the Commissioner of Co-operative Development. Yet, it is no longer, as originally conceived, the apex organization of the co-operative movement, and co-operatives have come to be disenchanted with the CWE. In fact, an apex organization of the co-operative unions, called the Ceylon Co-operative Consumer Union, has been formed to handle the needs of the movement. It is possible that it will be satisfied with purchasing from the CWE on behalf of the unions. It is more likely that it will fight for its own right to import.

Part of the CWE's implications for retailing come from its role as a wholesaler. When the CWE sells to its authorized private wholesalers, and the latter in turn sell to authorized private retailers, the CWE, theoretically, has control over price and volume in the channel. The CWE's authorized dealers are appointed on the recommendation of the Government Agent, who, it appears, suggests the name

1. The Government Agent (GA) is (generally) a senior civil servant who is the government's chief representative in the province and heads the provincial administration. Each revenue district within a province has the Assistant Government Agent as its overlord. The old colonial deference to authority is still best manifested in the quasi-feudal relationships between the GA or AGA and the residents of the area.
of a private wholesaler, the retailers who should be serviced by the wholesaler, and the quantities of the different items which the retailer could be expected to sell. The CWE issues the wholesaler with the total estimated volume, or part of it, depending on the availability of supplies. Whether or not the wholesaler sells the individually estimated items to each retailer (or allocates proportionately between retailers some item in short supply) is not checked by the CWE. Whether the Government Agent, who receives a copy of the issue slip to the wholesaler, has the necessary machinery to administer checks on his own, the CWE does not know. An independent organization, the Price Control Department, is expected to ensure that the wholesalers and the retailers maintain the CWE's prices to retail and to the consumers, respectively.

Partly, the CWE's implications for retailing arise from the CWE's direct retailing activities through its own retail shops. In 1950, there were two CWE shops. There was a rapid increase in their number after 1956, and they reached a peak of 150 in the early 1960's. One reason for the establishment of CWE shops was the anxiety of the government to keep down the cost of living. Instances are numerous of the general price level in a market area coming down with the opening there of a CWE shop. This, in turn has led to a political situation. Members of Parliament,
who wish to have a CWE shop in their constituency as a personal achievement, have pressured the CWE into opening shops in their areas. Finally it seems that the CWE wanted to have its own network of outlets to reach consumers directly. It did not want to place itself at the mercy of some retail organization over which it had no control. CWE shops act in a small way as price regulators. They do not have sufficient shops, nor do these shops have sufficient stocks to go around for everyone who wants to buy, but private retailers "have to be competitive within limits set by the CWE".

By 1966 some 30 of the 150 CWE shops had been handed over to co-operative societies and co-operative unions "whenever they were fit and ready to take over". The process of transferring to co-operatives and unions will likely go on (it can not be called a CWE plan as they do not act without a request) until the CWE "might maintain 40 to 50 in the main provincial towns as check stores".

Co-operative unions and private wholesalers complain of the bureaucratic and unbusinesslike attitudes and practices of the CWE: there is no opportunity to select; it is a system of pay first, collect later (sometimes at some other place) instead of select-pack-pay; procedures take precedence over business; a proportion (generally a higher proportion than necessary) of inferior grades has to be
taken along with standard grades; upward price adjustments are made sooner than downward adjustments; and, so on.

What will happen, if, and when, the foreign exchange position improves? The private trade predicts the CWE will go out of business, but the CWE thinks that it can hold its own. I submit that, to a large extent, this will depend on the success with which the CWE orients its policies and practices away from "we are dispensing favours" to "let’s transact business" attitudes.

Co-operative Unions

The co-operative unions, formed on a regional basis, are the wholesale organizations of the primary societies (both consumer and multi-purpose). The societies join the union by purchasing shares in the union. The executive body of the union is a committee of management elected by the delegates from member societies. The union makes purchases from the CWE, the Food Commissioner, and also from the private sector. Most unions have agencies for their area from manufacturers and processors. Sometimes unions have been granted licences for direct imports. The CWE’s prices to the unions are the same as its price to private wholesalers, but lower than the prices to individual co-operatives that buy direct. The CWE attempts as far as possible to avoid direct sales to co-operatives. For the co-operatives, purchasing at the union is convenient. The prices
to them are the same as they would have been if purchased at the CWE, and cheaper over-all, considering the nominal rates that are charged for transportation in union vehicles. In addition, member societies get an annual rebate depending on their purchases and the profits made by the union.

The unions have become powerful and profitable organizations. The growth in the unions can be seen from Table IV.

| TABLE IV |
| CO-OPERATIVE UNIONS |

<table>
<thead>
<tr>
<th>Stores Societies Unions</th>
<th>Multi-Purpose Societies Unions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1945</td>
<td>1956</td>
</tr>
<tr>
<td>Number</td>
<td>80</td>
</tr>
<tr>
<td>Number of member societies (000s)</td>
<td>2.5</td>
</tr>
<tr>
<td>Working Capital (rs Mil)</td>
<td>1.0</td>
</tr>
</tbody>
</table>

In 1961-63 the six stores society unions made a net profit of Rs. 0.3 million, and the 112 multi-purpose society unions made a net profit of Rs. 4.1 million. In 1963-64 the single stores society had a net profit of Rs. 0.07 million and the 117 multi-purpose society unions had a net profit of Rs. 2.8 millions.

Societies that are in financial difficulties, or are
poorly managed, are at times transferred to the care of unions by the Department of Co-operative Development. The union then runs the society's retail store up to such time as the department decides the society is fit to take back the store. Most unions run at least one or two of their own retail shops. Most unions have made grants, and sometimes loans, to finance extension and development projects of member societies. Members of the committees of management of these unions are often men with long experience in both co-operatives and in running retail organizations. As a result they are much more business-like than the majority of persons who are members of the society committees.

Some unions act as bankers for member societies. A representative of the union collects, each evening, cash from the members' stores. These funds are credited to the societies in the union's books. This procedure gives the member societies three advantages. They are not worried about the cashiers in their stores keeping cash overnight, they do not have the trouble of transferring the cash to a bank, and purchasing at the union is facilitated as they draw against their credits (and could even, at times, buy in excess of their credits).

In addition to servicing co-operatives, the unions sell rice to private dealers authorized by the Food Commissioner
to sell rationed rice, and sell flour and sugar to bakeries. The multi-purpose society unions have establishments to sell non-food items (including cement, hardware, motor accessories, textiles) and also undertake other enterprises such as construction work.

The Ceylon Fisheries Corporation

The government set up the Corporation in October, 1964, to achieve two major objectives (increase production; organize a better marketing system), and two minor objectives (give a better deal to the producer; stabilize prices). Nearly one-and-a-half years later, it had made some progress in increasing production and in giving a better deal to the producer. It had made a minimal impact on stability of prices, and little progress in setting up a better marketing system.

The production and marketing system for fish in Ceylon is a product of the environment. With extremely few exceptions, the Sinhalese and Tamil fishermen are Catholics and belong to a certain caste in each community. The other fishermen are Ceylon Moors. All these fishermen go out to sea in outmoded outrigger canoes, and are small operators. Although, together, they produce the bulk of Ceylon's output of fish, they are uniformly poor. Persons "knowledgeable" in the fish trade claim that it may be correct "in a localized way" that poor marketing has resulted in poor
fishermen and poor fish production. But they claim that in a broader sense, the problem does not exist in Ceylon. For different varieties the price of fish varies from Rs. 0.50 to Rs. 3.50 per pound. This need not be so. What is worse, these prices for fish may vary from day to day (or, as it is proudly claimed, from hour to hour) between Rs. 0.30 to Rs. 0.70 at one end and Rs. 2.00 to Rs. 5.50 at the other. To the fisherman, the ruling prices seem to be at the trough most of the time.

These fishermen are poor in part at least because of the incredibly primitive system of marketing. Each retail district has a fish mudalali (merchant) and some large retail districts have several of these mudalalis. Colombo, which is the largest and most lucrative retail district, is dominated by the St. John's market group. The standard channel for fish is: fisherman, to trader-on-the-beach, to fish mudalali, to retailer, to consumer. In a few instances the trader-on-the-beach purchases at firm prices, but what the fisherman gets paid, most of the time, is a residual under a backward pricing scheme. The majority of the mudalalis communicate with the trader-on-the-beach by mail, but the bigger ones are in telephone communication. Very few fishermen know, at the time of sale, what their day's catch is worth. The price to the consumer depends on the supply conditions for the day. If the mudalali thinks that seer fish (the most expensive, and status, fish) can be sold at
Rs. 3.50 per pound on that day, he sells the fish to the retailer at Rs. 3.00, and remits to the trader-on-the-beach at Rs. 2.50. The lorries that brought the fish from the fishing grounds belong to (or are arranged for by) the trader-on-the-beach. He keeps Rs. 1.00 for his functions of organizing the collection on the beach and transportation, and the fisherman (at least two, sometimes three or even four fishermen, work a boat) get Rs. 1.50. By the time the fishermen have paid the hire on the boat, and the "fee" to the Church, they are lucky to get off with Rs. 0.75 per pound in their pockets. The middle men's margins are larger for the less acceptable varieties which are more difficult to sell. The average gross receipts of the fishermen are about Rs. 0.55 per pound.

All the fish markets in the large urban areas are, in addition to being marketing organizations, credit organizations. The fish mudalalis advance money to the trader-on-the-beach, who in turn advances to the fishermen. This makes it obligatory for the fishermen to sell their catch to the trader in question, who in turn is obliged to send the fish to the patron mudalali.

Attempts have been made in the past to improve the lot of the fishermen. Better boats have been provided to enable the fishermen to go deep sea fishing. Co-operative credit societies have been formed to undertake the financing
function. The Co-operative Fish Sales Union was formed to market the fish. But the fishermen have been left, more or less, where they were years ago. The hold on the fishermen by the mudalalis, and by the Church¹, has apparently been too strong. It appears that the mudalalis and the Church have been concerned about a possible economic emancipation of the fishermen which might make them more independent of these benefactors.

The Corporation (which gets part of its supply from its two trawlers) has decided that the way to increase the fishermen's income is by helping them to increase production and not by increasing the unit price. To do this they are planning to have a fleet of fishing boats which are of larger capacity and capable of going further out to sea. These will be rented to fishermen. To overcome the hold the mudalali has, the Corporation is moving away from the trader-on-the-beach, who was their own source of supply, to their own employees stationed on the beaches. This move has had two consequences. The private trader-on-the-beach is no longer forced into divided loyalties and supplies only the private mudalali. The Corporation employee offers

¹ The Church, in feudal tradition, still receives unquestioned allegiance and contributions. In some instances the Church owns the boats used by the fishermen, and owns the houses they live in.
prices higher than those expected of the trader-on-the-beach and up to a maximum set by the Corporation in relation to their sale prices. He purchases any quantity offered at the declared prices, thus eliminating the lever for bargaining used by the trader-on-the-beach.

The Corporation plans to build cold storage facilities at several of the larger fisheries harbours, and arrange for direct dispatches from these to various parts of the island. As it is, the only cold storage facilities are in Colombo. Until the majority of these facilities are in operation, and also, I believe, until cold storage (at least in the form of freezers) is available at all district retail points, if not at all retail outlets, the marketing organization will be incomplete.

The Corporation believes that it must use the private traders to retail fish, until they are ready with their own organization. It is doubtful whether they will have their own outlets, because it seems that they are de-emphasizing the marketing aspect of their objectives. There is no attempt to improve the appearance of their agents' retail points. Nor is there an attempt to improve the facilities and fixtures therein. All these are far from an interviewees (the top executive of a company) conception of what a fish stall should look like if the consumption of fish is to be popularized, "spotlessly clean and operated by
educated, well-mannered, well-dressed sales people, preferably women". The Corporation believes that there is no difficulty selling fish, but that what is required is to popularize certain varieties of fish to which there is a resistance. This has not been done, as it has not been done with the resistance to frozen fish. For the time being the impact of the Corporation's activities on general fish retailing is minimal. In fact, as one interviewee told me, "They are trying to stop all big fishers...but the private trader is gaining sales because...part of the additional customers going into a market to visit the Corporation's stall end up buying from the private trader...yes, at a higher price".

**Traders' Organizations**

Trade Associations are not new in Ceylon, although such associations to safeguard the interests of Ceylonese are relatively new. As yet, there is not a single association of retailers, but retailers are members of one or of several trade associations.

The All Ceylon Trade Chamber is a very recent organization, and it has three important features, of which two are innovations for Ceylon. Like the Sinhalese Merchants' Chamber, the All Ceylon Trade Chamber has an import organization, the Peoples' Trading Corporation, the shareholders of which are the more well-to-do members of the Chamber.
Unlike any other trade association, it has regional organizations or branch associations. And, unlike any other trade association, each of these regional organizations is incorporated (or is in the process of being incorporated) to conduct business mainly in wholesaling. Thus, for example, the Kotte-Nugegoda Traders' Organization Ltd., the Beligal Korala Traders' Organization Ltd., and the Udapalatha Traders' Organization Ltd., are a form of retailers' buying co-operatives. Each merchant can purchase up to 500 shares. Most of the bigger merchants have the larger holdings and dominate their activities.

These traders' organizations purchase commodities, mainly from the CWE and the Food Controller, in bulk and distribute them among retailer members in their areas. In forming their own organizations the traders have, to a certain extent, taken away from the Government Agent his discretionary powers in recommending authorized wholesalers for the CWE. The retailers are paying a price slightly higher than when they purchase direct from the suppliers, but they are saved the expense and bother of calling on these sources of supply on their own. Some of the traders, particularly the CWE's authorized wholesalers, are not members of the Chamber and thus not members of these organizations. The member retailers are required to sell to the public at prices decided on by the organizations, which in almost all instan-
ces are the CWE's or the government's suggested retail prices. The organizations do not police these prices. An official of the chamber said, "These are all people from the same area, so they would not wish that their misdeeds gain any publicity as they will have to face these people almost daily. This is a process of voluntary correction. This is a psychological device which provides automatic checking of all traders".

The organizations were originally (and still are in some instances) only the branch associations of the Chamber. Some of them interpret the local word (sangamaya) they used for "association" as "union", and claim that they were formed as traders' unions to safeguard their interests, fight for their lost interests, and gain further privileges from the SLFP Government that was in power when the Chamber and its regional organizations were first formed. Admittedly this network was originally conceived of as a trade union. It does seem that, during the General Elections of 1965, these trade associations campaigned, in their areas, against the then Government: "It was formed to fight the last Government that was trying to strangulate the private trader.... We organized meetings and all that to make traders and consumers aware of the dangers of killing the private trader. It was more a political move, and an attempt to protect ourselves, than to work together". With the new National
Government that was formed after the elections, the branch associations began to be converted to the Traders' Organizations (some claim at the suggestion of the Cabinet) so that "the election promise of greater scope and opportunity to the private trader...could be provided with a means of being implemented". If they were attempting, in the private sector, to duplicate the role of the unions in the co-operative sector, it was more by accident than design. The lessons from co-operation, it seems, were not learned. Even today the boards of directors of the organizations are necessarily spending a great deal of their time fighting (often successfully) the allocation and distribution practices of the government and government-sponsored institutions. But that seems to be all.

In some ways, even this politico-business battle is secondary, "Our prime objective is to get a part of the trade, now being handled by foreigners, into the hands of the Ceylonese". In this context, foreigners mean, in most instances, Indians. And, the government is issuing a higher proportion of import licences to Ceylonese. Ceylonese have also got more and more into wholesaling, too. With the "foreign credits" arrangements that the National Government has been able to make, there has been a liberalizing of imports. The Traders' Organizations directly, and the Peoples' Trading Corporation are being issued with import
licences. This, it is possible, may spell the doom of the organizations and the corporation, because the bigger business men (among the big ones that are the major shareholders of the organizations and the corporation) are more interested in getting these licences for themselves as individuals. The comments of an interviewee, who is the managing director of the Traders' Organization in his area as well as a director of the corporation, suggest that there are some business men who think that the two organizations have out-lived their usefulness.

"At that time it was difficult to obtain goods, but now things are easing, and the UNP Government is giving agencies and distributorships to the private trade. Every trader is trying to get this for himself, without getting it for the Traders Ltd., which was meant to handle this. It is the right of every man to apply, and I don't think it is for us to stop that, I think it is correct that they want to get the benefits, but then they are not interested in associations. Now the Peoples' Trading Corporation is a good thing because we can get import licences. But I have already recommended that the Traders' Organizations be liquidated so that each of us can take whatever agencies we like and go on. These are not needed today."

It does appear that the individuality, if not perhaps the avarice of Ceylonese traders will result in the retailers' buying groups (that could perhaps have been extended into voluntary chain organizations) being snuffed out. If and when this does happen, the private traders would have proven their inability to work together and share, and could then no longer complain of the "arbitrary deci-
sions of the Government Agent" in appointing CWE's autho-
rized wholesalers. While the capacity of the GA to make
such decisions, and the desirability (from the retailers'
point of view) of such a procedure are both questionable,
the CWE will, taking the easy way out, claim that there is
no alternative to using the GA. Such an eventuality must
necessarily retard retail development.

One of the most significant recent developments in retailing is thus on the verge of collapse.

The Ceylon Milk Board

The Board was set up in 1954 and went into large scale
commercial operations in the third quarter of 1957. The
Board has no farms of its own; it is a collecting, process-
ing, and marketing organization. The Board has five
sources of supply: private dairy farms, coconut estate
owners, peasant farmers (organized in most instances into
co-operative dairies), estates, and the dairy farms of the
Department of Agriculture.

The bulk of Ceylon's milk production is on a cottage
industry basis. People who have a cow or two supply milk
to friends and neighbours. The milk is delivered within a
few minutes after milking. The second largest group of
suppliers is comprised of private dairy owners who sell
milk, generally, within about a five mile radius (seldom
over 10 miles) of the dairy. Milk from this source reaches the household within two hours or so of milking. In both these instances the milk is known as "fresh milk" and costs, on the average, 60 cents per pint. There are two concerns that supply milk from distant farms. One is a private company and the other the Milk Board. In both these instances the milk is pasteurized or is sterilized. Milk from the private company costs 90 cents per pint, and the company serves a very small segment of the Colombo Market.

The Milk Board has, in various parts of the island, 13 collection centers, all of which have refrigerator facilities. Three of these are equipped with pasteurizing facilities. The rest of the milk is pasteurized on its arrival in Colombo. The bulk of the Board's sales is divided between the Colombo market and the numerous hospitals all over the island.

The Board uses seven channels to reach the consumer: Milk Board bars; Milk Board booths; agent's bars; Board's household delivery; agents for delivery only; agents who deliver and take the responsibility for rendering and collecting monthly accounts; direct sales to institutions. The differences among the channels are obvious except for that between bars and booths. I have already discussed.

1. Milk Board shops discussed earlier in this chapter.
the working of the bars. A booth, which has no refrigerator facilities, is open during the hours when the morning and afternoon household deliveries of milk are being made. The few booths that the Board runs are located in residential areas, and householders who do not wish to have a regular supply of milk, or those householders who want to buy the milk a little cheaper, go out to the booth to get their requirements. The Board is shifting away from its own bars run by agents; and, it is shifting away from its own delivery to deliveries made by agents and, wherever possible, to agents who will purchase from the Board and make their own credit arrangements with the households to whom they deliver.

Table V shows the prices to consumers and the residual margins to the Board when milk is channelled through the various outlets:

<table>
<thead>
<tr>
<th></th>
<th>Pasteurized</th>
<th>Sterilized</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agent</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board Del'y</td>
<td>55</td>
<td>55</td>
</tr>
<tr>
<td>Booth Del'y</td>
<td>55</td>
<td></td>
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<td>55</td>
</tr>
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**TABLE V**

CEYLON MILK BOARD
(All figures in cents per pint)
The Board is encouraging suppliers to deliver at their plant in Colombo, and they are also moving into channels that provide the lower contributions to overhead and profits. The Board believes that, in both instances, it is cheaper and less troublesome to do so.

The Board claims that its sales, by quantity, have increased eightfold since it started nine years ago, and that it does not have any problems of processing or storage. The Board is working below its installed capacity. There are no studies to indicate the total market for milk in Ceylon, or even in Colombo, so it is difficult to estimate the impact of the Board on milk retailing in Ceylon. Private consumption of Milk Board milk cannot be said to have increased as
much as the over-all Board average of eightfold, because today, unlike in the past, all hospitals are supplied by the Board. There obviously has been an increase in the number of persons consuming Board milk, but still the resistance to Board milk continues. For years it has been popular belief among consumers that the Board "adds formalin in their milk to preserve it". Some consumers also believe that the Board sells reconstituted milk.

The task of educating the consumer as to the mechanics of pasteurization, and on the properties of pasteurized milk, appears to have received secondary consideration. It is unfortunate, perhaps, that the Board imports and distributes a special formula infants' milk food under its private brand, and also imports skimmed milk powder for the Social Services Department's milk feeding centers. On the first problem, the question of additives, the Board has reconciled itself with the rationalization that "there is a prejudice...but it is difficult to convince people". The second is not considered to be a problem, "...do not think that the complaint that Milk Board milk is made from powdered milk has any association with the fact that we also handle milk powder. No research has been done to find out if the consumers have any such association".

Channels of Distribution

There are three sets of channels for the distribution
of imported food, and six sets of channels for distribution of locally produced food. Attempts to combine the nine sets, or even depict them in two combinations of three and six sets (Appendix E-I and E-II), result in a confusing maze. Nine charts (Appendix E-I(a) to I(c), and II(a) to II(f) ) are developed, one for each set of channels.

As can be seen, government departments and government-sponsored corporations are very important, much more so in the distribution of imported goods. In the absence of statistics it is difficult to say how important the governmental intervention is. A very rough approximation can be obtained indicating government participation, at some stage, in 42 per cent of the food trade by value. In 1964, the cost of Ceylon's imports of food and drink was one billion rupees. The value of the fish and agricultural production consumed locally was, according to national income figures, one and a half billion rupees. The foreign exchange allocation to the Food Commissioner and to the CWE (for food imports) was Rs. 680 million, giving a governmental participation of 68 per cent in the imported food trade. With locally produced food, government participation is much less, about 25 per cent at most. This yields an average figure of 42 per cent for government participation.

The retailers' argument that "everything is government controlled" is partly tenable, but only in the case of re-
tailers dealing mainly in imported foodstuffs. When only few stores selling food in Ceylon are product-specialized this argument becomes less tenable. In the case of the larger stores in the urban and semi-urban areas, the argument is perhaps more untenable, because almost all of them do not handle rationed rice, which accounts for about half of the Food Commissioners and CWE's imports. It is in these latter stores that we should expect to find new re-tailing techniques. The fact that they do not seem receptive to such new techniques suggests that there are factors other than governmental participation that inhibit them. The peculiarities of consumer preferences and purchase habits, the nature of their incomes, and that of other facilities available to them, and the attitudes of retailers have, as I have tried to show in this chapter, been more important in the development of the types of food retail institutions in Ceylon and the food retailing techniques that are used in them.
Chapter V
SUMMARY OF RETAIL PATTERNS AND METHODS OF FURTHER ANALYSIS

The picture presented in the last chapter is of a retail system that is, on the whole, rather primitive. The main features of the retailing system in Ceylon are: (a) few specialized food stores; (b) a large number of small stores, legally organized mostly as proprietorships; (c) a large number of "fairs" or farmers' markets; (d) a very few self-service stores; (e) little retailer organization (e.g. retailers' associations); (f) a large number of retailers purchasing on the basis of personal connections, and purchasing in small quantities; (g) low usage of fixed and marked prices; (h) margins being fixed on the basis of scarcity (rather than on volume or perishability); (i) low usage of advertising and promotions; (j) extensive offers of credit service; (k) a low usage of guarantees and return privileges; (l) low usage of loss leader type selling; and (m) inordinately long store hours.

There are, however, certain elements of modernity, and these are more prevalent in the more developed areas of the
country. It does appear that there is a close link between the type of social, economic, government, business and consumer environments that exist in the various regional areas of Ceylon, and the type of retail institutions and retailing techniques in those areas. The nature of these relationships will be explored in greater detail in the following chapters.

It does seem that certain environmental factors appear to compel retailers to adopt corresponding retailing techniques (e.g. selling food on credit seems to be necessary in areas where people's incomes are seasonal). In areas where the majority of the people read the local newspaper, this fact appears to enable retailers to use press advertising to draw customers into their stores. In the case of the co-operatives, where the government uses this particular type of retail institution to distribute foods for which there are price subsidies to the consumer, these institutions, it appears, are sustained because of government benevolence. In areas where the bulk of the consumers are rural folk with simple needs, there seem to be restraining influences on the development of food retailing institutions that specialize in the sale of foodstuffs only. I am not suggesting that the role of the entrepreneur or the innovator is eliminated by these environmental features. There are innovators in Ceylon, but the environment appears both to set the limits and to provide the opportunities for them to act.
It does seem that "advanced" areas have "advanced" retailing institutions using "advanced" techniques. By an "advanced" area I mean one where the level of economic growth, per capita personal income, density of population, urbanization of population, literacy of population, circulation of newspapers (and newspaper readership), and the degree of development of the business sector are all high. Also, in advanced areas, governmental participation in business is low, and consumer demand (because of high discretionary incomes) covers a wider range of products and services.

By "advanced" retailing institutions I mean those such as specialty stores, large stores, and self-service stores. In the United States, at least, such developments have been of fairly recent origin, i.e., in this century. By "advanced" retailing techniques I mean practices such as regular and sustained advertising and promotion, purchasing from the supplier offering the lowest price for quality, purchasing in quantities related to sales estimates, carrying longer period inventories, loss leader selling, and using fixed and marked prices (based on margins determined by the nature of the product and on competition).

Areas that have relatively few specialized food stores, or a small number of large stores, or a few self-service stores, could be classified as areas with "backward" retailing institutions. Again, areas that have retailers who use
little advertising and promotion, purchase from certain sup-
pliers because of traditional connections, or purchase in
quantities unrelated to sales, carry very short period in-
ventories, have different prices to different customers, or
are guided by a philosophy of maximizing short-run profita-
bility in fixing margins, may be classified for purposes of
this study as areas with "backward" retailing techniques.

It appears from my interview data that the retailing
institutions and retailing techniques in an area are advanced
or backward depending on whether the environment in which the
area's retailers operate is advanced or not. That is, a high
degree of correlation exists between the environmental fac-
tors which I have designated as "advanced," and the retailing
institutions and practices that are "advanced." This re-
lationship suggests, without of course proving, that retail
institutions and techniques in use tend to respond to the en-
vironment. The reverse may also be true, that is, that the
retail institutions and practices change the environment;
but the major influence appears to be exerted by the envi-
ronment itself on the institutions. The innovating retailer
introduces a change that will be permitted by the environmen-
tal conditions. The introduction of certain new institutions
and techniques may be restrained by the environment. New in-
istitutions and techniques that are introduced will be sus-
tained as long as the environment itself does not change,
drastically, after the introduction of the new institution or techniques, due to forces outside the retail system.

For the retailer, the important environments are: economic, government, social, and general business. By the economic environment I mean the stage of economic development in a country which limits personal incomes and their wide distribution, and limits the production of goods and services. By the government environment I mean the climate for retailing as provided by governmental (political) policies; the economic and social stability provided by those policies; and the encouragement or discouragement such policies provide for retailing institutions, retailing methods, and the developments in both. In the social environment, the density of population and the degree of its urbanization, the purchasing habits and preferences of the population, the literacy of the population, the access to and use of mass media by the people, the development of communications and of transportation of goods and of people are all critical factors. By the business environment I mean the facilities and services provided for the retailer by manufacturers, wholesalers, banks, and other such institutions.

Further Analysis

The origins of today's retail institutions and techniques in Ceylon, the pattern in which they have developed,
and the manner of their operation today suggest the very strong influence on retailing of the economic, social, government, and business environments. Some retail institutions and techniques are more common in areas with one type of environment than in another. For example, general stores and non-fixed prices are more common in rural areas than in urban areas. The purpose of the further analysis is to manipulate some quantitative data to test the observed link between the environment and the type of retailing found in that environment.

Data from the survey of housewives cover information on their purchase habits, and on personal matters such as possession of refrigerators, employment outside the home, and self-evaluation of social class. The purchase habits are classified by possession of refrigerator and non-possession of refrigerator, by employment and non-employment outside the home, by social class, and so on. 1 I believe, for example, that if there are differences in the purchase habits of upper and lower class housewives, these purchase habits are likely to influence the prevailing retail institutions and retailing techniques. If, for example, upper class housewives (who constitute less than five per cent of the housewives) prefer to purchase in "fixed price" stores, and

1. For Ceylon as a whole there is some information on the characteristic used for classification, e.g., less than five per cent of the homes in Ceylon have refrigerators.
lower class housewives prefer to bargain for prices, there can be extremely few "fixed price" stores. Thus socio-economic environmental factors may work through patterns of consumer purchases to permit or restrain development of retail practices.

Data from a study by the Marketing Science Institute (the "MSI data") are developed to obtain measures of both the environment and of the retail features in that environment. The attempt is to show that regions ranking high on a certain environmental measure (e.g., urbanization) have a high incidence of certain retail features (e.g., product-specialized stores), and those regions that rank low on the same environmental measure have a low incidence of the same retail feature. Several environmental measures are developed for each of the environments. Data on some environmental factors are available in government and other documents. Measures for other environmental factors are developed from other materials (including the MSI data) as discussed below. Some of these measures are direct, while others are proxy measures for the specific measures required (e.g., per capita total sales is used as a proxy for level of economic growth). Published data on retailing in Ceylon is limited to the 1952 Census of Merchandising. Other measures on retailing features are developed from the MSI data and other sources (again, as discussed below). Some of
these measures are, again, direct measures and others are proxy measures.

If the patterns of development observed during my interviews (and discussed earlier) were valid then the subsequent quantitative analysis would confirm the existence of such patterns of development, as indeed it did. I should have found, for example, that in areas with higher per capita incomes the proportion of product-specialized stores was higher than in areas with lower per capita incomes. This was the case. Again, the proportion of larger stores should have been higher in areas with higher per capita incomes than in areas with lower per capita incomes. These anticipated relationships between environmental factors and retail features are summarized in Table I. The specific environmental (independent) and retailing (dependent) measures used for analysis are discussed below. Some of the independent measures (e.g. the consumer purchase habits) are themselves dependent on other independent measures (e.g. per capita incomes) but are meant to measure different aspects of the environment.

The Independent Variables

Two sets of measures are developed for the independent variables in this study. One set is used with the 1952 Census of Merchandising and Services data, and the other with the MSI data.

1952 Data

Six independent variables are developed for 1952.

1. **Per Capita Incomes.** More advanced forms of retailing (e.g. product-specialization) are likely to be found in high-income areas rather than in low-income areas, because consumer demand for goods and services increases with incomes. Data on per capita incomes on a provincial basis is not available. In a country like Ceylon, where incomes are generally low, a very high proportion of income is spent on food. Generally, the lower the income, the higher is the proportion spent on food. The 1952 Census of Merchandising and Services has figures on a provincial basis for food sales and for total sales. Per capita food sales as a percentage of per capita total sales, in the respective provinces, is used as a proxy for per capita income.

2. **Level of Economic Growth.** More advanced forms of retailing (e.g. product-specialization) are more likely to be found in high level economies than in low level economies. Per capita GNP figures are available only for Ceylon as a whole. Other possible growth indicators, such as per capita generation of electricity, or manufacturing as a percentage of GNP, are also not available on a provincial basis. In an underdeveloped country like Ceylon, savings are extremely low, and incomes are very nearly equal to expenditures. As
such, the total sales figure for each province converted to per capita total sales is used as a proxy for the level of economic growth in the provinces.

3. **Density of Population.** Thiny populated areas are unlikely to have modern forms of retailing, as the market for a particular firm may be too small for innovations such as self-service. Population per square mile at the 1953 Population Census is available on a provincial basis. This figure is used for density of population.

4. **Urbanization of Population.** The needs of urbanized consumers are likely to be more sophisticated thus placing pressure on retailers to innovate. The Population Census of 1953 classifies, on a provincial basis, the population as rural and urban. This information is used for arriving at the percentage of urban population in the different provinces.

5. **Government Sponsored/Participatory Stores.** I believed that government sponsored or participatory stores would be designed to assist poor rural areas. (This belief can be seriously questioned, in view of what was found on further analysis, as is shown at the end of the chapter.) I also believe that these stores distort the free-market mechanism that induces and guides retailers in introducing new institutions or practices. Of stores in this category, the 1952 Census of Merchandising and Services contains information only on
co-operative stores. An index of the impact of government sponsored/participatory stores is obtained, on a provincial basis, by combining the figures on number of persons per co-operative, co-operatives as a percentage of all food stores, and co-operative store sales as a percentage of all food store sales. In 1952 there were no CWE shops, but there were Marketing Department shops. However, the sales in these latter stores were not extensive and they were few in number. Thus the index developed here is a fair indicator of the impact of government retailing in 1952.

6. Literacy of Population. A literate population would be more knowledgeable of advanced forms of retailing, and more demanding in the quality of goods and services it needs. The 1953 Population Census contains figures on the number of persons who are literate in each province. This information is used to arrive at the percentage of literates in each province.

1966 Data

Thirteen measures are developed as independent variables for use with the 1966 data.

1. As described in the previous chapter CWE shops are stores run by the government-sponsored Co-operative Wholesale Establishment, and Marketing Department Shops are stores run by the government's own Marketing Department.
1. Availability of Food. If there are scarcities in foodstuffs retailers may not be induced to adopt more advanced ways of selling foodstuffs. An MSI question addressed to retailers asked, "Why did you decide, the last time, to buy the amount indicated and not more or less?" While some retailers said it was the amount required for sales, or sales of some specified period, or to replenish stock, or the minimum amount to get purchase discount, some others said, "that was all that was available" or "that was our allocation." The frequency of these two responses is taken as an index of the shortage of supplies. Two of the areas have a similar proportion of stores giving these responses. Between themselves, these two areas are ranked on the basis of the answer to another question, "What do you think suppliers should do to give your company better service and meet your requirements?" Responses which said, "increase supply" or "give regular supply" are taken to mean a shortage of supply.¹

2. Density of Population. Population per square mile at the 1963 Population Census is available on a provincial basis. This figure is used for density of population.

3. Government Sponsored/Participatory Stores. Sales and other statistics for co-operative stores are not available, on a provincial basis, after 1953. There are no statistics

¹ Rank correlation coefficient on the two measures is +.49.
on CWE shops. Sales through Marketing Department shops are available for the year 1964-65. These figures worked out on a per head per province basis are used as an index of the impact of government sponsored/participatory stores in 1966. These figures give a not-too-satisfactory picture of the situation as Marketing Department shops account for less than 20 per cent of the sales of this category of stores. Yet, this is the best available.

4. Newspaper Circulation. Newspapers make people aware of what they might be missing in the form of goods and services. Where the circulations of newspapers are high, retailers are more likely to adopt more advanced forms of retailing. For national newspapers, circulation figures on a provincial basis are available only for the Lake House group of papers, which accounted for 54 per cent of total newspaper circulation in the period July-December 1965. To these figures are added, in two areas, the circulation of two local newspapers. The final figures are converted to "X newspapers sold per day per 1,000 population," and used as the index of newspaper circulation.

5. Newspaper Readership. In a country like Ceylon, where several persons read a single copy of a newspaper, circulation figures alone do not give an adequate index of exposure to news media. The first and only readership survey in Ceylon was conducted in April-June 1964, by the Lever Brothers re-
search staff for the Audit Bureau of Circulations. Two of the areas covered by the survey correspond to two of the areas covered by the MSI study. One of the other MSI areas forms a part of a third readership survey area. The fourth MSI area is not included in the readership survey. The question asked was, "Did you look into a daily newspaper yesterday?" The proportion of the sample answering in the affirmative is used as the measure of newspaper readership in the three areas for which the studies are common.

6. Urbanization of Population. Provincial figures for urbanization as at the 1963 Census are not available. The measure was developed by defining urban as those people living in areas having Municipal Councils and Urban Councils for purposes of local administration. The population of the Municipal and Urban Council areas as a proportion of the total population in the province is used as the measure of urbanization.

7. Availability of Trade Credit. Ceylonese retailers have little capital and therefore have to depend on trade credit to carry stocks in variety and depth. A retailer must carry adequate stocks to adopt advanced retailing techniques. From the MSI data the following calculation is made (on a provincial basis) to get a measure of the availability of trade credit: percentage of manufacturers and wholesalers allowing credit plus the percentage of manufac-
turers and wholesalers "attempting to keep customers through credit concessions" less the percentage of retailers who seek improved service through extension of better credit facilities.

8. Aggressiveness of Manufacturers' and Wholesalers' Selling Methods. The services a retailer obtains from manufacturers and wholesalers will, to a large extent, determine the type of service the retailer can extend to the consumer. Percentages of the following (derived on a provincial basis from the MSI data) are added together, to get a measure of aggressiveness: manufacturers and wholesalers (a) taking initiative to contact retailers, (b) following a planned programme of regular visits, (c) providing funds and materials for advertising and promotions, (d) transporting retailers' requirements, (e) using a uniform scale of discounts, (f) not pricing to retailer on basis of what the latter will pay, and (g) granting quantity or volume discounts.

9. Advertising by All Manufacturers and Wholesalers. This is designed to give a measure (on a provincial basis) of advertising by manufacturers and wholesalers of all products included in the MSI study. This measure should show the attitude to, and use of, advertising by Ceylonese business in general. This measure should also show the extent to which a consumer is "pre-sold" at the time he enters a store. The extent of such pre-selling is important for self-service. It is arrived at by adding the percentage of
all manufacturers and wholesalers who think that advertising is useful and the percentage of all those manufacturers and wholesalers who thought advertising useful who did in fact advertise last year.

10. **Consumer Preference for Price Over Quality.** If there is strong consumer preference for price over quality, a retailer may be circumscribed in the retailing methods he can use. This measure is obtained from the MSI data by computing the percentage of stores saying that when customers come into their store to purchase the specific product (rice or canned fruits) the majority are more interested in its price rather than in its quality.

11. **Consumer Preference for Daily Purchases and in Small Quantities.** If most of the consumers purchase daily and in small quantities, retailers are also likely to run "hand-to-mouth" type of operations. This measure is computed from the MSI data from the percentage of stores reporting that the majority of their customers purchases food items daily plus the percentage of stores reporting that the majority purchases in small quantities (2 measures for rice, and one tin for canned fruits).

12. **Consumer Store Patronage Because of Credit.** If the majority of the consumers buy on the basis of the credit terms offered, retailers may be limited in their activities,
for example, in promotions. This measure is obtained from the MSI data by computing the percentage of stores reporting that, for their customers, the possibility of buying on credit was of more interest than courtesy and service, quality of product, or price; plus the percentage of stores reporting that half or more of their customers were buying on credit; plus the percentage of stores reporting that a majority of their customers would leave and go to another store if they were to discontinue credit.

13. Consumer Preference for Neighbourhood Shopping. If consumers prefer neighbourhood type shops, there will be little incentive to start modern types of retail stores. This measure is computed from the MSI data from the percentage of stores reporting that the majority of their customers live near the store or in the same community.

Dependent Variables

Two sets of measures are developed for the dependent variables in this study. One set is derived from the 1952 Census of Merchandising and Services data, and the other from the MSI data.

1952 Data

Four measures are developed as dependent variables for the 1952 data.
1. **Number of Specialty Stores.** Product-specialized food stores in the 1952 Census of Merchandising and Services are categorized as: bakery product stores, meat stores, grocery stores, fish stores, egg and poultry stores, green grocery stores, dairy product stores, and confectionery stores. A measure of the incidence of specialty stores is obtained by an average ranking of specialty stores per head, and specialty stores as a proportion of all food stores.

2. **Sales through Specialty Stores.** Sales of specialty stores (as above) as a proportion of the sales of all food stores are used as the index.

3. **Store Size by Employment, Sales and Customers.** Data from the Census of Merchandising and Services are used to develop four sets of data: sales per store, sales per head of population, stores with sales over Rs. 10,000 as a proportion of all stores, and stores with five or more employees as a proportion of all stores. The measure used here is obtained by averaging the ranking on the basis of these four sets of data.

4. **Store Size by Employment.** Data from the 1952 Census is used to develop three sets of data: employees per store, stores with more than one employee as a proportion of all stores, and stores with five or more employees as a proportion of all stores. The measure used here is obtained by
averaging the ranking on the basis of these three sets of data.

1966 Data

Nineteen measures are developed as dependent variables for the 1966 data.

1. Number of Specialty Stores. The MSI questionnaire required interviewers to note whether a store was: department store, grocery store, general or sundry store, co-operative store, textile (drapery) store, drug store, earthenware shop, or household appliance shop. Food group responses were limited within grocery store, general store, co-operative store, and drug store. The index of the number of specialty stores is the proportion of stores classified as grocery store or drug store.

2. Sales through Specialty Stores. Sales estimates were made by interviewers at all stores where interviews were conducted. In a few cases the interviewer had noted that he could not estimate the sales. I have placed such a store in the median group for the stores in the area. The measure of sales through specialty stores is the proportion of such sales to all sales.

3. Store Size by Employment, Sales, Customers. This measure is obtained by adding the percentage of stores with
more than two employees plus percentage of stores with sales over Rs. 40,000 plus percentage of stores with more than 100 customers on a normal day plus the percentage of stores where more than half the customers are claimed as regulars.

4. **Store Size by Employment.** This measure is obtained by calculating the percentage of stores with more than two employees plus the percentage of stores where less than 50 per cent of the employees were family members.

5. **Fairs.** The Department of Census and Statistics provided details of the location of fairs in Ceylon. These figures were used to obtain, for the four MSI areas, a calculation giving the number of persons per fair. This is the measure used to rank the four areas for the prevalence of fairs.

6. **Proprietorships.** The measure is obtained by obtaining the percentage of stores that the MSI data classified as proprietorships.

7. **Self-service.** For the MSI study, a self-service store was defined as one where "the customer selects goods himself and pays at the exit." Two areas have a similar proportion of stores that qualify on this basis. These two are re-ranked on the basis of the answer to an interviewer observation "When the customer enters the shop, does the salesman immediately ask the customer to point out the required
product, or does he wait till the customer has finished ex-
aming the products on display?" This is the measure used
to estimate the penetration of self-service stores. 1

8. Integration, Affiliation, or Membership in Buying
Group. The extent of retailer co-operation is measured by
the percentage of stores owning or belonging to another com-
pany plus the percentage of stores affiliated with another
company plus the percentage of stores in a buying group.

9. Retailer Purchases on the Basis of Price. The MSI
study asked retailers whether they bought from their main
supplier on the basis of price, or quality, or delivery, or
credit. At another point they were asked to give examples
of differences in supplier prices, if they were aware of such
differences. The index for this variable is obtained by
working out the percentage of stores purchasing from the
main supplier because of price plus the percentage of stores
knowing the price differentials between suppliers.

10. Purchases for Sales of Specific Period. In answer
to the question, "Why did you decide, the last time, to buy
the amount indicated and not more or less?" some stores said
it was for "x days sales," or "y weeks sales," or "z months
sales," or "to meet demand," or other reasons. The present

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1. Rank order correlation coefficient is +.91 on the two
measures.
index is based on the percentage of stores that indicated purchases linked to sales of a specified period. On this basis two areas had similar proportions, and between them the higher rank is given to the area where a higher proportion of stores mentioned sales or demand of an unspecified period.¹

11. **Longer-period Inventories.** This measure is obtained by calculating the percentage of stores that, at the date of the MSI interview, carried inventory estimated to last more than two weeks.

12. **Fixed and Marked Prices.** This measure is calculated by obtaining the percentage of stores having fixed prices plus the percentage of stores having marked prices.

13. **Fixing of Margins.** This index is constructed from responses to a question which asked why margins were the same on all products or why they were different. Of those who said that margins were different, some said there were a number of different reasons. Differentiations such as "according to type of goods" or "high or low quality" or "known and unknown" and "imported or local" are not accepted by me as valid reasons. The percentage of responses indicating that differentiation was on the basis of volume, essentia-

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¹ Rank order correlation coefficient is +.49 for the two measures.
lity, competition, and perishability (which I considered were good reasons, reflecting "advanced" retailing practices) are added together and then added to the complement of the percentage who said margins differed according to scarcity. I consider pricing on the basis of scarcity a "backward" form of retail pricing, thus the complement represents the extent of the use of an "advanced" form of pricing.

14. Advertising. This measure is calculated by obtaining the percentage of store managers who thought advertising was useful to increase sales and customers plus stores that advertised last year as a percentage of those who thought advertising useful.

15. Promotions. None of the stores had undertaken any promotional activity with price reductions on all articles, or by using coupons, or by using contests. Some had undertaken to reduce prices on some articles. The percentage of stores doing so is used as the measure of promotional activity.

16. Credit. The measure of credit allowed is obtained by calculating the percentage of stores offering credit facilities plus the percentage of stores allowing credit plus the percentage of stores allowing credit for one month or more.

17. Guarantees. A measure of the extent of the use of guarantees is obtained by calculating the percentage of
stores giving guarantees on products they sell.

18. Loss leader type Selling. Approximate information on this type of activity is obtained from responses to questions regarding resale price maintenance. The measure used here is obtained from the percentage of stores selling at less than imposed or recommended prices.

19. Hours of Operation. There are no data on the hours during which stores are kept open. The measure used here is calculated from the percentage of stores open more than five-and-one-half days per week (the work week in Ceylon is 45 hours) plus the percentage of stores that are open at least part day on the weekly holiday.

Validity of the Independent Measures

The independent variables are developed to measure the environmental features. Specifically, each independent measure developed here is expected to rank an advanced area as high on some environmental feature and a backward area as low on the same environmental feature. The environmental features of the advanced and backward areas are set out below.

<table>
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<th>BACKWARD AREA</th>
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<tr>
<td>Economic Environment</td>
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</tr>
<tr>
<td>High</td>
<td>Per Capita incomes</td>
</tr>
<tr>
<td>High</td>
<td>Level of economic growth</td>
</tr>
<tr>
<td>High</td>
<td>Availability of food</td>
</tr>
</tbody>
</table>
ADVANCED AREA

Demographic Environment

| High  | Density of Population | Low       |
| High  | Urbanization of Population | Low       |

Government Environment

| Low   | Impact of government-sponsored stores | High |

Social Environment

| High  | Literacy of population | Low       |
| High  | Circulation of national and local newspapers | Low       |
| High  | Newspaper readership | Low       |
| High  | Ownership of automobiles | Low       |

Business Environment

| High  | Availability of trade credit | Low       |
| High  | Aggressiveness of manufacturers' and wholesalers' selling | Low       |
| High  | Advertising by ALL manufacturers and wholesalers | Low       |

Consumer Environment

| Low   | Consumer preference for price over quality | High       |
| Low   | Consumer purchases daily and in small quantities | High       |
| Low   | Store patronage because of credit | High       |
| Low   | Consumer preference for neighbour-ourhood shopping | High       |

When the areas are ranked by each of the environmental variables, one would expect a high correlation in the rank-ordering of the areas. The areas covered by the environmental measures for 1952 and 1966 are ranked by the independent (environmental) measures and tested for similarity in their ranking, using both the Spearman method and the method
of position interchanges. There is a high correlation (+.94) between the methods when the independent variables themselves are ranked for their ability to measure in the same direction (i.e. rank the areas in the same way). This means that both methods give about the same result. But, as the picture is clearer with the Spearman method (and also because the discussion is easier) the results using that method are presented here.

Table II(A) shows the rank-order correlations (for the areas ranked by the variables) of each of the six environmental measures with each of the other five environmental measures developed for 1952. The table also shows: (a) the mean rank correlation of each variable with all the others;\(^1\) and (b) the mean of the mean rank correlations, and the standard deviation of the mean rank correlations for all the six variables as a set.\(^2\) Table III(A) shows the same relationships between the thirteen independent variables developed for 1966.

---

1. This measure indicates the extent to which the particular variable ranks the areas, on the average, in the same way as compared to the ranking of the areas by the other variables. A high positive mean indicates a greater extent of similar ranking.

2. These measures indicate the extent to which all the variables as a set are consistent in ranking the areas in the same direction. A high positive mean of means and a smaller standard deviation (and therefore a narrower dispersion) means a greater consistency in the set.
TABLE II(A)

RANK-ORDER CORRELATIONS OF NINE PROVINCES RANKED
ON SIX ENVIRONMENTAL VARIABLES

<table>
<thead>
<tr>
<th>Year</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>M</th>
</tr>
</thead>
<tbody>
<tr>
<td>1952</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Density of Population</td>
<td>.25</td>
<td>.20</td>
<td>.67</td>
<td>.13</td>
<td>-.36</td>
<td>.18</td>
<td></td>
</tr>
<tr>
<td>2 Urbanization of Population</td>
<td>.25</td>
<td>.02</td>
<td>.83</td>
<td>.80</td>
<td>-.52</td>
<td>.28</td>
<td></td>
</tr>
<tr>
<td>3 Level of Economic Growth</td>
<td>.20</td>
<td>.02</td>
<td>0</td>
<td>-.13</td>
<td>.10</td>
<td>.04</td>
<td></td>
</tr>
<tr>
<td>4 Per Capita Incomes</td>
<td>.67</td>
<td>.83</td>
<td>0</td>
<td>.63</td>
<td>-.49</td>
<td>-.33</td>
<td></td>
</tr>
<tr>
<td>5 Literacy of Population</td>
<td>.13</td>
<td>.80</td>
<td>-.13</td>
<td>.63</td>
<td>-.18</td>
<td>.25</td>
<td></td>
</tr>
<tr>
<td>6 Incidence of Co-operative Stores</td>
<td>-.36</td>
<td>-.52</td>
<td>.10</td>
<td>-.49</td>
<td>-.18</td>
<td>-.29</td>
<td></td>
</tr>
</tbody>
</table>

Set of Six | 16 range +.34 to -.08 | +.13 |
<table>
<thead>
<tr>
<th>Year</th>
<th>Rank</th>
<th>Variable</th>
<th>Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966</td>
<td>1</td>
<td>Availability of Food</td>
<td>.83</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>Density of Population</td>
<td>.31</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>Urbanization of Population</td>
<td>.49</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>Marketing Department Store</td>
<td>.54</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>Newspaper Circulation</td>
<td>.49</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>Availability of Trade Credit</td>
<td>.31</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>Aggressiveness of M &amp; W.</td>
<td>.20</td>
</tr>
<tr>
<td></td>
<td>8</td>
<td>Advertising by ALL</td>
<td>.49</td>
</tr>
<tr>
<td></td>
<td>10</td>
<td>Consumer Preference Neighbourhood Shops</td>
<td>.54</td>
</tr>
</tbody>
</table>

**Set of Thirteen**

16 range +.37 to +.03

.20
As developed, the sets of environmental variables did not prove altogether satisfactory. For 1952, the measure of Co-operative Stores, and for 1966, the measures of Marketing Department Stores and the Availability of Food, were particularly unsatisfactory. The high incidence of negative rank correlations with the other independent variable measures indicate that: (a) in the case of Marketing Department Stores and Co-operatives the theoretical assumptions behind them were in error; and (b) in the case of availability of food the measure is distorted because of the particular food product included in the measure.

It was my assumption that the government-sponsored co-operative stores and the stores run by the government's own Marketing Department would be more prevalent in sparsely populated, less literate, rural areas that I classify as backward. The data show that this is not so. It does seem that government participation in retailing is not to help develop the backward rural areas but to reduce the pressure on supplies and prices in the more densely populated, literate urban areas. On the availability of food, it was my belief that food scarcities would be lower in developed areas where high urbanization, aggressive selling by suppliers, and consumer preferences were more sophisticated than in the less developed areas. However, the food products used in this measure were off-ration (non-controlled)
rice and canned fruits. The supply of rice almost always exceeds the demand in backward rural areas. Therefore the measure was distorted.

As can be seen from Tables II(B) and III(B) the mean of each variable's rank correlation with all others, and the mean and standard deviation of all these means for all the variables, improve very considerably when the independent variables of co-operative stores for 1952, and of Marketing Department stores and availability of food for 1966 are dropped. For 1952, the one standard deviation range for the mean of means moves from +.34/-.08 to +.52/+1.6, and from +.37/+0.03 to +.49/+1.15 for 1966. Thus, by increasing the consistency in direction of measurement between variables, each set of variables, within itself, measures the environment better on my advanced-backward dimension. The interaction between environment and retailing, as analyzed in Chapter VII, is limited to the remaining five environmental factors for 1952 and eleven environmental factors for 1966.

These sixteen environmental features rank the areas in almost the same way. And they are all measuring the same thing: the degree of development of the environment in each area. The classification of an area as advanced or backward, on the basis of any of these sixteen measures of the aspects of the environment, could be expected to be as nearly correct
<table>
<thead>
<tr>
<th>Item</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>M</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Density of Population</td>
<td>.25</td>
<td>.20</td>
<td>.67</td>
<td>.13</td>
<td>.31</td>
<td></td>
</tr>
<tr>
<td>2 Urbanization of Population</td>
<td>.25</td>
<td>.02</td>
<td>.83</td>
<td>.80</td>
<td>.48</td>
<td></td>
</tr>
<tr>
<td>3 Level of Economic Growth</td>
<td>.20</td>
<td>.02</td>
<td>.00</td>
<td>-.13</td>
<td>.02</td>
<td></td>
</tr>
<tr>
<td>4 Per Capita Incomes</td>
<td>.67</td>
<td>.83</td>
<td>.00</td>
<td>.63</td>
<td>.53</td>
<td></td>
</tr>
<tr>
<td>5 Literacy of Population</td>
<td>.13</td>
<td>.80</td>
<td>-.13</td>
<td>.63</td>
<td>.35</td>
<td></td>
</tr>
<tr>
<td>Set of Five</td>
<td>16 range +.52 to +.16</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Item</td>
<td>2</td>
<td>3</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>----</td>
<td>----</td>
<td>----</td>
<td>----</td>
<td>----</td>
<td>----</td>
</tr>
<tr>
<td>Density of Population</td>
<td>.31</td>
<td>.49</td>
<td>.49</td>
<td>.14</td>
<td>.49</td>
<td>-.03</td>
</tr>
<tr>
<td>Urbanization of Population</td>
<td>.31</td>
<td>.83</td>
<td>.14</td>
<td>.49</td>
<td>.83</td>
<td>.66</td>
</tr>
<tr>
<td>Literacy of Population</td>
<td>.49</td>
<td>.83</td>
<td>-.20</td>
<td>-.03</td>
<td>.49</td>
<td>.83</td>
</tr>
<tr>
<td>Newspaper Circulation</td>
<td>.49</td>
<td>.14</td>
<td>-.20</td>
<td>.83</td>
<td>.66</td>
<td>-.54</td>
</tr>
<tr>
<td>Availability of Trade Credit</td>
<td>.14</td>
<td>.49</td>
<td>-.03</td>
<td>.83</td>
<td>.83</td>
<td>-.20</td>
</tr>
<tr>
<td>Consumer Preference for Credit</td>
<td>.49</td>
<td>.83</td>
<td>.49</td>
<td>.66</td>
<td>.83</td>
<td>.14</td>
</tr>
<tr>
<td>Aggressiveness of M &amp; W.</td>
<td>-.03</td>
<td>.66</td>
<td>.83</td>
<td>-.54</td>
<td>-.20</td>
<td>.14</td>
</tr>
<tr>
<td>Advertising by ALL</td>
<td>-.20</td>
<td>.83</td>
<td>.66</td>
<td>-.20</td>
<td>.31</td>
<td>.49</td>
</tr>
<tr>
<td>Consumer Preference Price, Quality, Consumer Preference Daily &amp; Small Quantities</td>
<td>18 range +.49 to +.15</td>
<td>.32</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
as possible. For example, if area A is ranked "advanced" and area B is ranked "backward" by a very high proportion of the environmental measures, it will be reasonably correct to assume that area A is, in fact, an advanced area, and that area B is, in fact, a backward area. It will be easier, therefore, to confirm or to question the relationship between an advanced or backward area and a specific retailing feature such as product specialization. If, then, any such relationship is not confirmed, it may be because no such relationship, in fact, exists; or, it may be due to the inadequacy of the specific dependent measure developed here to measure the retailing feature in question.
CHAPTER VI

THE HOUSEWIFE SURVEY

The social and economic conditions of buyers have an influence on their purchase habits. These purchasing habits in turn can be expected to have an influence on retailing institutions and on retailing techniques. Thus, socio-economic environmental factors may work through patterns of consumer purchases to enable or restrain the development of retail patterns, as the case may be. I shall, in this chapter, attempt to show: how Ceylonese housewives could be classified by certain socio-economic environmental factors; how these factors are related to certain patterns of purchase behaviour; and, how these patterns of behaviour tend to influence the pattern of retail operations. The data was obtained by a questionnaire survey. The questions asked of the housewives surveyed (see Appendix B) sought to ascertain both their socio-economic conditions and their purchase habits.

The sample used was not representative of Ceylon housewives in general. It was not selected at random, and it was too small (only 104 respondents) to make any useful infer-
ences regarding all Ceylon housewives. My purpose was to examine how housewives' purchasing habits differed according to certain social or economic characteristics, e.g., whether or not they owned a refrigerator. For this purpose, strict randomness in selection and large sample size were not necessary. The six characteristics used were: self-evaluated social class; employment outside the home; extent of out-of-home activities (employment and other); extent of household cooking done by respondent; normal mode of travel; and possession of refrigerator.

The survey was conducted through a questionnaire completed by the members of two women's associations. A collaborator in Ceylon personally handed out the questionnaires to these housewives with a request that they be filled out for the purposes of a study in food retailing. The housewives who cooperated were not necessarily representative of Ceylonese housewives in general. The fact that they were members of an association, and the nature of the association itself, may make them different from those who are not association members. I did not consider this

1. It was the expressed wish of these housewives that they NOT be identified as members of the association when they filled out the questionnaire. Therefore, the names of the two associations are withheld.
bias too serious. I am interested in the relationship between purchase habits traceable to the six socio-economic characteristics outlined above. If, therefore, there were differences in purchase habits between two women who were both members of women's associations (perhaps of the same association), but one of them was middle class and the other lower class, then these differences in purchase habits are even more significant, than such differences in purchase habits between one woman who was a member of an association and another woman who was not a member of any association.

On the basis of social class, about one per cent of Ceylonese housewives may be classified as upper class and another five per cent as middle class (the class breakdown among the housewives surveyed was different to this, as will be seen below). If there are marked differences in the purchase habits of the housewives in the different classes, these can be expected to have an influence on retail operations. For example, if the data showed that upper and middle class women preferred to purchase in fixed-price stores, and if lower class women preferred to purchase in stores where they could bargain, then we should find in Ceylon a very large proportion of non-fixed-price stores.

The housewives surveyed were asked: "In what social class would you put yourself: (a) Upper-upper? (b) Lower-
upper? (c) Upper-middle? (d) Lower-middle? (e) Upper-lower? (f) Lower-lower?" While 16 per cent of the 104 housewives did not classify themselves, five per cent placed themselves in the two upper classes, 64 per cent in the two middle classes, and 15 per cent in the two lower classes. There were two significant biases in this self-evaluation. First, there was the non-response bias. Answers to other questions by the non-respondents suggest that they were, for the most part, middle class. Second, there was the bias introduced by the self-evaluation process itself. Some of those who were, in fact, middle class classified themselves as lower class. Thirteen per cent of those classifying themselves as lower class claimed that their normal mode of travel was by private car; and 19 per cent of those classifying themselves as lower class said that they had a refrigerator in their homes. These figures are undoubtedly too high. Because some middle-class housewives call themselves lower class¹, the differences between the purchase habits of the two classes should, in fact, be larger than the differences shown by the figures here.

Very few upper and middle class women do their own cooking, because they have servants to do this. Lower class women can not afford servants, but those with daughters

---

¹. Middle class Ceylonese show a reluctance to speak of class, and the class they belong to. Although identification with their class is sought in all their actions, they are sensitive to verbal identification.
aged 12 - 15 or older can employ them in cooking. It is reasonable to expect that the amount of cooking a woman does in the home will determine some of her purchase habits, e.g., the purchase of prepared curry powders or the frequency of trips to the market place. These purchase habits may influence retail operations. The housewives were asked: "What percentage of food prepared in your home is cooked by yourself and not by a servant?" Of the housewives surveyed, 38 per cent claimed to cook, by themselves, more than 50 per cent of the food prepared in their home (50 per cent seemed a useful cut-off point for comparison purposes).

Few Ceylonese women work outside the home. Of those who do, the upper and middle class women often take full-time employment, and the lower class women take part-time employment. Those who do not work have more time to spend on their own cooking, and do their own shopping. Those who have to do their own cooking will be more interested in saving time both in cooking and in shopping for food. Of the housewives surveyed, 40 per cent said they were employed outside the home. Aside from the upper and upper-middle classes, few women are engaged in activities (employment and other) outside of the home. Again, out-of-home activities will have an influence on purchase habits through the amount of time a woman has to do her own cooking. The housewives were asked: "What percentage of your time is spent outside the home in
both employment and in other social activities?" Once again using 50 per cent as the cut off point, 24 per cent of the housewives said they spent more than half of their time out of home.

The survey data show a clear connection between the extent of cooking done by a housewife on the one hand and out-of-home employment and out-of-home activities on the other:

<table>
<thead>
<tr>
<th></th>
<th>Heavy Cookers (More than 50 percent)</th>
<th>Light Cookers (50 percent or less)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housewives employed outside the home (n=42 = 100%)</td>
<td>19%</td>
<td>71%</td>
</tr>
<tr>
<td>Housewives not employed outside the home (n=59 = 100%)</td>
<td>51</td>
<td>46</td>
</tr>
<tr>
<td>Society-oriented housewives (spend more than 50% of time outside home) (n=25 = 100%)</td>
<td>16</td>
<td>80</td>
</tr>
<tr>
<td>Home-oriented housewives (spend 50% or less of time outside home) (n=67 = 100%)</td>
<td>42</td>
<td>54</td>
</tr>
</tbody>
</table>

Except in the most remote rural areas in Ceylon (where it is absolutely necessary to walk), the normal mode of travel for housewives is by private car, taxi, or bus. It is reasonable to assume that purchase habits will differ depending on the mode of transport normally used. Thirty six per cent of the housewives claimed to travel by private
car, the rest by taxi or bus.\textsuperscript{1}

The ownership of refrigerators in Ceylon is very low, and this is believed to have an influence on some purchase habits, particularly the frequency of purchases. Of the housewives surveyed, 50 per cent claimed to have a refrigerator at home.

The cross-classification of the housewife survey data between social class on the one hand, and the other five characteristics used here on the other, shows a clear discrimination except in the case of employment, and perhaps, cooking.

<table>
<thead>
<tr>
<th>Crosstabulation: Class and Various Features</th>
<th>Upper Class\textsuperscript{2}</th>
<th>Middle Class</th>
<th>Lower Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>n=5</td>
<td>n=67</td>
<td>n=16</td>
<td></td>
</tr>
<tr>
<td>=100%</td>
<td>=100%</td>
<td>=100%</td>
<td></td>
</tr>
</tbody>
</table>

- Heavy cookers (more than 50\% cooking) 20\% 42\% 32\%
- Employed outside home 40 45 38
- Society-oriented (more than 50\% time outside home) 40 28 19
- Uses private car 100 36 13
- Has refrigerator in home 100 40 19

\textsuperscript{1} Car ownership in Ceylon is approximately one car per 25 families; \textsuperscript{2} the questionnaire did not ask whether their normal mode of travel was walking.

\textsuperscript{2} The numbers are too small to be statistically signifi-
Perhaps these employment figures are due to the fact that some middle class housewives had (as suggested earlier) classified themselves as lower class. The rather low figure of the middle class doing their own cooking can be explained partly as due to this same mis-classification, and partly the result of cooking being done by the daughters instead of the housewife interviewed.

In the presentation that follows, only the discriminating instances will be cited. That is, if a certain purchase habit (e.g., preference for neighbourhood shops) does not differ sufficiently among housewives classified by a certain characteristic (e.g., whether or not their normal mode of travel was by car) this particular cross-classification between the purchasing habit and the characteristic will not be discussed. Such a small difference indicates that, in the example used, the use of a car was not highly correlated with the preference for neighbourhood shops.

**Price vs. Quality Preferences**

Different classes put different emphases on price and quality, as one might expect. A larger proportion of the upper classes say they would pay more to get a better quality food item, and the lower classes tend to settle for poorer quality because "the quality wanted depends on the price that could be afforded".
SOCIAL CLASS AND PRICE/QUALITY PREFERENCE

<table>
<thead>
<tr>
<th></th>
<th>Upper</th>
<th>Middle</th>
<th>Lower</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class</td>
<td>n=5</td>
<td>n=67</td>
<td>n=16</td>
</tr>
<tr>
<td></td>
<td>=100%</td>
<td>=100%</td>
<td>=100%</td>
</tr>
</tbody>
</table>

- Prefer quality to price  100%  75%  56%
- Prefer price to quality  8     31
- Prefer both equally      19    13

Why prefer price more than quality

<table>
<thead>
<tr>
<th></th>
<th>Upper</th>
<th>Middle</th>
<th>Lower</th>
</tr>
</thead>
<tbody>
<tr>
<td>Why prefer price more</td>
<td>n=5¹</td>
<td>n=5¹</td>
<td></td>
</tr>
<tr>
<td>than quality</td>
<td>=100%</td>
<td>=100%</td>
<td></td>
</tr>
</tbody>
</table>

- Doubt better quality costs more  40%
- Want to save, be thrifty        40  20
- Quality wanted depends on price  20  80  that could be afforded

In a country where the vast majority of the people comprise a price-conscious lower class, there are tremendous pressures on margins. There is little opportunity for tying prices to factors other than the strict usefulness of the item to the customer. Stores that try to build a "quality image" and stores that have to command higher margins, and therefore higher prices, would be limited to serving a very small segment of the market.

Neighbourhood Shopping

Important differences in preference for neighbourhood

1. The numbers are too small to be statistically significant.
shops are revealed when housewives are classified by whether they do their own cooking, and by social class. There is a sharp contrast between the "heavy" and the "light" cookers in their preference for neighbourhood shopping. There is also a difference in the reasons given for shopping at a place distant from their homes.

<table>
<thead>
<tr>
<th>AMOUNT OF OWN COOKING AND NEIGHBOURHOOD SHOPPING</th>
<th>Heavy Cookers</th>
<th>Light Cookers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n=40</td>
<td>n=57</td>
</tr>
<tr>
<td></td>
<td>=100%</td>
<td>=100%</td>
</tr>
<tr>
<td>Most purchases in neighbourhood shop or market</td>
<td>55%</td>
<td>74%</td>
</tr>
<tr>
<td>Most purchases at shop or market distant from home</td>
<td>45</td>
<td>25</td>
</tr>
<tr>
<td>Why buy at shop at distance</td>
<td>n=18</td>
<td>n=14</td>
</tr>
<tr>
<td></td>
<td>=100%</td>
<td>=100%</td>
</tr>
<tr>
<td>Better selection</td>
<td>50%</td>
<td>71%</td>
</tr>
<tr>
<td>Better prices</td>
<td>28</td>
<td>7</td>
</tr>
</tbody>
</table>

As can be seen the "light" cookers state a strong preference for neighbourhood shopping. Perhaps this is because in such homes it is the servants who do the cooking and also the shopping for food. Of the 14 light cookers who go some distance for their shopping, 71 per cent say they go for better selection and 14 per cent say they shop near their place of work. As the light cookers predominate among the employed, the latter figure is readily explained.
The employed housewives are, also, most likely those who can afford to go to distant places for better selection. In contrast, as many as 28 per cent of the 18 heavy cookers (the less employed) who go to distant shops say they go there for better prices, while only seven per cent of the light cooks do so.

The reasons for going to shopping centers at a distance are similar as among employed and unemployed housewives, and society-oriented and home-oriented housewives.

CLASSIFICATION BY EMPLOYMENT AND REASONS FOR SHOPPING AT A DISTANT STORE

<table>
<thead>
<tr>
<th>Reason</th>
<th>Employed</th>
<th>Unemployed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n=14=100%</td>
<td>n=18=100%</td>
</tr>
<tr>
<td>Better selection</td>
<td>64%</td>
<td>50%</td>
</tr>
<tr>
<td>Better prices</td>
<td>7</td>
<td>28</td>
</tr>
<tr>
<td>Near working area</td>
<td>21</td>
<td></td>
</tr>
</tbody>
</table>

SOCIAL ORIENTATION AND REASONS FOR SHOPPING AT A DISTANT STORE

<table>
<thead>
<tr>
<th>Reason</th>
<th>Society-Oriented</th>
<th>Home-Oriented</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n=8=100%</td>
<td>n=20=100%</td>
</tr>
<tr>
<td>Better selection</td>
<td>50%</td>
<td>65%</td>
</tr>
<tr>
<td>Better prices</td>
<td></td>
<td>20</td>
</tr>
<tr>
<td>Near working area</td>
<td>38</td>
<td></td>
</tr>
</tbody>
</table>

1. The numbers are too small to be statistically significant.
When the preference for neighbourhood shopping is broken down by social classes, the patterns are quite striking.

<table>
<thead>
<tr>
<th>SOCIALIZ CLASS AND PREFERENCE FOR NEIGHBOURHOOD SHOPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper Class</td>
</tr>
<tr>
<td>n=5</td>
</tr>
<tr>
<td>=100%</td>
</tr>
</tbody>
</table>

Most purchases in neighbourhood shop or market  
40%  70%  88%

Most purchases at shops or market at distance from home  
40  30  12

Why go to a distant shop  
n=2\(^1\)  n=20  n=2\(^1\)
=100%  =100%  =100%

Better selection  
100%  60%  100%

Better prices  
15

Near working area  
15

This breakdown suggests that in a country like Ceylon, with its large lower class, the preponderance of neighbourhood stores is a natural response to consumer demand. On the other hand, better selections, it appears, could succeed in drawing consumers some distance away from their homes.

The possession of a car does not, by itself, make a significant difference in the preference for neighbourhood shops, but it is only under the car ownership breakdown that the convenience of neighbourhood shops comes out in

1. The numbers are too small to be statistically significant.
sharpest contrast. Among those having cars, 83 per cent, and among non-car-users, 96 per cent, claim preference for neighbourhood shops because of convenience.

In Ceylon, then, it can be said that the large number of small neighbourhood shops appears to be an outgrowth of: a large lower class; a low per capita ownership of automobiles; and, the fact that the upper classes who could afford to go out to distant shopping centers have their servants do the shopping for them.

Co-Operative Stores

The housewives' statements bear out the opinions expressed by the merchants I interviewed. Most significant, perhaps, an official of one co-operative said that when the controls are lifted, it will be only the middle classes who will patronize the co-operatives. The housewives' statements suggest that this is largely the situation even now: while one of five upper class and four of 16 lower class housewives said that they did not make any purchases at all at the co-operatives, only eight of 67 (12 per cent) of the middle class housewives said that they did not make any purchases there. It does seem that the co-operatives in Ceylon are a middle class institution and not a working class institution as it is popularly believed to be. The middle class has the lowest and the lower class the highest
proportion of those not using the co-operatives.

Although the co-operatives do not have any credit sales, it is surprising that the non-availability of credit was not brought up at all.

It seems that the co-operatives which are supposed to be run for the benefit of the lower classes are not patronized by them. Perhaps this is a good example of a retail institution sustained through government benevolence, while it has far less than maximum acceptance from the consumers it is supposed to serve.

Store Loyalty

The proportion of housewives making "most of their purchases at one store" differs significantly as between social classes, and as between those using and not using a car for normal travel.

<table>
<thead>
<tr>
<th></th>
<th>Upper Class</th>
<th>Middle Class</th>
<th>Lower Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>n=5</td>
<td>n=67</td>
<td>n=16</td>
<td></td>
</tr>
<tr>
<td>=100%</td>
<td>=100%</td>
<td>=100%</td>
<td></td>
</tr>
</tbody>
</table>

Most purchases at one store: 60% (Upper), 46% (Middle), 31% (Lower)
Purchases at several stores: 40 (Upper), 54 (Middle), 69 (Lower)
STORE LOYALTY AND USE OF CAR

<table>
<thead>
<tr>
<th>Use car</th>
<th>Do not use car</th>
</tr>
</thead>
<tbody>
<tr>
<td>n=37</td>
<td>n=67</td>
</tr>
<tr>
<td>=100%</td>
<td>=100%</td>
</tr>
</tbody>
</table>

Most purchases at one store 65% 36%
Purchases at several stores 35% 64%

While the differences in purchasing habits are negligible when related to other factors, store loyalty appears to vary closely with social class: the higher class persons do most of their shopping in one store. It is also very significant that apparently the possession of a car tends to have a great influence on the degree of one-shop (therefore, one-stop) shopping.

The stated reason for making most purchases at one store was, in most instances, "satisfied with prices, service, range of goods, etc."

SOCIAL CLASS AND REASONS FOR PURCHASES AT ONE STORE

<table>
<thead>
<tr>
<th>Reason</th>
<th>Upper Class1</th>
<th>Middle Class1</th>
<th>Lower Class1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfied with prices, service, range of goods, etc.</td>
<td>67%</td>
<td>81%</td>
<td>40%</td>
</tr>
<tr>
<td>Credit</td>
<td>6</td>
<td></td>
<td>20</td>
</tr>
<tr>
<td>Can purchase at any time of day or night</td>
<td></td>
<td></td>
<td>20</td>
</tr>
</tbody>
</table>

1. The numbers are too small to be statistically significant.
CAR USAGE AND REASONS FOR PURCHASES AT ONE STORE

<table>
<thead>
<tr>
<th>Use car</th>
<th>Do not use car</th>
</tr>
</thead>
<tbody>
<tr>
<td>n=24</td>
<td>n=24</td>
</tr>
<tr>
<td>=100%</td>
<td>=100%</td>
</tr>
</tbody>
</table>

Satisfied with prices, service, range of goods, etc. 79% 58%

Credit 13

The importance of longer operating hours and the importance of credit to the middle and lower classes and to the non-car owners (who are largely from these same classes) is seen from the figures. Retailers appear to realize that customers want these facilities, and as the retailers want to keep the customers, these services are provided.

The reasons for making purchases at several stores are also interesting.

<table>
<thead>
<tr>
<th>SOCIAL CLASS AND REASONS FOR MULTI-STORE SHOPPING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper Class</td>
</tr>
<tr>
<td>n=2</td>
</tr>
<tr>
<td>=100%</td>
</tr>
</tbody>
</table>

No such store in poor, small backward area 100% 17% 36%
One store can't supply all requirements 31 18
Shop for prices 22 36

1. The numbers are too small to be statistically significant.
**USE OF CAR AND REASONS FOR MULTI-STORRE SHOPPING**

<table>
<thead>
<tr>
<th>Use car</th>
<th>Do not use car</th>
</tr>
</thead>
<tbody>
<tr>
<td>n=13</td>
<td>n=43</td>
</tr>
<tr>
<td>=100%</td>
<td>=100%</td>
</tr>
</tbody>
</table>

No such store in poor, small, backward area

- Use: 23%
- Do not: 21%

One store can't supply all requirements

- Use: 23
- Do not: 28

Shop for prices

- Use: 8
- Do not: 30

In the less-developed areas, the shops appear to carry a limited range of goods. Those customers who shop around to get better prices are proportionately more numerous among the lower classes, and among non-car owners (who again are from the lower classes). When one realizes that 95 per cent of the Ceylonese are lower class and that a similar percentage of Ceylonese families do not own a car, it is difficult to expect retailers to use loss leader type techniques.

**Frequency of Purchases**

There is a strong tendency for Ceylonese to make daily purchases of their requirements of vegetables, meat and fish. The lower classes are those who, in most cases, make daily purchases. The differences in the proportions between car users and non-car users, and between those having and not having refrigerators, suggest that these
<table>
<thead>
<tr>
<th>Classification</th>
<th>Daily Purchases of</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Vegetables</td>
<td>Meat</td>
<td>Fish</td>
</tr>
<tr>
<td>Heavy cookers (n=40=100%)</td>
<td>23%</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>Light cookers (n=57=100%)</td>
<td>26</td>
<td>42</td>
<td>49</td>
</tr>
<tr>
<td>Employed (n=42=100%)</td>
<td>38</td>
<td>50</td>
<td>57</td>
</tr>
<tr>
<td>Unemployed (n=59=100%)</td>
<td>17</td>
<td>29</td>
<td>31</td>
</tr>
<tr>
<td>Society-oriented (n=25=100%)</td>
<td>36</td>
<td>48</td>
<td>56</td>
</tr>
<tr>
<td>Home-oriented (n=67=100%)</td>
<td>19</td>
<td>33</td>
<td>36</td>
</tr>
<tr>
<td>Upper class¹ (n=5=100%)</td>
<td>40</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>Middle class (n=67=100%)</td>
<td>24</td>
<td>33</td>
<td>40</td>
</tr>
<tr>
<td>Lower class (n=16=100%)</td>
<td>44</td>
<td>69</td>
<td>63</td>
</tr>
<tr>
<td>Car users (n=37=100%)</td>
<td>16</td>
<td>27</td>
<td>32</td>
</tr>
<tr>
<td>Non-car-users (n=67=100%)</td>
<td>30</td>
<td>42</td>
<td>45</td>
</tr>
<tr>
<td>Possessors of refrigerators (n=42=100%)</td>
<td>12</td>
<td>21</td>
<td>29</td>
</tr>
<tr>
<td>Non-possessors of refrigerators (n=61=100%)</td>
<td>34</td>
<td>48</td>
<td>49</td>
</tr>
</tbody>
</table>

Amenities have important consequences on the daily purchase habit. Big loads are, in the absence of cars, difficult to carry, and storage is not feasible without refrigerators. While the per family possession of refrigerators and cars is extremely low in Ceylon, these two characteristics are, again, highly correlated with social class. The light cookers, and the employed and society-oriented housewives come mostly from the middle and upper classes. Therefore, daily food shopping is very common among Ceylonese housewives.

¹ The numbers are too small to be statistically significant.
In terms of institutions and techniques, this suggests that high-volume types of operation are not going to be successful. Prepackaging of meat and fish will likely have to be in small packs only. End-of-the-week specials are not likely to be successful. If 50 per cent of the housewives went daily into a supermarket to purchase meat and fish, the checkout counters would be choked with these one-item purchasers.

Credit Purchases

Credit purchase patterns as among classes is not what was expected: more of the upper classes interviewed purchase on credit. This apparent contradiction is partly explained by the reasons given for purchasing on credit, and especially by the reasons for not purchasing on credit.

SOCIAL CLASS AND CREDIT PURCHASES

<table>
<thead>
<tr>
<th></th>
<th>Upper Class</th>
<th>Middle Class</th>
<th>Lower Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase on credit</td>
<td>100%</td>
<td>27%</td>
<td>31%</td>
</tr>
<tr>
<td>Do not purchase on credit</td>
<td>73</td>
<td>69</td>
<td></td>
</tr>
<tr>
<td>Why purchase on credit</td>
<td>n=5(^1)</td>
<td>n=18</td>
<td>n=5(^1)</td>
</tr>
<tr>
<td>Month's wages not always in hand</td>
<td>40%</td>
<td>22%</td>
<td>20%</td>
</tr>
</tbody>
</table>

1. The numbers are too small to be statistically significant.
Easy to pay at the end of the month  
Don't always have ready cash  

<table>
<thead>
<tr>
<th>Why do not purchase on credit</th>
<th>n=49</th>
<th>n=11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Don't need to, weekly, daily paid</td>
<td>2%</td>
<td>55%</td>
</tr>
<tr>
<td>Buy only when cash in hand</td>
<td>4</td>
<td>18</td>
</tr>
<tr>
<td>Free to buy anywhere at price or quality required</td>
<td>6</td>
<td>18</td>
</tr>
<tr>
<td>Can't save, will buy more than income, can't keep accounts</td>
<td>22</td>
<td></td>
</tr>
<tr>
<td>Buying on credit disgraceful, dangerous, burdensome, expensive, don't like credit, not used to</td>
<td>43</td>
<td>9</td>
</tr>
</tbody>
</table>

In a majority of the instances, purchasing for credit seemed to be in some way related to the system of monthly salaries or wages. More than half of the lower classes did not buy on credit because they said they were paid daily or weekly. And two-thirds of the middle classes were apparently too conservative or had guilt feelings about credit purchases. Apparently, unless incomes are received at frequent intervals (e.g., weekly or fortnightly, instead of monthly) the availability of credit becomes important. In Ceylon, a small proportion of wage earners, and practically no salary earners, receive their pay packets more frequently than once a month. This explains, to a great extent, the prevalence of credit sales in food.
Deliveries

Delivery service is used more by housewives who do little cooking, are employed, are of the upper classes, and normally travel by car. These facts indicate that delivery service is a service used primarily by the upper classes.

**CHARACTERISTICS OF HOUSEWIVES WHO USE DELIVERY SERVICES FOR FOOD**

<table>
<thead>
<tr>
<th>Description</th>
<th>Have Food Items Delivered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heavy Cookers (n=40=100%)</td>
<td>25%</td>
</tr>
<tr>
<td>Light Cookers (n=57=100%)</td>
<td>51</td>
</tr>
<tr>
<td>Employed (n=42=100%)</td>
<td>48</td>
</tr>
<tr>
<td>Unemployed (n=59=100%)</td>
<td>36</td>
</tr>
<tr>
<td>Normal travel by car (n=37=100%)</td>
<td>59</td>
</tr>
<tr>
<td>Other modes of travel (n=67=100%)</td>
<td>28</td>
</tr>
<tr>
<td>Upper Class (n=5=100%)</td>
<td>80</td>
</tr>
<tr>
<td>Middle Class (n=62=100%)</td>
<td>40</td>
</tr>
<tr>
<td>Lower Class (n=16=100%)</td>
<td>31</td>
</tr>
</tbody>
</table>

The predominantly stated reason (except among the lower class housewives) for having food items delivered was "convenience". The next important reason was that housewives wanted to save time spent on shopping; here the employed and the lower classes had the largest proportion.

The strongest reasons stated for not using the delivery services were because housewives liked to select for themselves, because they could not afford it, or because it was
cheaper to buy at the store.

<table>
<thead>
<tr>
<th>Reason</th>
<th>Like to Select</th>
<th>Can't afford delivery or purchasing at store is cheaper</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heavy Cookers (n=30=100%)</td>
<td>37%</td>
<td>17%</td>
</tr>
<tr>
<td>Light Cookers (n=28=100%)</td>
<td>46</td>
<td>25</td>
</tr>
<tr>
<td>Employed (n=22=100%)</td>
<td>59</td>
<td>9</td>
</tr>
<tr>
<td>Unemployed (n=38=100%)</td>
<td>29</td>
<td>29</td>
</tr>
<tr>
<td>Society-oriented (n=14=100%)</td>
<td>50</td>
<td>7</td>
</tr>
<tr>
<td>Home-oriented (n=38=100%)</td>
<td>39</td>
<td>29</td>
</tr>
<tr>
<td>Car users (n=15=100%)</td>
<td>40</td>
<td>7</td>
</tr>
<tr>
<td>Non-car users (n=48=100%)</td>
<td>42</td>
<td>25</td>
</tr>
<tr>
<td>Middle class (n=40=100%)</td>
<td>48</td>
<td>36</td>
</tr>
<tr>
<td>Lower class (n=11=100%)</td>
<td>18</td>
<td>45</td>
</tr>
</tbody>
</table>

It is seen that except among the heavy cookers, at least a quarter of the housewives not using delivery services thought it was more expensive than making a purchase at the store. It is also interesting that of the middle or upper class housewives who did not use the delivery facility, roughly a half did not because they wanted to make their own selections. This bears out the analysis made in Chapter IV which concluded that delivery services are offered primarily to the upper-middle and upper classes.

Porterage

Porterage, an arrangement by which a store-employee carries a customer's parcels to the car or taxi, is a
service for the higher classes. All of the upper class, almost half of the middle class, and a little under a fifth of the lower class housewives said they would like to have porterage. While a third of the upper class housewives said that they would insist on porterage, none of the middle or lower class housewives did.

Of those normally travelling by private car, 86 per cent said they liked to have porterage, although only four per cent of these would insist on this service. Of those normally travelling by bus or taxi, 21 per cent said they liked porterage.

It is apparent that the urban retailers who spoke of the porterage they were providing were catering largely to the upper and middle class Ceylonese.

Decor and Layout

A surprisingly large number of housewives expressed a strong interest in decor and layout.

<table>
<thead>
<tr>
<th>SOCIAL CLASS AND ATTITUDES TO DECOR AND LAYOUT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper Class</td>
</tr>
<tr>
<td>n=5</td>
</tr>
<tr>
<td>=100%</td>
</tr>
</tbody>
</table>

- Particular about decor: 100% Upper, 79% Middle, 63% Lower
- Not particular about decor: 21% Upper, 37% Lower
Why Particular

<table>
<thead>
<tr>
<th>Reason</th>
<th>n=51</th>
<th>n=53</th>
<th>n=10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attractive shops are pleasant to shop in</td>
<td>20%</td>
<td>30%</td>
<td>50%</td>
</tr>
<tr>
<td>Orderly arrangements help selection</td>
<td></td>
<td>38</td>
<td>10</td>
</tr>
<tr>
<td>Attractive shops are clean</td>
<td>20</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Like nice, pleasant, attractive things</td>
<td>40</td>
<td>21</td>
<td>40</td>
</tr>
</tbody>
</table>

Why Not Particular

<table>
<thead>
<tr>
<th>Reason</th>
<th>n=14</th>
<th>n=61</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interested only in getting my things at a reasonable price</td>
<td>50%</td>
<td>17%</td>
</tr>
<tr>
<td>Stores must satisfy customers only on price, service, goods</td>
<td>29</td>
<td></td>
</tr>
<tr>
<td>Attractiveness of a shop is useless</td>
<td>14</td>
<td>17</td>
</tr>
</tbody>
</table>

In the largest group in Ceylon, the lower class, a little more than a third said they were not particular about decor and layout, and all of these expressed sentiments that suggest decor and layout implied costs which they do not wish to be passed on to them. Again, the impression is that such consumers are interested in the strict usefulness of the item purchased rather than in the psychic satisfactions derived from the aesthetic qualities of a store.

From conversations with retailers, it seems that many are not aware of the large numbers who would at least appre-

---

1. The numbers are too small to be statistically significant.
ciate good decor and layout, although they do concede that
good display is important to attract customers.

Self-Service Stores

Although five per cent of the sample said that they had
not even heard of a self-service store, a fair number of
housewives claimed to have shopped in a self-service store.
It is, however, possible that some of the housewives mis-
understood the question. The questionnaire filled out by a
section of the housewives was a Sinhalese version. In these,
the answers to the second part of the question (Did you like
shopping in it? Why?) suggest the possibility of the insti-
tution having been misunderstood for a store run by a Ceylon-
ese. It is possible, also, that some housewives had only a
partial self-service store in mind.

Grouped by characteristics, the only important dif-
ferences in usage of self-service were between those employed
outside the home and those who were not, and between the
society-oriented and the home-oriented housewives. The
numbers of the employed and the society-oriented were higher.

Most housewives claimed they liked the experience of
shopping at a self-service store; and most of these because
"it was convenient"; there was no one "forcing goods"; and,
"I could buy according to my resources".
Fixed-Price Stores

When we group housewives by social class, we see a very pronounced difference in their attitudes to fixed-price stores.

<table>
<thead>
<tr>
<th>SOCIA L CLASS AND ATTITUDES TO FIXED-PRICE STORES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper Class 1</td>
</tr>
<tr>
<td>Middle Class</td>
</tr>
<tr>
<td>Lower Class</td>
</tr>
<tr>
<td>n=5</td>
</tr>
<tr>
<td>n=67</td>
</tr>
<tr>
<td>n=16</td>
</tr>
<tr>
<td>=100%</td>
</tr>
<tr>
<td>=100%</td>
</tr>
<tr>
<td>=100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Like to shop in fixed-price stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper Class</td>
</tr>
<tr>
<td>80%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Do not like to</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper Class</td>
</tr>
<tr>
<td>20%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Why like to</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper Class 1</td>
</tr>
<tr>
<td>n=4</td>
</tr>
<tr>
<td>=100%</td>
</tr>
<tr>
<td>Middle Class</td>
</tr>
<tr>
<td>n=55</td>
</tr>
<tr>
<td>=100%</td>
</tr>
<tr>
<td>Lower Class 1</td>
</tr>
<tr>
<td>n=2</td>
</tr>
<tr>
<td>=100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Can budget available money</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper Class</td>
</tr>
<tr>
<td>25%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Feel sure paying correct price for goods, reliable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper Class</td>
</tr>
<tr>
<td>49%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Convenient, saves time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper Class</td>
</tr>
<tr>
<td>25%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Don't have to haggle, bargain, argue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper Class</td>
</tr>
<tr>
<td>25%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Why don't like</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper Class 1</td>
</tr>
<tr>
<td>n=12</td>
</tr>
<tr>
<td>=100%</td>
</tr>
<tr>
<td>Middle Class 1</td>
</tr>
<tr>
<td>n=14</td>
</tr>
<tr>
<td>=100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Can't bargain, bargain for correct price, bargain for price can afford</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper Class</td>
</tr>
<tr>
<td>67%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Prices are not always equitably fixed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper Class</td>
</tr>
<tr>
<td>25%</td>
</tr>
</tbody>
</table>

1. The numbers are too small to be statistically significant.
The lower class housewives said they did not like fixed-price stores, primarily because they could not bargain. Even among those who said they did like fixed-price stores, half of them did so either because they felt they were paying the correct price in these stores or that such stores were reliable.

The number of fixed-price stores must necessarily be few in a society where the overwhelming majority of the people like to bargain off the quoted price. It is scarcely surprising that there are only a few fixed-price stores in Ceylon.

**Prepackaged Foods**

Very few food items in Ceylon are prepackaged. Of these, the most widely available are prepackaged chili powders and prepackaged curry powders.

There is almost no difference at all in prepackaged curry powder usage as between the "heavy" and "light" cookers, the employed and unemployed, and the society- and home-oriented. There is, however, a marked difference in usage between the housewives of different classes.

There were differences in the reasons given for usage and non-usage as between the different groups. Among the purchasers, convenience was reportedly more important to
SOCIAL CLASS AND USAGE OF PREPACKAGED CURRY POWDER

<table>
<thead>
<tr>
<th>Class</th>
<th>Upper</th>
<th>Middle</th>
<th>Lower</th>
</tr>
</thead>
<tbody>
<tr>
<td>n</td>
<td>5</td>
<td>67</td>
<td>16</td>
</tr>
<tr>
<td>%</td>
<td>=100%</td>
<td>=100%</td>
<td>=100%</td>
</tr>
</tbody>
</table>

Buy prepackaged curry powder 40% 48% 19%
Do not buy 60 52 81

"heavy" cookers, the unemployed, and the society-oriented. The "light" cookers and the home-oriented were concerned with the convenience of the prepackaged curry powders for their servants. Most of the non-purchasers were of the opinion that these packets were of poor quality or of adulterated quality, and a sizeable number said that they were not sure of the quality.

The sharpest contrast in reasons came out in the grouping by class. The lower class housewives who purchased did not mention the convenience factor at all; yet of those not purchasing only a little over a third said they did not purchase because they liked to prepare their own blend.

Only a third of the lower class purchaser-housewives responded to the question on the premium paid for the prepackaged curry powders. Perhaps the others did not know. Among the other groups, there was a large number of persons who answered the question of a premium with a "not much" or "don't know".
### The "Not Much" and "Don't Know" Responses Classified by Housewives' Characteristics

<table>
<thead>
<tr>
<th></th>
<th>Not Much</th>
<th>Don't Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heavy Cookers (n=16=100%)</td>
<td>50</td>
<td>41</td>
</tr>
<tr>
<td>Light Cookers (n=22=100%)</td>
<td>41</td>
<td>5</td>
</tr>
<tr>
<td>Employed (n=15=100%)</td>
<td>33</td>
<td>13</td>
</tr>
<tr>
<td>Unemployed (n=24=100%)</td>
<td>54</td>
<td>8</td>
</tr>
<tr>
<td>Society-oriented (n=15=100%)</td>
<td>30</td>
<td>10</td>
</tr>
<tr>
<td>Home-oriented (n=40=100%)</td>
<td>32</td>
<td>7</td>
</tr>
<tr>
<td>Upper Class(^1) (n=2=100%)</td>
<td>50</td>
<td>47</td>
</tr>
<tr>
<td>Middle Class (n=32=100%)</td>
<td>47</td>
<td>9</td>
</tr>
</tbody>
</table>

The largest group in Ceylon, the lower classes, are, proportionately, the lowest consumers of the prepackaged curry powders. Among the other classes, it is those to whom convenience is important who purchase the packets. Many purchasers do not know, or do not care to know, the premium on these prepackaged curry powders.

### Conclusion

The analysis of the housewife survey data explains, fairly clearly, that some of the features of retail institutions and techniques in Ceylon can be traced to the purchase habits and preferences of Ceylonese housewives. The analysis also shows the strong impact of the social and economic environmental factors that, through these purchase habits, tend to influence retail operations.

---

1. The numbers are too small to be statistically significant.
The retail features that can be traced to purchasing habits are the following: (a) the large number of small neighbourhood shops; (b) the large number of stores having long shopping hours; (c) the large number of stores selling food on credit; (e) the few large-sized stores; (f) the few stores with elaborate decor and layout; (g) the few fixed-price stores; (h) the absence of stores attempting to increase margins and prices with increasing customer facilities; (i) the absence of loss leader selling; (j) the absence of extensive prepackaging; and, (k) the absence of end-of-the-week special sales.
Chapter VII

THE ENVIRONMENT AND RETAILING

The data developed from the 1952 Census and from the MSI interviews tend to support the conclusion that the environmental factors have had an important influence in determining the nature of retail institutions and techniques found in various parts of Ceylon.

For 1952, five environmental and four retailing measures (outlined in Chapter V) were developed. I have, in Chapter V, described some of the features of advanced and backward environments, and of advanced and backward retail systems. When the nine provinces in Ceylon are ranked from developed to undeveloped (or advanced to backward) on each of the environmental and each of the retailing measures, the results show that the developed or advanced retailing features tend to be found in the provinces with the developed or advanced environments.

The following table shows the nine provinces ranked by the environmental measures. The Western Province, for example, ranks among the highest (most advanced) three provinces on all five of the environmental measures. Similarly,
the Northern Province ranks among the three highest provinces on three measures and among the medium provinces on the other two measures.

<table>
<thead>
<tr>
<th>Environmental Measures</th>
<th>Three Highest Provinces</th>
<th>Three Medium Provinces</th>
<th>Three Lowest Provinces</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Province</td>
<td>5</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Northern Province</td>
<td>3</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Central Province</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>11</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Eastern Province</td>
<td>2</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Southern Province</td>
<td>1</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Uva Province</td>
<td>1</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>North-western Province</td>
<td>3</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>North-central Province</td>
<td>3</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Sabaragamuwa Province</td>
<td>3</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>8</td>
<td>7</td>
<td>7</td>
</tr>
</tbody>
</table>

The following table shows the nine provinces ranked by the retailing measures. The Western Province, for example, ranks among the three highest provinces on all four retailing measures. Similarly, the Northern Province ranks among the highest three provinces on two of the measures, among the medium three provinces on the third measure, and among
the lowest three provinces on the fourth measure.

<table>
<thead>
<tr>
<th>Province</th>
<th>Three Highest Provinces</th>
<th>Three Medium Provinces</th>
<th>Three Lowest Provinces</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Province</td>
<td>4</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Northern Province</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Central Province</td>
<td>4</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Eastern Province</td>
<td>1</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Southern Province</td>
<td>3</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Uva Province</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>North-western Province</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>North-central Province</td>
<td>4</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Sabaragamuwa Province</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>8</td>
<td>1</td>
</tr>
</tbody>
</table>

Together, the tables show, for example, that the Western Province ranked among the highest three provinces on all five environmental measures and among the highest three provinces on all four retailing measures. The Sabaragamuwa Province ranked among the middle three provinces on two of the environmental measures and among the lowest three provinces on the three other environmental measures. On the four retailing measures, the Sabaragamuwa Province ranked
twice within the three middle provinces and twice among the lowest three provinces. Similar readings can be made of the other provinces.

The preceding tables can be summarized to show the provinces in three groups of three provinces each. The following table shows the environmental rankings of the provinces as groups. Thus, on the environmental measures, the Western, Northern, and Central Provinces, together, rank among the highest three provinces on 11 occasions, among the medium three provinces on three occasions, and once among the lowest three provinces.

<table>
<thead>
<tr>
<th>Environmental Measures</th>
<th>Three Highest Provinces</th>
<th>Three Middle Provinces</th>
<th>Three Lowest Provinces</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western, Northern, &amp; Central Provinces</td>
<td>11</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Eastern, Southern, &amp; Uva Provinces</td>
<td>4</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>North-western, North-central &amp; Sabaragamuwa Provinces</td>
<td>0</td>
<td>8</td>
<td>7</td>
</tr>
</tbody>
</table>

The following table shows the retailing rankings of the same groups of provinces. For example, the Western, Northern, and Central Provinces, together, rank among the highest three provinces on 10 occasions, among the medium three provinces on one occasion, and among the lowest three pro-
vinces on the other occasion.

<table>
<thead>
<tr>
<th>Retailing Measures</th>
<th>Three Highest Provinces</th>
<th>Three Medium Provinces</th>
<th>Three Lowest Provinces</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western, Northern, &amp; Central Provinces</td>
<td>10</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Eastern, Southern, &amp; Uva Provinces</td>
<td>2</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>North-western, North-central &amp; Sabaragamuva Provinces</td>
<td>0</td>
<td>4</td>
<td>8</td>
</tr>
</tbody>
</table>

Taken together, the data from these two tables could be read another way. On the environmental rankings, the Western, Northern, and Central Provinces ranked among the top three provinces on 11 of possible 15 occasions. They also ranked among the top three provinces on the retailing rankings on 10 of 12 possible occasions. Similar readings could be made for each of the two sets of provinces in the middle and at the bottom of the environmental rankings.

The table below shows the rankings, on the environmental and retailing measures, for only the highest three and lowest three provinces.
<table>
<thead>
<tr>
<th>Environmental Measures</th>
<th>Retailing Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Three Highest Provinces</strong></td>
<td><strong>Three Upper Provinces</strong></td>
</tr>
<tr>
<td>Western, Northern, &amp; Central Provinces</td>
<td>11</td>
</tr>
<tr>
<td>North-western, North-central and Sabaragamuwa Provinces</td>
<td>0</td>
</tr>
</tbody>
</table>

\( (X^2, p < .01) \)

\( (X^2, p < .01) \)

As can be seen from the table, the picture is much clearer when we look at only the top three and bottom three provinces. Ranked by the environmental measures, the Western, Northern, and Central Provinces rank among the top three provinces on eleven occasions, and among the bottom three provinces on one occasion. The North-western, North-central and Sabaragamuwa Provinces do not rank among the top three provinces at all, but do rank among the bottom three provinces on seven occasions. The chi-square test is used to find the significance of such a distribution in the ranking. The result \( (X^2, p < .01) \) means that the probability of such a distribution occurring by "pure chance" is less than one per cent. Thus it could be said, with reasonable certainty, that the Western, Northern, and Central Provinces are the three provinces with the most advanced environments (as I have defined advanced), and the North-western, North-central, and Sabaragamuwa Provinces are the three provinces with the most backward environments in Ceylon. The retailing measures table can be interpreted in the same manner: the Western, Northern, and Central Provinces
have the most advanced forms of retailing (as defined); and the North-western, North-central, and Sabaragamuwa Provinces have the most backward forms of retailing.

The picture is much the same when the four provinces covered by the MSI study are ranked by the 11 environmental and 19 retailing measures (described in Chapter V) developed for 1966.

The following table shows the rankings of the four provinces. Reading section (a), we find that on the 11 environmental measures, the Western Province ranked first (highest) on five measures and second on six measures. And on the 19 retailing measures the Western Province ranked first on six, second on 10, and third on three measures. Reading section (b), we find that on the environmental rankings, the Western and Northern Provinces together ranked first or second on 17 occasions, and third or fourth on five occasions. Similar readings can be made of the rankings of the other provinces on the two sets of measures. (See page 344)

In a broad and general way, therefore, both the 1952 and the 1966 data show that developed or advanced retailing features are found in regions that have developed or advanced environments. Separately, the Census and MSI data show the differences in retailing between the more and less developed (the advanced and backward) areas at a given point in time.
<table>
<thead>
<tr>
<th></th>
<th>Environmental Measures</th>
<th>Retailing Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1st 2nd 1st 3rd 4th 3rd or 4th</td>
<td>1st 2nd 1st 3rd 4th 3rd or 4th</td>
</tr>
<tr>
<td>(a)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Western Province</td>
<td>5 6 11</td>
<td>6 10 16 3 3</td>
</tr>
<tr>
<td>Northern Province</td>
<td>3 3 6 2 3 5</td>
<td>2 3 5 4 10 14</td>
</tr>
<tr>
<td></td>
<td>8 9 17 2 3 5</td>
<td>8 13 21 7 10 17</td>
</tr>
<tr>
<td>Southern Province</td>
<td>3 1 4 4 3 7</td>
<td>7 5 12 6 1 7</td>
</tr>
<tr>
<td>Central Province</td>
<td>1 1 5 5 10</td>
<td>4 1 5 6 8 14</td>
</tr>
<tr>
<td></td>
<td>3 2 5 9 8 17</td>
<td>11 6 17 12 9 21</td>
</tr>
</tbody>
</table>

(b)  

<table>
<thead>
<tr>
<th></th>
<th>1st or 2nd 3rd or 4th</th>
<th>1st or 2nd 3rd or 4th</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western &amp; Northern Provinces</td>
<td>17 5</td>
<td>21 17</td>
</tr>
<tr>
<td>Southern &amp; Central Provinces</td>
<td>5 17</td>
<td>17 21</td>
</tr>
<tr>
<td></td>
<td>($X^2$, $p &lt; .01$)</td>
<td>($X^2$, $p &lt; .01$)</td>
</tr>
</tbody>
</table>

(c)  

<table>
<thead>
<tr>
<th></th>
<th>1st or 2nd 3rd or 4th</th>
<th>1st or 2nd 3rd or 4th</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Province</td>
<td>11 0</td>
<td>16 3</td>
</tr>
<tr>
<td>Central Province</td>
<td>1 10</td>
<td>5 14</td>
</tr>
<tr>
<td></td>
<td>($X^2$, $p &lt; .01$)</td>
<td>($X^2$, $p &lt; .01$)</td>
</tr>
</tbody>
</table>
Jointly, when similar data are available in both instances, they demonstrate the consistency of that pattern of development over time.

The relationship between the individual environmental variables and retailing patterns is shown below. Each environmental variable is taken in turn, a prediction is made as to what retailing picture one would expect to find, and the prediction is tested against the actual data available.

**Design for Analysis**

As the intention is to show the relationship between two sets of variables (environment and retailing), the technique used for analysis is a two-by-two design. There are two sets of data, each of which is divided into two ranges of high and low (e.g., high and low density of population, and high and low degrees of product specialization). There are two columns of observed data (one each for the high and the low of one variable) and two rows of observed data (one each for the high and the low of the other variable).

<table>
<thead>
<tr>
<th>High Density of Population (Column 1)</th>
<th>Low Density of Population (Column 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Product Specialization (Row 1)</td>
<td></td>
</tr>
<tr>
<td>Low Product Specialization (Row 2)</td>
<td></td>
</tr>
</tbody>
</table>
When the rows and the columns are combined into one table, as above, the highs of both the variables occur in the box formed by column 1 and row 1, the lows of both in column 2 and row 2, and so on. Set up in this way, we can see to what extent the highs of one variable tend to be associated with the highs of the other, and to what extent the lows of one tend to be associated with the lows of the other.

The 1952 Census provided data on nine provinces; the MSI data (1966) was broken down into four provinces. Thus for the Census data the "three highest provinces" and the "three lowest provinces" are used for comparative purposes. For the MSI data the breakdown is between the "two high provinces" and the "two low provinces."

For example, using the actual data in the study, the environmental measure of 'density of population,' and the retailing measure of 'proportion of product-specialized stores,' rank the provinces as:

<table>
<thead>
<tr>
<th>Census Data</th>
<th>MSI Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Density of Population</td>
<td>Density of Population</td>
</tr>
<tr>
<td>Product Specialized Stores</td>
<td>Product Specialized Stores</td>
</tr>
<tr>
<td>1. Western Province</td>
<td>1. Western Province</td>
</tr>
<tr>
<td>1. Central Province</td>
<td>1. Northern Province</td>
</tr>
<tr>
<td>2. Central Province</td>
<td>2. Central Province</td>
</tr>
<tr>
<td>2. Southern Province</td>
<td>2. Western Province</td>
</tr>
<tr>
<td>3. Southern Province</td>
<td>3. Southern Province</td>
</tr>
<tr>
<td>3. Western Province</td>
<td>3. Southern Province</td>
</tr>
<tr>
<td>Density of Population</td>
<td>Product Specialized Stores</td>
</tr>
<tr>
<td>----------------------</td>
<td>---------------------------</td>
</tr>
<tr>
<td>5. North-Western Province</td>
<td>5. Eastern Province</td>
</tr>
<tr>
<td>6. Northern Province</td>
<td>6. Uva Province</td>
</tr>
<tr>
<td>7. Uva Province</td>
<td>7. North-Western Province</td>
</tr>
</tbody>
</table>

Then, the analysis shows the Highs and the Lows as:

**Census Data**

<table>
<thead>
<tr>
<th>Density of Population</th>
<th>Product Specialization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Three Highest Provinces</td>
<td>Three Lowest Provinces</td>
</tr>
<tr>
<td>Western</td>
<td>Uva</td>
</tr>
<tr>
<td>Central</td>
<td>Eastern</td>
</tr>
<tr>
<td>Southern</td>
<td>North-central</td>
</tr>
</tbody>
</table>

**MSI Data**

<table>
<thead>
<tr>
<th>Density of Population</th>
<th>Product Specialization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two High Provinces</td>
<td>Two Low Provinces</td>
</tr>
<tr>
<td>Western</td>
<td>Southern</td>
</tr>
<tr>
<td>Central</td>
<td>Northern</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Density of Population</th>
<th>Product Specialization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Three Highest Provinces</td>
<td>Three Lowest Provinces</td>
</tr>
<tr>
<td>Central</td>
<td>North-western</td>
</tr>
<tr>
<td>Southern</td>
<td>North-central</td>
</tr>
<tr>
<td>Western</td>
<td>Sabaragamuwa</td>
</tr>
</tbody>
</table>
The prediction in this instance was that the more densely populated areas will have more product specialized stores. The analysis of the preceding data, using a two-by-two design, yields the result:

<table>
<thead>
<tr>
<th></th>
<th>Census Data</th>
<th>MSI Data</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Density of Population</td>
<td>Density of Population</td>
</tr>
<tr>
<td>Three Highest</td>
<td>Three Lowest Provinces</td>
<td>Two High Provinces</td>
</tr>
<tr>
<td>Product</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Specialized</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Stores</td>
<td>Three Lowest Provinces</td>
<td>Two Low Provinces</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

**Interpretation of Results**

In the above illustration, the prediction was that product-specialized stores would be found in areas of high population density; therefore, the results should have come out with the observations occurring more on the predicted diagonal (top left to bottom right) of the two by two design. That is, the areas high in population density should also be the areas high in product-specialized stores, and the areas low in population density should also be the areas low in product specialization. The best possible results would have been: for the Census data—three each in the top left and bottom right boxes; and for the MSI data—two each in
the top left and bottom right boxes.

For the Census data, a maximum of six overlaps could occur. The prediction would be deemed correct if:

6 of 6
4 or more of 5
4 of 4
and, 3 of 3

appear on the predicted diagonal.\(^1\) The results would be deemed contrary to prediction if these events occur on the other diagonal.

The results would be deemed to be in the predicted direction if:

4 of 6
3 of 5
3 of 4
and, 2 of 3

appear on the predicted diagonal.\(^2\) The results would be deemed to be in the contrary direction if these events occur

---

1. Six overlaps of six is significant at the .02 level; four overlaps of five, and three overlaps of three are significant at the .04 level; and four overlaps of four is significant at the .06 level.

2. Four of six overlaps is significant at .02; three of five overlaps is significant at .04; three of four overlaps is significant at .08; and two of three is significant at .12 level.
on the other diagonal.

No evidence would be inferred from any other result.

In the specific instance of density of population and product specialization cited above, the prediction is deemed correct as all four of the overlaps have occurred on the predicted diagonal.

For the MSI data, all four overlaps must occur, and in the two-by-two design this may come out as four on one diagonal, for example:

<table>
<thead>
<tr>
<th>Environmental Measure</th>
<th>Environmental Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two High Provinces</td>
<td>Two Low Provinces</td>
</tr>
<tr>
<td>Two High Provinces</td>
<td>Two Low Provinces</td>
</tr>
</tbody>
</table>

Retailing Measure

| Two High Provinces | 2 | 0 |
| Two Low Provinces  | 0 | 2 |

OR

| Two High Provinces | 0 | 2 |
| Two Low Provinces  | 2 | 0 |

or, the events may occur two on each diagonal, for example:

<table>
<thead>
<tr>
<th>Environmental Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two High Provinces</td>
</tr>
<tr>
<td>Two Low Provinces</td>
</tr>
</tbody>
</table>

Retailing Measure

| Two High Provinces | 1 |
| Two Low Provinces  | 1 |

| Two Low Provinces | 1 |
| Two High Provinces| 1 |
A correct prediction would result if four were to occur on the predicted diagonal.\(^1\) If four were to occur on the other diagonal the result would be deemed to be contrary to prediction. Where the result is two on each diagonal, the matrix will be expanded. The following illustrations are five possible ways of expanding the matrix.

If on environmental measure 'X' the four provinces rank as:

1st Western Province (WP)
2nd Northern Province (NP)
3rd Southern Province (SP)
4th Central Province (CP)

and, if the retailing measures 'A' to 'E' ranked the provinces as:

\[
\begin{array}{cccccc}
 & A & B & C & D & E \\
1st & WP & WP & CP & CP & NP \\
2nd & SP & CP & WP & NP & CP \\
3rd & NP & SP & NP & SP & WP \\
4th & CP & NP & SP & WP & SP \\
\end{array}
\]

then, in all these instances the two-by-two design will have two events on each diagonal. When the matrices are expanded, they will take the forms:

\[\text{[Expanded matrix content]}\]

\[\text{[Notes on significance]}\]

\[\text{1. Four could occur on the predicted diagonal by chance in four instances, each with a probability of .04. With only four observations (or items) levels of significance are not meaningful.}\]
(A)  WP NP SP CP  (B)  WP NP SP CP  
     WP  1        WP  1  
     SP  1        CP  1  
     NP  1        SP  1  
     CP  1        NP  1  

(C)  WP NP SP CP  (D)  WP NP SP CP  
     CP  1        CP  1  
     WP  1        NP  1  
     NP  1        SP  1  
     SP  1        WP  1  

(E)  WP NP SP CP  
     NP  1  
     CP  1  
     WP  1  
     SP  1  

Several such combinations are possible, depending on the ranking of the provinces, but the general trends can be seen from the illustrations, A to E. If the predicted diagonal in these instances had been top left to bottom right, then:

A and C would be deemed to indicate a result in the predicted direction.\(^1\)

---

1. Seven such results are possible by chance, each with a probability of .04. Again, the probabilities are not meaningful.
B and D would be deemed to be in the contrary direction, and, in all cases, 'E' would indicate no evidence.

In the illustration (population density and product specialization) cited above, the result is contrary to predicted direction, as the expanded matrix comes out in the form:

<table>
<thead>
<tr>
<th></th>
<th>NP</th>
<th>WP</th>
<th>SP</th>
<th>CP</th>
</tr>
</thead>
<tbody>
<tr>
<td>WP</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CP</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SP</td>
<td></td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>NP</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
</tbody>
</table>

meaning that the prediction was incorrect. That is, the MSI data does not show that product specialization is higher in densely populated areas.

The Results

Generally, the results showed that the predictions were correct. Presented here are the results of the two-by-two design interaction analysis, and a brief comment on the relationships that are established. Also presented are comments on the predictions (and therefore relationships) that were not established. A summary discussion of the significance of the positive results, and the significance and further analysis of the negative results, is contained in the next chapter.
Per Capita Incomes

Per capita income figures, on a regional basis, could be developed only for 1952. Of the several facets of retailing that could have been examined, data for 1952 were available only on product specialization and on store size. The hypotheses tested were:

(a) **Product specialization is more prevalent in higher income areas**

(b) **Stores are larger in higher income areas.**

Two measures for the degree of product specialization (the proportion of product-specialized stores, and proportion of sales through product-specialized stores) and two measures for the size of stores (employment, sales, and customers combined; and employment only) have been developed.

The influence of incomes on specialization is clearly demonstrated. For both measures used, the prediction was correct. Although on both measures of store size the relationship was not very clear, the outcome was in the predicted direction.

It may be said, then, that a greater degree of product specialization is found in high income areas rather than in low income areas. There is also a tendency for stores to be larger in high income areas. It would seem that incomes may have to reach a certain level before product-specialized
stores and larger stores may be successfully operated by retailers. This and similar evaluations, at the conclusion of the discussions on the environmental factors examined in this chapter, are not meant to be statements of cause-effect relationships. Rather, they pin-point the enabling and/or restraining features of the environmental factor examined.

Levels of Economic Growth

Measures for the levels of regional economic growth could also be developed only for 1952. Retailing data were again limited to product specialization and store size. The hypotheses tested were:

(a) **Product specialization is more prevalent in areas with higher levels of economic growth**

(b) **Stores are larger in areas with higher levels of economic growth.**

The prediction was correct on both measures of store size. Here the impact of economic growth on store size was brought out clearly. As to product specialization, the issue was not so clear, but the results on both measures were in the predicted direction.

It may be said, then, that a greater number of large stores is found in higher growth level areas. Stores also tend to be more product-specialized in higher growth level
areas. It would seem that a certain level of economic growth may have to be attained before a country may have large and product-specialized stores.

Density of Population

Measures of the density of population are available for both 1952 and 1966. The hypotheses tested were:

In areas where there is a high density of population

(a) product specialization will be more prevalent
(b) stores will be larger
(c) fairs will be fewer
(d) self-service stores will be more prevalent
(e) fixed and marked prices will be more widely used
(f) margins will be based less on scarcity and more on the basis of other considerations
(g) retail food advertising will be more extensive
(h) promotions will be used to a greater extent
(i) credit sales will be fewer
(j) guarantees and return privileges will be more in use
(k) stores will be open for shorter periods.

Only on one of the four comparable occasions (i.e., store size by sales, employment, and customers; store size by employment; number of product specialized stores; and, sales through product specialized stores) do the Census and MSI data give nearly similar results: a high density of po-
population correlates with store size, as measured by the number of employees. The prediction was correct for the MSI data, and in the predicted direction for the Census data. In the other instance of store size (by sales volume), the Census data was in the predicted direction while the MSI data offered no evidence. On the proportion of specialized stores, the Census data predicted correctly, while the MSI data were contrary in direction; and, on the proportion of sales through specialized stores the Census data, once again, predicted correctly, but the MSI data were contrary to prediction.

For the rest of the hypotheses, the 1966 data showed the prediction correct in two instances (fairs, self-service stores), and the results were in the predicted direction for three others (credit sales, use of guarantees and returns, hours of operation). The results were contrary to predicted direction for fixed and marked prices, and for the fixing of margins. They were contrary to prediction for advertising.

Considering both sets of data, it may be said that in Ceylon the more densely populated areas have larger stores, more self-service stores, and fewer fairs. Also, there appears to be a tendency for the stores in densely populated areas to have a greater use of guarantees and return privileges, fewer credit sales, and shorter hours of operation. The conflicting results in the case of product specializa-
tion may be due to poor data or a distortion of the environment provided by population density (both these aspects are dealt with in the next chapter). The negative results pertaining to fixed and marked prices and to margins may be due to a distortion of the environment provided by density of population.

However, it appears that, until areas reach a certain level in population density, primitive retail institutions such as fairs may dominate, and larger stores and self-service stores may not be successfully introduced by retailers.

**Urbanization of Population**

Measures for the proportion of the population living in urban areas are available for both 1952 and 1966. The hypotheses tested were:

In the more urbanized areas

(a) **product specialization is more prevalent**
(b) **the stores are larger**
(c) **self-service stores are more prevalent**
(d) **credit sales are lower**
(e) **shop hours are shorter**.

For both the Census and the MSI data, the extent of specialization, as measured by the proportion of specialized stores, was correctly predicted. For the extent of specia-
lization, as measured by sales through specialty stores, the Census data show a correct prediction, but the MSI data were contrary to the predicted direction.

For store size, as measured by both the measures used, the Census data were contrary to the predicted direction, while the MSI data are in the predicted direction.

The MSI data on the extent of self-service stores were contrary to predicted direction. Credit sales and shop hours data were in the predicted direction.

It does seem that urbanization is clearly associated with a higher number of specialized food stores, and perhaps with a higher proportion of sales through such stores. Urbanization seems to have some impact on the size of stores, but none on the prevalence of self-service stores. Urbanization tends to be associated with low credit sales, shorter shop hours.

The conflicting results with respect to sales through product-specialized stores and store size, and the negative results with respect to self-service stores, may be due to the fact that other environmental factors (such as consumer preferences) distort the influence of urbanization. However, it does seem that people in retailers' areas of operation may have to reach a sufficient degree of urbanization before these retailers could successfully operate large and
product-specialized stores.

**Literacy of Population**

Literacy was used here as an index of the awareness on the part of consumers of the food situation, of their rights as consumers, and also of their ability to make an equitable bargain. Literate communities, it was thought, would be more demanding, and, therefore, such communities were expected to have more advanced forms of retailing.

Literacy rates are available only for 1952. The latest available figures are from the *Census of Population, 1953*. The two hypotheses tested for 1952 were:

*In areas where the general literacy of the population is high*

(a) the proportion of product-specialized stores is high

(b) the size of store by employment is larger.

In the first case the data came out in the predicted direction, but in the second case the outcome was in the contrary direction.

If it is assumed that there was, between 1952 and 1966, no change in the rank ordering, by literacy, of the four provinces covered by the MSI study, the literacy rate ap-
pears to be\(^1\) a good predictor of certain aspects of retailing. The hypotheses that:

Where there is a high rate of literacy there is

(a) a larger proportion of product-specialized stores
(b) a more extensive use of fixed and marked prices
(c) a greater prevalence of margins not fixed on the basis of scarcity

came out according to prediction.

Four hypotheses:

In areas of high literacy

(a) stores are larger in terms of employment
(b) credit sales are lower
(c) loss leader type selling is more prevalent
(d) advertising is more prevalent

came out in the predicted direction.

One hypothesis—that the prevalence of self-service stores would be higher—came out in the contrary direction, and another, that inventory periods would be longer, came out contrary to prediction. There is no evidence of a relationship between literacy and retailer purchasing practices, or between the use of guarantees and returns and literacy.

---

1. This may not be a bad assumption. The percentage of population literate in 1952 was: Western Province 68; Northern Province 66; Southern Province 56; and Central Province 46.
It seems that the level of literacy does affect a number of retailing features. Some, such as advertising and marked prices, are directly affected and others indirectly. However, in the absence of more recent literacy data, it is not possible to state such relationships with a great deal of confidence.

Newspaper Circulation

Newspaper circulation figures, on a regional basis, are not available for 1952. The figures for 1966 were calculated as described in Chapter V. The hypotheses tested were:

Where the newspaper circulation is high

(a) sales through specialty stores will be higher
(b) self-service stores will be more prevalent
(c) use of fixed and marked prices will be more extensive
(d) fixing margins on bases other than scarcity will be more prevalent
(e) advertising usage will be higher
(f) promotions will be more in use
(g) loss-leader type selling will be more prevalent.

Data on fixed and marked prices, and data on margin policies came out as predicted. Data on self-service came out in the predicted direction. Data on specialty stores and on loss-leader type selling came out in a contrary direc-
tion. On the other two hypotheses, the result was "no evidence."

It seems that in areas with higher newspaper circulations there does seem to be a greater use of: fixed and marked prices, and better margin policies. There is also a tendency for more self-service stores to be found in areas with high newspaper circulations. The negative results may be due to the fact that the influence of newspapers is reduced by other environmental forces. However, it would seem that fixed and marked prices, and better margin policies, may be demanded by consumers in high-newspaper-circulation areas. Also, it would seem that retailers may successfully operate self-service stores in such areas.

Newspaper Readership

Newspaper circulation alone does not provide an accurate picture of people's exposure to newspapers. One does not know, for example, whether one copy of the paper is read by many persons (as is common in Ceylon), or whether one person purchases two or more different newspapers daily. Thus, newspaper readership was also used as a measure of the consumer environment.

There were no data to develop a readership measure for 1952. There were only three of the MSI's four areas for which readership data were available, from the readership
survey discussed in Chapter V. As such, there were only three possible results from testing: according to prediction, contrary to prediction, or no evidence. The hypotheses tested were:

Where the newspaper readership is high

(a) sales through specialty stores are high
(b) self-service stores are more prevalent
(c) advertising is more extensive
(d) promotions are used more extensively
(e) loss-leader type selling is more prevalent.

Except for the data on self-service and for the data on loss-leader type selling, where the outcomes were in the predicted direction, in all other instances the results indicated no evidence.

As readership data were available only for three of the four MSI areas, it was not possible to get a correct prediction in these tests. This was because there were four observations for the retail feature and only three observations for the environment feature. The best result that could have been obtained was a result in the predicted direction. The three "no evidence" results may be due partly to this fact (that there were only three observations), and partly due to the influence of readership being distorted by other environmental factors. It is also possible that "sales through specialty stores" have, in fact, no relationship to news-
paper readership.

However, it does seem that self-service stores and loss-leader selling may be successfully introduced only when the consumers are readers of newspapers.

Availability of Trade Credit

Measures for trade credit were available only for 1966. The hypotheses tested were:

When the availability of trade credit is high

(a) the number of specialty stores will be higher
(b) stores will be larger
(c) proprietorships will be fewer
(d) self-service stores will be more prevalent
(e) retailer co-operation will be higher
(f) retailer purchases will be more on the basis of price
(g) a larger number of retailers will be purchasing for sales of specified periods
(h) inventory periods will be longer
(i) fixed and marked prices will be more prevalent
(j) fixing of margins on bases other than scarcity will be more prevalent.

On inventory periods the data came out as predicted. On specialization, fixed and marked prices, and on margins,
the outcomes were in the contrary direction. On all other counts, the data were in the predicted direction.

It may be said, then, that inventories will be larger in areas where trade credit is liberal. Also, there is a tendency in such areas for stores to be larger, proprietorships to be fewer, self-service to be more prevalent, retailer co-operation to be higher, larger numbers of retailers to be purchasing on the basis of price and purchasing in quantities sufficient to meet sales of specified periods. The negative results may be due to a distortion of the environment provided by trade credit facilities.

It would seem that, unless trade credit facilities are available, the retailers may be limited in the size and nature of the operations they could conduct, and they also may be limited in the services they could offer.

Aggressiveness of Manufacturers' and Wholesalers' Selling

Data on the selling methods used by manufacturers and wholesalers are not available for 1952. The measures used here were developed (as described in Chapter V) from the MSI data. The hypotheses tested were:

When the manufacturers and wholesalers use aggressive selling methods

(a) product specialization will be more prevalent among
retailers
(b) retail stores will be larger
(c) proprietorships will be fewer in retail stores
(d) self-service stores will be more prevalent
(e) more retailers will be purchasing on the basis of price
(f) more retailers will be purchasing in quantities related to sales of specified periods
(g) retail inventories will be for longer periods
(h) fixed and marked prices will be more prevalent in retail shops
(i) fixing of retail margins will be on bases other than scarcity
(j) retail advertising will be more extensively used
(k) retail promotions will be more extensively used
(l) loss-leader type selling will be more common.

Data on store size (by employment, sales, customers), on proprietorships, retailer purchases based on price, retailer purchases for sales of specified periods, and on loss-leader selling came out according to prediction.

Data on specialization (both by number and by sales), on longer period inventories, on fixing of margins, and on advertising came out in the predicted direction.

The data on self-service, on fixed and marked prices, and on promotions were contrary to predicted direction.
The data show that larger stores, fewer proprietorships, more retailers purchasing on the basis of price and purchasing for sales of specified periods, and loss-leader selling are features of areas where manufacturers and wholesalers sell aggressively. There is also a tendency in such areas for there to be long-period inventories, better bases for fixing of margins, and use of retail food advertising. The negative results may have been due to a distortion of the environment provided by the manufacturers' and wholesalers' selling methods.

It would seem, then, that unless suppliers use aggressive selling methods the retailers may be limited in the size and nature of their operations, and in the nature of the services they may offer.

**General Advertising**

A measure of advertising by all (including non-food) manufacturers and wholesalers was developed for 1966, and the hypothesis tested was:

**In areas where there is heavy advertising by all manufacturers and wholesalers, there will be a larger number of self-service stores.**

The data came out in the predicted direction and tended to support the hypothesis. It is generally necessary for a
customer to be pre-sold before he goes into a self-service store. The result here may not be very clear-cut because the measure used for self-service included partial-self-service stores. However, there is some evidence for the belief that extensive general advertising may be necessary before self-service stores are successfully introduced by retailers.

Consumer Preference for Price over Quality

A measure was developed, as described in Chapter V, for the 1966 data and the hypotheses tested were:

In areas where consumers prefer price more than quality

(a) there will be more fairs
(b) fewer retailers will purchase on the basis of price
(c) fewer retailers will purchase in quantities related to sales of specified periods
(d) credit sales will be higher
(e) fewer retailers will be offering guarantees and return privileges
(f) there will be less use of loss-leader type selling.

In every instance the outcome was in a contrary direction; these results are dealt with in the next chapter. On the basis of the present interaction analysis, it does seem that consumer preference for price more than for quality has
no effect on the types of retail institutions or techniques, in Ceylon at least.

Consumers Purchasing Daily and in Small Quantities

A measure was developed from the 1966 data of the extent of consumers purchasing in small quantities and making such purchases daily. The hypotheses tested were:

In areas where consumers make small purchases daily

(a) stores will be smaller
(b) self-service stores will be less prevalent
(c) fewer retailers will be purchasing on the basis of price
(d) fewer retailers will be purchasing in quantities related to sales of specified periods
(e) inventory periods will be shorter
(f) use of fixed and marked prices will be less prevalent
(g) fixing of margins on bases other than scarcity will be less common
(h) there will be less advertising
(i) promotions will be fewer
(j) credit sales will be more frequent
(k) guarantees and return privileges will be less common
(l) loss-leader type selling will be less common
(m) store hours will be longer.

On fixed and marked prices, and on margin policies, the data came out as predicted. For self-service and for advertising the data came out in the predicted direction.

Except for inventory periods, the rest of the data came out contrary to predicted direction; for inventory periods the data were contrary to prediction.

The large number of negative results may be due to the fact that consumer preference for daily shopping and in small quantities is not, in itself, sufficient to influence retail practices. That is, there may not be a direct relationship between this specific aspect of consumer preference and some specific retail features.

It does seem, though, that the use of fixed and marked prices and better margin policies may be limited by the daily purchase habits of customers. There may be a tendency for such a limitation on the use of self-service and advertising by retailers.

Store Patronage Because of Credit

A measure was developed from 1966 data of the extent of customers demanding and using credit facilities. The hypotheses tested were:
When customers patronize stores on the basis of the credit facilities available

(a) advertising is less extensively used
(b) promotions are less extensively used
(c) credit sales are high
(d) offer of guarantees and return privileges are little used
(e) loss-leader type selling is less prevalent
(f) shop hours are longer.

Data on credit sales, guarantees and returns, loss-leader type selling, and shop hours came out as predicted. Data on advertising were in the predicted direction. Promotions were contrary to predicted direction.

The data show that, in areas where customers demanding and using credit facilities are many, there is less advertising, more credit sales, less use of guarantees and return privileges, less use of loss-leader type selling, and longer shop hours. The negative result in respect to promotions may be due to the fact that the data were only on price-reduced sales and not on promotions in general.

It appears that strong consumer preference for credit may limit the retailers in the retailing practices they use.

Consumer Preference for Neighbourhood Shopping

A measure was developed for 1966 of the consumer pre-
ference for shopping at neighbourhood stores. The hypotheses tested were:

In areas where consumers prefer neighbourhood shopping

(a) product specialization is lower
(b) stores are smaller
(c) self-service is less prevalent
(d) inventories are for short periods
(e) use of marked and fixed prices is infrequent
(f) margins are fixed less on bases other than scarcity
(g) advertising is lower
(h) promotions are fewer
(i) credit sales are higher
(j) guarantees and return privileges are fewer
(k) shop hours are longer.

The prediction was correct for data on specialization (number of specialty stores), fixed and marked prices, and margin policies. The prediction was in the correct direction for specialization (sales through specialty stores), advertising, credit sales, and shop hours.

Data were contrary to predicted direction for store size, self-service, promotions, and for guarantees and return privileges. Inventory data came out contrary to prediction.

The data seem to show that in areas where neighbourhood
shopping is heavy, specialization is low, fixed and marked prices are less prevalent, margins are fixed less on bases other than scarcity, advertising is low, credit sales are high, and store hours are longer. The negative results may be due to a distortion of the environment provided by consumer preference for neighbourhood shops.

However, it could be said that strong consumer preference for neighbourhood shops may limit some methods that the retailers may use.

Summary of Predictor Performance

Table I is a summary of the performance of the environmental features used to predict the expected retailing features and techniques. As separate environmental features, per capita income, level of economic growth, general advertising, consumer store patronage due to credit facilities, aggressiveness of manufacturers' and wholesalers' selling methods, availability of trade credit, urbanization of population, and density of population make correct predictions on more than two out of three tests. The performance is poorest, predicting correctly in one or less out of three times, by the measures of consumer preference for daily purchases in small quantities, and consumer preference for price over quality.

As groups of measures, the economic and business environ-
<table>
<thead>
<tr>
<th>Environment</th>
<th>Total Predictions</th>
<th>Prediction Correct or In Correct Direction</th>
<th>Prediction Contrary or In Contrary Direction</th>
<th>Percentage Correct Predictions and Predictions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Environment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Per Capita Income</td>
<td>(C) 2</td>
<td>2</td>
<td></td>
<td>100.0</td>
</tr>
<tr>
<td>Level of Economic Growth</td>
<td>(C) 2</td>
<td>2</td>
<td></td>
<td>100.0</td>
</tr>
<tr>
<td>Demographic Environment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Density of Population</td>
<td>(C) 2</td>
<td>2</td>
<td></td>
<td>69.2</td>
</tr>
<tr>
<td>Density of Population</td>
<td>(M) 11</td>
<td>7</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Urbanization</td>
<td>(C) 2</td>
<td>1</td>
<td>1</td>
<td>71.1</td>
</tr>
<tr>
<td>Urbanization</td>
<td>(M) 5</td>
<td>4</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Social Environment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Literacy of Population</td>
<td>(C) 2</td>
<td>1</td>
<td>1</td>
<td>61.5</td>
</tr>
<tr>
<td>Literacy of Population</td>
<td>(M) 11</td>
<td>7</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Newspaper Circulation</td>
<td>(M) 7</td>
<td>3</td>
<td>2</td>
<td>42.9</td>
</tr>
<tr>
<td>Newspaper Readership</td>
<td>(M) 5</td>
<td>2</td>
<td>3**</td>
<td>40.0</td>
</tr>
<tr>
<td>Business Environment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Availability of Trade Credit</td>
<td>(M) 10</td>
<td>7</td>
<td>3</td>
<td>70.0</td>
</tr>
<tr>
<td>Aggressiveness of Manufacturers</td>
<td>(M) 13</td>
<td>10</td>
<td>3</td>
<td>78.9</td>
</tr>
<tr>
<td>General Advertising</td>
<td>(M) 1</td>
<td>1</td>
<td></td>
<td>100.0</td>
</tr>
<tr>
<td>Consumer Environment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer Preference for Price</td>
<td>(M) 6</td>
<td>6</td>
<td>6</td>
<td>41.7</td>
</tr>
<tr>
<td>Daily and Small Quantity Shopping</td>
<td>(M) 13</td>
<td>4</td>
<td>1</td>
<td>30.8</td>
</tr>
<tr>
<td>Store Patronage for Credit</td>
<td>(M) 6</td>
<td>5</td>
<td>1</td>
<td>83.3</td>
</tr>
<tr>
<td>Neighbourhood Shopping</td>
<td>(M) 11</td>
<td>6</td>
<td>5</td>
<td>54.6</td>
</tr>
</tbody>
</table>

(C) Census data; (M) MSI data; *MSI data and 1953 literacy; **As the environmental data for three regions only these three instances indicate non-identical ranking.
mental factors, and the demographic environmental factors turn out the best performances; the social environmental factors' performance is average.

As shown in Table II, the predictability of the groups of environmental factors differs as between the different types of retail features they are expected to predict.

Table II

Environmental Factors Predicting Retail Features

<table>
<thead>
<tr>
<th>Percentages of Correct Predictions</th>
<th>Economic</th>
<th>Demographic</th>
<th>Social</th>
<th>Business</th>
<th>Consumer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specialization</td>
<td>100.0</td>
<td>62.5</td>
<td>50.0</td>
<td>66.7</td>
<td>50.0</td>
</tr>
<tr>
<td>Store size</td>
<td>100.0</td>
<td>62.5</td>
<td>50.0</td>
<td>100.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Special features</td>
<td>NP</td>
<td>66.7</td>
<td>66.7</td>
<td>83.3</td>
<td>33.3</td>
</tr>
<tr>
<td>Purchasing policies</td>
<td>NP</td>
<td>NP</td>
<td>00</td>
<td>100.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Inventory policies</td>
<td>NP</td>
<td>NP</td>
<td>00</td>
<td>100.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Pricing policies</td>
<td>NP</td>
<td>0.0</td>
<td>100.0</td>
<td>25.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Advertising &amp; Promotions</td>
<td>NP</td>
<td>50.0</td>
<td>20.0</td>
<td>50.0</td>
<td>50.0</td>
</tr>
<tr>
<td>Consumer services</td>
<td>NP</td>
<td>100.0</td>
<td>50.0</td>
<td>NP</td>
<td>37.5</td>
</tr>
<tr>
<td>Loss-leader selling</td>
<td>NP</td>
<td>NP</td>
<td>66.7</td>
<td>100.0</td>
<td>33.3</td>
</tr>
<tr>
<td>Store hours</td>
<td>NP</td>
<td>100.0</td>
<td>NP</td>
<td>NP</td>
<td>66.7</td>
</tr>
</tbody>
</table>

NP = No predictions made.

Conclusion

Some of the environmental measures (particularly, con-
sumer preference for price over quality) proved to be poor predictors. Some others (e.g., per capita incomes) performed reasonably well. Also, some of the retail features to be expected (e.g., use of advertising and promotions) were predicted poorly, while some others (e.g., store hours) were predicted reasonably well. Over-all, the predictions that turned out to be correct (thus supporting the hypotheses), and the instances where the data came out in the predicted direction (thus tending to support the hypotheses), indicate fairly substantial support for the general hypothesis that certain specific retailing features are related to specific features in the environment. Some possible explanations for the negative results have been suggested and these are examined in greater detail in the next chapter.
CHAPTER VIII
SUMMARY AND CONCLUSIONS

The findings of the Ceylon study confirm my general hypothesis, that is that more advanced retailing institutions and techniques tend to be found in more advanced environments, as I have defined the term "advanced."¹ Not only is the overall pattern of retailing institutions and practices in Ceylon substantially less advanced than that found in industrialized western countries, but within Ceylon itself the nature of institutions and practices varies a great deal from region to region. The analyses which have been made in the preceding chapters show that certain patterns of institutions and practices tend to correlate rather closely with the incidence of certain elements in the environment: in economically and socially advanced sections of the country, we find significantly more advanced food retailing institutions and practices. The overall pattern is such as to suggest that these environmental factors shape and set limits to the types of food retailing institutions and techniques that may exist within any given region.

¹ See pp. 275, 297 - 298.
It will be recalled that in order to test my general hypothesis, the approach taken was:

1. to set out a list of environmental features that could be defined as "advanced";

2. to set out a list of food retailing institutions and practices that could be defined as "advanced";

3. to gather data concerning the incidence of both environmental and retailing features; and,

4. to determine to what extent the advanced environmental features were found in conjunction with advanced retailing institutions and practices.

While by far the majority of the predictions about retailing made on the basis of environmental features turned out to be confirmed, there were some notable exceptions. Some of the incorrect predictions are explainable in terms of faulty research design, and others in terms of poor quality data; these will be discussed later in the chapter. I shall summarize here the main approaches used and conclusions reached in my study in Ceylon.

Table I is a summary of the predictions that turned out to be correct, and Table II is a summary of those that were in the predicted direction.

It will be useful at the outset to review briefly the
<table>
<thead>
<tr>
<th>TABLE I</th>
<th>ENVIRONMENTAL AND RETAILING VARIABLES BETWEEN WHICH PREDICTED INTERACTIONS WERE CORRECT</th>
</tr>
</thead>
<tbody>
<tr>
<td>CENSUS DATA</td>
<td>M. S. I. DATA</td>
</tr>
<tr>
<td>ENVIRONMENTAL VARIABLES</td>
<td></td>
</tr>
<tr>
<td>PER CAPITA INCOME GROWTH</td>
<td>X</td>
</tr>
<tr>
<td>LEVEL OF ECONOMIC GROWTH</td>
<td>X</td>
</tr>
<tr>
<td>DENSITY OF POPULATION</td>
<td>X</td>
</tr>
<tr>
<td>URBANIZATION</td>
<td>X</td>
</tr>
<tr>
<td>LITERACY OF POPULATION</td>
<td>X</td>
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<tr>
<td>S</td>
<td>S</td>
</tr>
<tr>
<td>RETAILING VARIABLES</td>
<td></td>
</tr>
<tr>
<td>NUMBER OF PRODUCT SPECIALIZED STORES</td>
<td>X</td>
</tr>
<tr>
<td>SALES THROUGH PRODUCT SPECIALIZED STORES</td>
<td>X</td>
</tr>
<tr>
<td>STORES LARGE IN EMPLOYMENT, SALES, CUSTOMERS</td>
<td>X</td>
</tr>
<tr>
<td>STORES LARGE IN EMPLOYMENT</td>
<td>X</td>
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<tr>
<td>NUMBER OF FAIRS</td>
<td>X</td>
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<tr>
<td>NUMBER OF PROPRIETORSHIPS</td>
<td>X</td>
</tr>
<tr>
<td>NUMBER OF SELF-SERVICE STORES</td>
<td>X</td>
</tr>
<tr>
<td>RETAILER CO-OPERATION</td>
<td>X</td>
</tr>
<tr>
<td>RETAILER PURCHASES ON PRICE</td>
<td>X</td>
</tr>
<tr>
<td>RETAILER PURCHASES LINKED TO SALES</td>
<td>X</td>
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<tr>
<td>LONG-PERIOD INVENTORIES</td>
<td>X</td>
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<tr>
<td>FIXED AND MARKED PRICES</td>
<td>X</td>
</tr>
<tr>
<td>MARGIN POLICIES</td>
<td>X</td>
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<tr>
<td>ADVERTISING</td>
<td>X</td>
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<tr>
<td>PRICE PROMOTIONS</td>
<td>X</td>
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<tr>
<td>CREDIT SALES</td>
<td>X</td>
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<tr>
<td>GUARANTEES AND RETURN PRIVILEGES</td>
<td>X</td>
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<tr>
<td>LOSS LEADER TYPE SELLING</td>
<td>X</td>
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<tr>
<td>SHOP HOURS</td>
<td>X</td>
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</tbody>
</table>

E=ECONOMIC  D=DEMOGRAPHIC  S=SOCIAL  B=BUSINESS  C=CONSUMER
### Table II

**Environmental and Retailing Variables Between Which Interactions Were in Predicted Direction**

<table>
<thead>
<tr>
<th>Environmental Variables</th>
<th>PER CAPITA INCOME</th>
<th>LEVEL OF ECONOMIC GROWTH</th>
<th>DENSITY OF POPULATION</th>
<th>LITERACY OF POPULATION</th>
<th>Pop. growth</th>
<th>Newspaper readership</th>
<th>Availability of trade credit</th>
<th>General advertising</th>
<th>Consumer General Advertising</th>
<th>Consumer Purchase Daily Small Quantities</th>
<th>Consumer Patronize Stores Because of Credit Facilities</th>
<th>Consumer Shop in Neighborhood Shops</th>
</tr>
</thead>
<tbody>
<tr>
<td>NUMBER OF PRODUCT SPECIALIZED STORES</td>
<td>E</td>
<td>D</td>
<td>S</td>
<td>D</td>
<td>S</td>
<td>B</td>
<td>C</td>
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<tr>
<td>SALES THROUGH PRODUCT SPECIALIZED STORES</td>
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<td>STORES LARGE IN EMPLOYMENT, SALES, CUSTOMERS</td>
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<td>STORES LARGE IN EMPLOYMENT</td>
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<td>PRICE PROMOTIONS</td>
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<td>LOSS LEADER TYPE SELLING</td>
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<td>SHOP HOURS</td>
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E = Economic  D = Demographic  S = Social  B = Business  C = Consumer
types of data and analyses used in the study, so as to underline some of the limitations of the conclusions drawn from my research.

**Types of Data**

It will be recalled that I used four main sources of data:

1. Information gained from a personal survey of leading merchants and trade officials (the "interview data");

2. Data from a survey of Ceylonese housewives regarding their food shopping habits (the "housewife survey");

3. The Census of 1952, the only such census conducted in Ceylon (the "Census data");

4. A study of the flow of goods through various distribution channels in Ceylon, conducted in 1966 by the Marketing Science Institute (the "MSI data").

The interview data was useful as far as they went. The only shortcoming, and a very important shortcoming indeed was the absence of quantitative data. This is a feature common to most, if not all, underdeveloped areas, where businessmen are notoriously reluctant to disclose figure data. At least in

---

1. For example, Edwin F. Wigglesworth and Jiri Brotan (Retailing Trends in Thailand, Journal of Retailing, Summer 1966, pp 41-51) discuss the difficulties they encountered in obtaining quantitative data from Thai retailers.
part, this is because they do not know. Partly, it is because there is no tradition of publication of data; a tradition that is developed, often, in industrialized countries by regular government censuses or trade association data collections.

Despite this limitation the qualitative information provided by the interviewees proved extremely useful in helping to explain why certain types of institutions developed as they did. Similarly, this information was useful in helping to explain why certain patterns of retailing practices were in use, and why others were not.

The **housewife survey data** were useful in disclosing buying habits of the respondents. In the translation into Sinhalese, some questions had been transliterated, thereby making such questions meaningless. Some of these questions related to the housewives' attitudes to sales people, retail food advertising, brands, and leisure. The responses were not used when the data were processed. Had these responses been useable, the survey would have been of much more use than it was; nevertheless it provided very useful information on consumer buying preferences as they influenced food retail institutions, their features, and the retailing techniques used therein.

The **Census data** were used to develop two independent (environmental) variables and four dependent (retailing)
variables relating to product specialization and store size. Because this data could be used to test only a few relationships, the data were limited in their usefulness; but within the limited application, the data performed very well. The predictions were correct, or the outcomes were in the predicted direction, in eight of eight interactions when both the independent and dependent variables were from the Census data, and in seven of 10 interactions when only the dependent variables were from the Census data.

The MSI data provided the larger part of the data amenable to quantitative analysis. Seven independent and 19 dependent variables were developed from this data. With very few exceptions, all of the data proved valid and reliable. The data on sales volumes were estimates by the interviewers; in some instances the interviewers could not estimate sales, so that a substitute device was used as described in Chapter V. The proportion of specialized food stores' sales to all sales was the weakest of the measures developed from the MSI data. Some of the independent variables were inferential measures rather than direct measures. For instance, the measure of "consumer preference for price over quality" did not come from a direct consumer survey, but was developed from the retailers' responses to a question on whether customers who called at their stores were interested more in price than in quality. Some of these inferential measures, particularly
the one referred to above, performed poorly.

Types of Analysis

The analyses used were of three types:

1. Information obtained from the interview data and the housewife survey related to Ceylon as a whole. The presence or absence of retail institutions and features in Ceylon generally was explained in terms of environmental conditions for Ceylon. Thus, for example, a large number of fairs (farmers' markets) were found in Ceylon, and this was related to the high proportion of poor rural people in the country.

2. The MSI and Census data were used primarily for regional or sectoral comparisons between more and less developed provinces. Thus, for example, the proportion of fairs was found to be higher in areas with a low density of population than in areas with a high density of population.

3. Finally, taken together, the Census and MSI data showed the consistency of these relationships over time, a period of 14 years. This analysis was confined to the two retail features, product specialization and store size, the only retailing data that could be developed from the Census data. If there had been another Census around 1966, or had the MSI data been
more exhaustive, it would have been possible to trace other relationships, e.g., between increasing or decreasing urbanization with, say, increasing or decreasing product specialization. As it is, it can be said that both in 1952 and in 1966 the proportion of product-specialized stores was higher in more urbanized areas than in less urbanized areas.

The principal features demonstrated by these analyses are described and summarized in the following sections.

Retail Institutions

One of the most significant features of food retailing in Ceylon is the prevalence of small shops that specialize in one line of food. Of the 22 retail institutions described in Chapter IV, eight sell only one particular food line each. Thus, for example, bakery stores sell only bakery products, grocery stores sell only groceries, and the beef stalls in the municipal markets sell only beef. In 1952, the latest year for which figures were available, such stores represented 14 per cent of all food stores and accounted for 27 per cent of food store sales.

The importance of these single product food stores is, I believe, a consequence of certain unique social and economic factors in Ceylon. In the survey Ceylonese consumers said they preferred to purchase their meat and fish in different
stores, different meats in different stores, and groceries in a store where no fish or meat was sold. Partly, this is religious: most Buddhists do not eat beef, no Hindus eat beef, and so on. Partly, it is a widely prevailing attitude - "it is unclean to have beef and mutton (goat meat) in the same place". And it is almost unthinkable to a Ceylonese that fish and meat be sold in the same store.

Economically, the small single-product shop operators do not have the capital to diversify by product or to expand their physical facilities. With the exception of the grocery stores, all these stores are small, and tend to carry a single day's stock. These storekeepers cannot afford to carry larger stocks; the absence of refrigeration facilities makes it nearly impossible to do so; and, because consumers purchase daily, and in small quantities sufficient to meet the day's requirements, sales are almost the same daily and it is not difficult to make inventory calculations.¹

My investigation also revealed some interesting facts regarding the origin of new retail institutions. The discussion in Chapter IV showed how some types of institutions, like the

estate shops, co-operative stores, Marketing Department shops, and CWE shops have been started as a result of strong social and political forces. These were not cases of the innovator-entrepreneur taking advantage of a favourable environment, but of an authority group taking the initiative to establish an institution so as to avoid dislocating society. The "weekend markets" in Thailand, for example, were established by municipalities that had been forced to create this institution to meet the needs of the small growers and the poor segments of the population, both groups being extremely large in the population.¹ This is very similar to the pattern in Ceylon.

Another example of this divergence from the "textbook" pattern of economic development is the department store. The department store in Ceylon is an institution quite different from the department store in North America, and different still from its direct ancestor, the British department store. When the institution was "transplanted" to Ceylon, it was adapted to and shaped by the environment. The food department and luxury element of the early British department store were maintained. But the Ceylonese department store was run as an appendage of the much larger, more prosperous British import house businesses. The process of adaptation was similar to

¹ Wigglesworth and Brotan, op cit
that reported in Nigeria.\textsuperscript{1} Department stores in North America and Britain, particularly in North America,\textsuperscript{2} moved in many cases away from their early luxury focus and became mass merchandisers to a growing middle class. Both in Ceylon and in Nigeria these critical environmental factors were, and are, not present. When the department store was introduced in Japan, the mass market already existed to a large extent, but bulk purchasing direct from manufacturers was forbidden by law.\textsuperscript{2} As a result the department store in Japan is not quite like its counterpart in either Britain or North America,\textsuperscript{2} illustrating clearly how the retail outlet tends to be shaped by its environment.

Fairs are largely farmers' markets; Chapter IV showed how their importance for an area's farmers and their produce increases with the distance of the fair from urban centers. Chapter VII has shown that the ratio of fairs to population is high in areas of low population density.

The so-called weekend markets in Thailand and the collective markets in Nigeria are institutions similar to the fairs in Ceylon.\textsuperscript{3} It does seem, however, that the importance of the

\begin{enumerate}
\item Robert E. Weigand, "Department Stores in Japan", \textit{Journal of Retailing}, Fall 1963, pp 31-35.
\item Wigglesworth and Brotan, \textit{op cit}; Baker, \textit{op cit}
\end{enumerate}
collective markets to the economy of Nigeria is greater than that of the weekend markets to Thailand's economy, which in turn is greater than the importance of fairs to Ceylon's economy. Ceylon is more highly developed than Thailand (with the exception of the Bangkok area), which in turn is more developed than Nigeria. This suggests that the fair as a retail institution is more important in less developed areas.

The slow growth of frozen produce stores in Ceylon is due in large measure to the costs of refrigeration, putting that class of goods outside the price range of an overwhelming majority of the people. Even among those who could afford frozen foods, the low ownership of household refrigerators, and the consumer resistance to frozen meats and fish (discussed in Chapter IV), have considerably narrowed the frozen produce market, and kept the number of stores extremely low. The negative attitudes of retailers have not, in any way, helped to expand that narrow base.

While Ceylon's food retailing is marked by a large number of small, product-specialized shops, it also somewhat paradoxically features a large number of general merchants (general stores) due both to consumer preferences and to the lack of volume to specialize in food only. I have shown (in Chapter V) that level specialization among general merchants, particularly in the outstations, is low due to lack of retail volume to make retailing only an economic proposition. In the analysis
in Chapter VII relating to the number of product-specialized stores, and sales through product-specialized stores, the non-specialized stores are predominantly general merchants. I shall show in the next section that specialization by product is more common in urban areas with high incomes and high population density. This is the same thing as saying that general stores are more commonly found in rural, low income, sparsely-populated areas.

Only 20 per cent of Ceylonese live in urban areas. Over half the number of food stores are general stores, and over half the sales in food stores are made through general stores. In Finland, a third of the population is urban and general stores account for a third of retail establishments and 36 per cent of sales. In the U.S. where more than four-fifths of the population is urban, general stores account for one per cent each of the number of, and sales in, retail establishments.¹

The incidence of hawkers and pavement hawkers, virtually unknown in industrialized economies, is largely the result of low incomes and under-employment. The general hawkers can apparently carry on because: (a) Ceylonese housewives are reluctant to go out and shop for food on their own; and, (b) those who are not so reluctant have no means of convenient transportation to go out to the market place. Hawkers and peddlers were a common retail feature in 18th century U.S., but have now virtually disappeared. They are still very much a part of the retail

¹ Alton, op. cit
life in present day Latin America, Africa, and Asia. The economic environment appears to be the key to understanding the presence of hawkers in food retailing.

One other unique feature of Ceylonese food retailing is that petrol station operators have taken to food retailing, in part because of the absence of any degree of differentiation in the gasoline they sell. The change in the competitive structure in gasoline retailing has pushed these operators into taking on food lines (and other lines that do not need too much investment), in an attempt to differentiate the total package they offer to the motorist. In North America this differentiation is offered by way of the service and repair facilities that are provided. In Ceylon, very few petrol station operators have the necessary capital to invest in service and repair facilities.

Some types of food retail institutions discussed in Chapter IV are not referred to in this section. For some, the reasons for their existence and mode of operation are fully covered in that chapter. For some others, such reasons will emerge in the section that follows on patterns of retailing features and techniques.

Retail Features and Techniques

The preponderance of the proprietorship type of organization, with its attendant consequences (such as small size and
lack of aggressiveness), is due partly to the attitude of Ceylonese towards the management of their money, and partly to an undeveloped business environment that does not provide the facilities for larger retail operations. I have also shown that in areas where there is liberal trade credit, and in areas where manufacturers and wholesalers are using aggressive sales approaches, the one-man shops are few. ¹ A large proportion of proprietorships reflects low general economic and, particularly, low business development:

Store location and areas of operation are, to a large extent, determined by the consumers they serve. Consumers in Ceylon, as I have shown from the housewife survey data, tend to shop daily, purchase in small quantities, and prefer neighbourhood shops. As such, most shops in Ceylon are neighbourhood types that have a small area of operation. These consumer preferences are related to economic factors like underemployment, and to social factors like the low ownership of automobiles and refrigerators, which in turn are reflections of a relatively poor economic environment. ²

¹ Both in Spain and in Thailand (Wigglesworth and Brotan, op cit; Lewis, op cit) where the business environments are relatively undeveloped the retail shops are typically one-man operations.

² According to Bennett (op cit) and Alton (op cit), in Chile, where about one-third of households have refrigerators (but the large group of lower class households can claim only one refrigerator in twenty homes), and in Finland where the household refrigerators are very small; the normal practice is toward daily shopping for food and the shops are mostly neighbourhood types.
A store's area of operation is also related to the size of the store. Stores in Ceylon are small, in part because of low incomes, low density of population, high rural population, low literacy, little trade credit, and non-aggressive manufacturers and wholesalers. Within Ceylon the stores tend to be larger in high income, densely-populated, urban, and literate communities where the manufacturers and wholesalers are taking a more aggressive approach to selling.\(^1\)

Store loyalty patterns show that fewer than a third of Ceylonese housewives make most of their food purchases at a single store. In such circumstances it is not possible for there to be many large food stores. For a large number of the housewives classifying themselves as in the lower economic class,\(^2\) the drawing power of a store did not seem to stem from the products it had to offer, but rather from the longer hours it was open and the credit facilities it granted. Food stores that offer such services are generally the small neighborhood types, the one-man operations that are so common on the retail scene in Ceylon.

In Ceylon the product-specialized stores are usually

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1. According to Wigglesworth and Brotan (op cit), it is interesting that in Thailand where the suppliers play a passive role, with no salesmen, no credit or deliveries to retailers, the large majority of shops are small.

2. The lower class, when defined as those families with incomes less than Rs. 2,500 per year, make up 90 per cent of Ceylonese.
those selling fish, or different kinds of meat, or vegetables. Where other types of groceries are sold, the stores in Ceylon are the least specialized. Few of the stores selling non-perishable groceries sell groceries only. Such stores cannot operate on the day-to-day store-to-table time span that the meat or fish stores do. They have to be sufficiently large to carry a range and volume of grocery items over time spans longer than one day. To do this economically, they must have a sufficient sales volume in groceries only. That volume is achievable only in developed areas.

The two food products used in the MSI study were rice and canned fruits. Most of these foods were sold in non-product-specialized stores, that is, general stores rather than grocery stores. From the analysis in Chapter VII, it was concluded that the extent of product specialization was higher in high income, high (economic) level, densely populated, urban, and literate communities where the manufacturers and wholesalers used aggressive selling methods and consumers had a low preference for neighbourhood shops.

I have also shown, in Chapter IV, that retailer purchasing policies are often dictated, not by the "best buy" that could be obtained, but by various personal connections and other considerations. Nor are quantities purchased, in most instances, dictated by decisions as to economically desirable inventory

1. The patterns are the same in Chile, Finland, Spain, and Thailand. Bennett; Alton; Lewis; Wigglesworth and Brotan, op cit.
levels. The analysis in Chapter VII showed that more economical buying practices, i.e. purchasing on the basis of price, and purchasing for sales of specified periods, were more common in areas where manufacturers and wholesalers adopt more aggressive selling methods. Although the daily small-purchase habit of consumers might reasonably have been expected to affect these retailer purchase habits, the data did not show such a relationship.

For a large number of food stores there were no inventory problems, as their stocks were expected to last one day, or two to three days at most. Small retail operators have insufficient funds to tie up in inventory, and they find it difficult to go looking for suppliers or arrange for their own transportation. In 1966, there was also the problem of some products being in short supply. The regional analysis showed that longer period inventories were more common in areas with liberal trade credit, and where manufacturers and wholesalers used aggressive selling methods. Again, the daily small-purchase habits of consumers did not seem to affect inventory periods.

Credit sales are important in Ceylon. Credit is important to most Ceylonese as they receive incomes at less frequent intervals than weekly or fortnightly. Credit purchases are also important to the mass of rural people with seasonal incomes. The sectoral analysis showed that credit sales were low in literate, densely-populated urban areas, and high in
areas where consumers preferred neighbourhood type shops.

The MSI data on deliveries were scanty and could not be used for any meaningful sectoral analysis. My interviewees spoke of the importance of delivery services in Ceylon, but the housewife survey data showed that deliveries were used almost exclusively by the middle and upper classes. Deliveries are not as important in Ceylon as the retailers made out, because the bulk of the consumers purchase in small quantities.

Clerk service seems to be important in Ceylon. This is partly because customers demand it, and partly because clerical help is cheap. It is apparent, however, that the service is important only to those stores that cater to a small special segment of the people. Porterage service follows the same pattern.

A rather high percentage of housewives of all classes stated their appreciation of attractive decor and layout. However this appreciation may not be critical to the decision of the lower classes patronizing a store that does not have the decor and layout because of their inability to pay the price for such pleasant surroundings. Decor and layout are more important to stores in well-to-do areas or to stores catering to the well-to-do.

It was only the larger shop operators among my interviewees who offered guarantees and return privileges. The
regional analysis in Chapter VII showed that guarantees and return privileges were more common in densely populated areas where customers did not need to patronize stores because of credit facilities. Guarantees and returns are consumer services that are offered in areas with more advanced environments.

Consumer services are not an undifferentiated "package" that can be subjected to broad generalization. When a retailer offers a service, it is important to know what type of customer he caters to; of, if he caters to different types, it is important to know what type of customer uses such a service. Customer services must be differentiated by the purposes they serve. Some services may be only useful to some classes, and critical to others. Other services may be useful to some classes, but useless to others. For example, credit service on the one hand, and delivery, clerk service on the other, are services provided, largely, to different groups of customers. Thus, the importance of the service as a retail feature differs according to the proportions of these groups in the community.

There are only two genuine self-service stores in Ceylon. Self-service has not been introduced by retailers, primarily because of their fear of thefts by customers or sales help. Retailers also claim that a lack of a sufficient quantity of food stuffs makes a self-service store unfeasible. Although the retailers may not recognize it, the absence of prepackaging,
limited private transportation, and the daily purchase habits of consumers, also appears to make successful self-service difficult to accomplish. The economies to be attained through self-service may also not be very meaningful in a cheap labour economy. 1

Among those who had patronized a self-service store, there was no strong resistance to the idea of self-service. The MSI data on the self-service feature (rather loosely defined) were really data for stores with some degree of self-service. These types of stores are more widespread in densely populated areas where circulation of newspapers and their readerships are high, trade credit is liberal, general advertising levels are high, and in areas where few customers purchase daily and in small quantities. It is clear from the regional analysis that certain environmental prerequisites have to be met before the self-service technique can be introduced even in a limited way.

Both the interview and MSI data showed a very unsophisticated approach to pricing among Ceylonese retailers. This state of affairs is due partly to the attitudes of businessmen,

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1. Many of the same reasons are adduced for the low prevalence, or absence, of self-service in some other countries: Chile - low automobile ownership, lack of prepackaging... price controls because of food scarcities (Bennett, op cit); Spain - low cost clerical help (Lewis, op cit). Edward W. Cundiff ("Concepts in Comparative Retailing", Journal of Marketing, January 1965, pp 59-63) says that self-service did not become extensive in Australia until the employee work hours regulations were enforced.
the bulk of whom are operating a primitive type of retail system, and partly to the preferences of the consumers the retailers deal with. As in the case of Peruvian retailers\(^1\), Ceylonese retailers are not aware of price-volume relationships, and, as in the case of Peru, margins are decided on the basis that it is "only the 'here and now' that counts".

The regional analysis showed that more businesslike, long term, more sophisticated margin policies were adopted in areas of high literacy with a high circulation of newspapers; in areas where the manufacturers and wholesalers were using aggressive selling methods; and, in areas where few consumers preferred neighbourhood shops, and few tended to purchase daily and in small quantities.

The earlier chapters have shown that fixed and marked prices are recent innovations in Ceylonese retailing, and that marked prices have been forced on some retailers due to high employee turnover. I have shown that many retailers make small reductions from fixed and even marked prices to meet consumers' bargaining.\(^2\) The housewife survey showed the importance of bargaining to Ceylonese housewives, particularly the lower

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2. Wigglesworth and Brohan (*op cit*) describe how, in Thailand, although prices are marked on products in many shops, there is a "predisposition of the shopkeeper to modify a price to encourage a sale".
class housewives who form the majority. Apart from this, the sectoral analysis showed that fixed and marked prices were found more often in literate communities with a high circulation of newspapers, and in communities where few consumers were interested in neighbourhood shops or in small purchases made daily.

Boss-leader type of selling is infrequent in Ceylon, and more infrequent in areas of low literacy and low newspaper readership, in areas where manufacturers and wholesalers play a passive role, and in areas where credit is important to consumers.

Prepackaging and private branding are minimal in Ceylon. Packaging costs are extremely high, and few stores have sufficient volume for private branding. Besides, Ceylonese housewives express distinct resistance to prepackaged food stuffs.

I have also shown that the inordinately long hours of operation for food stores are due to the expectations, if not the demands, of the mass of not-so-well-off rural people. The sectoral analysis shows that shop hours are longer in sparsely populated rural areas where consumers patronize neighbourhood type stores and stores where they could obtain credit.
Environmental Factors as Predictors of Retailing

In Tables I and II of this chapter, I have grouped the environmental factors used in my studies into five broad categories: economic, demographic, social, business, and consumer. The governmental category was dropped as the independent measure developed proved to be unsatisfactory. Set up in this way, the tables indicate the effectiveness of the factors as predictors, both as a group, and as individual factors within the group.

The economic environment is clearly very important for retailing. The economic factors determine both the supply and demand conditions for retailing institutions and techniques. Essentially, these factors control the ability of the economy to produce or import the products retailed; the ability of the retailers to provide the package of goods, convenience, and service at a price; and the ability of consumers to buy that package at that price. As measures of economic development, per capita incomes that reflect the consumers' ability to purchase, and levels of economic growth that reflect capacity to produce or import products, are useful predictors of the type of retail institutions and retail techniques to be found in a country.

Because of the country's underdeveloped economy, stores in Ceylon tend to be small, non-specialized, and to carry
small inventories; the proportion of fairs is high; self-service stores are few; and, price promotions infrequent. A similar link between the economic environment and retailing is borne out, in a limited way, by the regional analysis of the Census data.

It is unfortunate that measures, such as per capita incomes and levels of economic growth for Ceylon, could not be developed on a regional basis for 1966. The income and growth level measures developed for 1952 perform extremely well. The stage of economic development of a country, as measured by per capita incomes and by the level of economic growth, appears to be a good basis for the prediction of product specialization and store size.

It is also unfortunate that my measure of food availability proved to be unsatisfactory, as I suspect that the availability of food does have an effect on several retail institutions and techniques such as, for example, specialization, store size, fairs, self-service, purchasing and inventory policies, and advertising and promotions.

The demographic environment in a country is similarly very important for retailing. If the population of a country is widely scattered, there may be no areas having sufficient concentration to make an economic unit for a market. Again, if the population in a country is predominantly rural, the
advanced merchandising practices, almost all of which have been developed for urban areas, will have limited application. Large concentrations of population and a high degree of urbanization are features of a country with higher levels of industrialization.

The importance of density of population and urbanization is reflected in the fact that in Ceylon the stores are small and non-specialized, there are a large number of fairs and few self-service stores, price promotions are few, and consumer credit facilities extensive, guarantees and return privileges are less extensive, and store hours are long. Density of population seems to be a good basis for predicting the extent of product specialization and store size, the importance of fairs, the use of self-service, price promotions and guarantees and return privileges, the use of credit facilities, and extended shop hours. The extent of the urbanization of the population was a good basis for predicting product specialization and store size, the use of credit, and extended shop hours.

Some predictions based on demographic environmental factors (as was the case with other environmental factors) failed to predict correctly the retailing features associated with them. I have already raised the possibility of poor data. Another possibility is that there was no necessary relationship between the environmental factor and the retailing
feature examined. A third possibility is that the particular relationship was predicted incorrectly, due to an erroneous conceptualization of the role of the environment in the specific instance:

A fourth possibility is that the direct influence of one environmental factor (e.g., urbanization) may have been distorted by its interaction with another environmental factor (e.g., literacy). If two environmental factors are positively correlated, then it may be difficult to identify the influence, on retailing, of one of them alone. If, however, the influence of one of them (literacy) is held constant, then the influence of the other (urbanization), acting alone, may be seen more clearly.

As was pointed out in the previous chapter, for 1966 five of the predictions based on density of population were contrary to prediction or contrary to predicted direction, and there is "no evidence" on one prediction. Three of these predictions turned out to be correct if the effect of "availability of trade credit" was held constant, and one prediction was correct if the effect of literacy was held constant.

1. The rank order correlation between areas ranked by density of population and availability of trade credit was +.49. The Western and Southern Provinces were the most closely matched on the availability of trade credit, with a one percentage point difference between them on that measure. As between these two areas, the one with the higher density of population had the higher proportion of specialty stores, the higher proportion of stores not using scarcity as a basis for margins, and the higher proportion of stores with fixed and marked prices. With the effect of literacy held constant (there was a one percentage point difference between the areas most closely matched for literacy; and rank order correlation of literacy with density of population is +.31) the area with the higher density of population had the higher proportion of larger stores.
I have also shown that three predictions based on urbanization turned out to be contrary in direction. Two of these were correct for the two areas most closely matched for "consumer preference for neighbourhood shops", and the other was correct for the two areas most closely matched for "consumer preference for price over quality".  

The environment provided by government for retailing is also very important. If the government regulates the prices or flow of goods in a market, thereby interfering in the free market mechanism, retail institutions cannot develop in a normal (e.g., economic) way; retailers often can not continue with existing methods and techniques and, still less, adopt new retailing methods and techniques.

Because of Ceylon's 20-year history of price and import controls, and because of governmental participation in retailing through government or government-sponsored institutions, it was not surprising to find a retail system that reflected the impact of these curbs by featuring small non-specialized stores, primitive retailer purchasing and pricing policies, a low level of advertising and promotions, and a low level of

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1. With the effect of consumer preference for neighbourhood shops held constant (one percentage point difference, rank order correlation +.83), the more urbanized area had a higher proportion of sales through specialty stores, and a lower proportion of fairs. With the effect of consumer preference for price over quality held constant (four percentage point difference, rank order correlation +.83), the more urbanized area had a larger proportion of self-service stores.
consumer services. However, as I have shown, these features of the prevailing system cannot be attributed solely to the government.

It is unfortunate that the measures developed for the impact of government-sponsored/participatory stores were found to be unsatisfactory. The two measures developed for government participation did not discriminate between advanced and backward areas, as this type of store was meant to take off the pressure on supplies and prices. This is indicated by the fact that in 1966, in areas of high Marketing Department store participation, stores had infrequent price promotions.

The social environment in which retailing operates manifestly exerts an important influence on the institutions, methods and techniques that retailers can use. The more literate the consumers, the more pervasive the media of communication available to them, the larger the number of consumers who seek information through such media, and the higher the physical mobility of such consumers, then the more advanced the retailing institutions, methods, and techniques can be. Also, the larger the middle class in the community, the more successful can be the applications of the most recent innovations in retailing. It is useless, for example, to advertise in newspapers to a group that is largely illiterate, or to a group that is not reached by a newspaper, or to a group that rarely reads a newspaper.
Ceylon has the highest literacy rate in Asia, but still about one-third of the population cannot meet the basic reading and writing test for literacy. I have referred to the low circulation and low readership of newspapers and the disparity of these rates among regions. Automobile ownership is extremely low, and the middle and upper classes form a small minority of the population. In keeping with such a social environment, the interview data showed an underdeveloped retail system, and the regional analysis shows that the retail system was more backward in areas where the social environment was less developed.

No data on a regional basis were available for automobile ownership or for the breakdown on the population by classes. The rate of literacy proved a good predictor for product specialization, store size, pricing, credit, and loss-leader type of selling. The newspaper circulation rate was a good basis for predicting self-service and pricing policies. Newspaper readership was a good basis for predicting self-service and loss-leader type selling.

Measures developed for the social environment predicted best on pricing practices and policies (such as fixed and marked prices, and margin policies) and predicted worst on the use of advertising and promotions. The predictions which had given negative results improved when the effect of other environmental forces was held constant. For example, the
rank correlation between areas ranked by literacy and consumer preference for daily purchases in small quantities was +.66. As between the two areas with the closest match for consumers purchasing daily and in small quantities, the more literate area had the higher proportion of self-service stores, higher proportion of stores purchasing on the basis of price and purchasing for sales of a specified period, a higher proportion of stores with longer period inventories, and a higher proportion of stores offering guarantees and return privileges.

Two of the incorrect predictions based on the circulation of newspapers were correct when areas were held constant for the effect of consumer preference for price over quality, one prediction was correct when held constant for advertising by all manufacturers and wholesalers, and another when held constant for literacy.¹

The measure of newspaper readership applied only to three of the four areas, and therefore the data did not turn up conclusive evidence on three of the predictions. One of

¹ Held constant for consumer preference for price over quality (four percentage point difference, rank correlation +.83) the high newspaper circulation areas had a higher proportion of sales through specialty stores, and a higher proportion of stores advertising. Held constant for ALL advertising (five percentage point difference, rank correlation +.49) the higher circulation area had a higher proportion of stores using price promotions. Held constant for literacy (one percentage point difference, rank correlation +.83) the higher circulation area had a higher proportion of stores using loss-leader type selling.
the predictions was correct when the areas were held constant for consumer preference for credit.\footnote{Held constant for consumer preference for credit (four percentage point difference, rank correlation +1.0) the higher readership area had a higher proportion of stores using price promotions.}

The \textbf{general business environment}, that is the environment provided by manufacturers, wholesalers, and other non-retail commercial and financial institutions, is important to retailers. The types of retail institutions, and the methods and techniques used therein, tend to be related to this general business environment in which the retailers operate. If, for example, general levels of advertising are low, consumers are not as likely to be "pre-sold", and this makes self-service difficult. If trade credit is tight, stores will tend to be smaller, retailers will look for other considerations than best price for their purchases, inventories will be for very short periods, and so on. If manufacturers and wholesalers play a passive role and leave the selling initiative to the retailers, there will be more owner-operated, small, non-specialized stores, short period purchases, and so on.

In Ceylon the business environment is relatively undeveloped, and therefore the retailing system showed corresponding primitive features. The interview data show that Ceylon's is essentially a "backward" retailing system. The regional
analysis showed a clear connection between the level of business environment and the type of retailing that it supports.

Trade credit facilities, for example, proved to be a good basis for predicting store size, prevalence of proprietorships, self-service and retailer co-operation, and retailer purchasing and inventory policies. The aggressiveness of the manufacturers' and wholesalers' selling methods was a good basis for predicting product specialization, store size, the prevalence of proprietorships, purchasing and inventory policies, margin policies, advertising and loss-leader selling. General advertising was a good basis for predicting self-service.

Three of the predictions based on the availability of trade credit were incorrect. All of these were correct when the effect of density of population was held constant. 1

Of the three incorrect predictions based on the aggressiveness of manufacturers' and wholesalers' selling methods, two were found to be correct when the areas were held constant for literacy, and the other when urbanization was held

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1. For the two areas most closely matched for density of population (125 persons per square mile difference, rank correlation +.49) the area with the higher availability of trade credit had the higher proportion of specialty stores, a higher proportion of stores using fixed and marked prices, and a higher proportion of stores using bases other than scarcity in fixing margins.
constant.¹

The consumer environment, by which I mean the environment created by consumer attitudes and preferences, is manifestly important for retailing. In the economic environment, per capita incomes help indicate the ability of consumers to purchase in a particular retail pattern. Here, I am concerned with the willingness of consumers to accept such a pattern of retailing. This willingness may be due to reasons that are economic, or social, or both. If, for example, most consumers prefer neighbourhood type stores, there is little room for product specialization. Or, if the bulk of the consumers purchase daily and in small quantities, there is little chance for the success of a high-volume low-margin type of store. Again, if consumers patronize stores because of the credit facilities that are made available to them, there is little use in having extensive promotional advertising. If consumers resist prepackaged foods, there will be difficulty running a self-service store.

One reason for the backwardness of the retailing system

¹For the two areas most closely matched for literacy (one percentage point difference, rank correlation +.49) the area with the higher aggressiveness had a larger proportion of self-service stores, and a larger proportion of stores using price promotions. Matched for urbanization (one percentage point difference, rank correlation +.49) the area with the higher aggressiveness had a higher proportion of stores using fixed and marked prices
in Ceylon is, I believe, because Ceylonese consumers prefer price to quality, most consumers prefer neighbourhood type stores, most consumers purchase daily and in small quantities, and they patronize stores more for the credit facilities offered. The regional analysis does show that in areas where consumer preferences are more "sophisticated", there is a higher incidence of more advanced forms of retailing.

Consumer preference for price over quality turned out to be a totally useless predictor. One reason for this may be that retailers gave their own rationalization as the answer to the question from which the data were derived. Another may be that the question was based on a faulty concept of the consumer's perceptions and buying motives.

The extent of consumers purchasing daily and in small quantities appears to be a good basis for predicting self-service, pricing policies, and advertising. The extent of store patronage due to credit facilities appears to be a good basis for predicting advertising, consumer credit facilities, guarantees and return privileges, loss-leader type selling, and store hours. Preference for neighbourhood type shops appears to be a good basis for predicting product specialization,

1. The question was: "When customers in this area buy X (the product) what interests them most: price, quality, other things (possibility of buying on credit, delivery to homes etc.)?"
pricing policies, advertising, credit facilities, and store hours.

One of the six incorrect predictions based on consumer preference for price over quality turned out correctly if areas were held constant for urbanization. ¹

Seven of the nine incorrect predictions based on consumers purchasing daily and in small quantities were proven correct when the areas were held constant for the effect of consumer preference for price over quality, and the other two were correct when the areas were held constant for urbanization. ²

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¹ Matched for urbanization (one percentage point difference, rank correlation +.66) the area with the lower degree of consumer preference for price over quality had a lower proportion of fairs.

² Matched for consumer preference for price over quality (four percentage point difference, rank correlation +1.0) the area with the lower proportion of consumers purchasing daily and in small quantities had the higher proportion of stores large in employment, sales and customers, the higher proportion of stores purchasing on the basis of price and purchasing for sales of specified periods, higher proportion of stores offering guarantees and return privileges, higher proportion of stores having loss-leader type selling, lower proportion of stores having credit facilities and lower proportion of stores having longer shop hours. Matched for urbanization (one percentage point difference, rank correlation +.66) the area with the lower proportion of consumers purchasing daily and in small quantities had the higher proportion of stores carrying longer period inventories, and the higher proportion of stores using price promotions.
The incorrect prediction based on consumer preference for credit was reversed by holding the areas constant for the effect of literacy.¹

Of the five incorrect predictions based on consumer preference for neighbourhood shops two were correct when the areas were held constant for the effect of urbanization, and a further two were correct when areas were held constant for the effect of the aggressiveness of manufacturers' and wholesalers' selling methods.²

In the balancing of effects process discussed here it is seen that most of these environmental features act as good predictors if some other environmental variable is held constant. Table III is a summary of predictor performance when certain environmental features are held constant. It is clear that certain environmental features combine with others to distort the impact of a single environmental feature on

¹Matched for literacy (one percentage point difference, rank correlation +.14) the area with the lower consumer preference for credit had the higher proportion of stores using price promotions.

²Balanced for urbanization (one percentage point difference, rank correlation +.83) the area with the lower consumer preference for neighbourhood shops had a higher proportion of stores large in employment, sales and customers, and a higher proportion of stores using guarantees and return privileges. Held constant for manufacturers' and wholesalers' selling methods (one percentage point difference, rank correlation +.31) the area with the lower consumer preference for neighbourhood shops had the higher proportion of self-service stores and the higher proportion of stores using price promotions.
### TABLE III

**PERFORMANCE OF PREDICTORS WHEN THE EFFECTS OF CERTAIN ENVIRONMENTAL FACTORS ARE HELD CONSTANT**

<table>
<thead>
<tr>
<th>Factors of Which Effects Held Constant</th>
<th>Correct Predictors</th>
<th>Uncorrected</th>
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<tbody>
<tr>
<td>Density of Population</td>
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<tr>
<td>Urbanization of Population</td>
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</tr>
<tr>
<td>Literacy of Population</td>
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<td>Circulation of Newspapers</td>
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<td>Readership of Newspapers</td>
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</tr>
<tr>
<td>Availability of Trade Credit</td>
<td>AVAILABILITY</td>
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</tr>
<tr>
<td>Aggressiveness of Manufacturers</td>
<td>AGGRESSIVENESS</td>
<td>13</td>
</tr>
<tr>
<td>And Wholesalers</td>
<td>ALL ADS</td>
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<tr>
<td>Advertising by All Manufacturers And Wholesalers</td>
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</tr>
<tr>
<td>Consumer Preference For Credit</td>
<td>CONSUMER</td>
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</tr>
<tr>
<td>Consumer Purchases Daily And Small</td>
<td>CONSUMER</td>
<td>13</td>
</tr>
<tr>
<td>Consumer Preference Neighbourhood Shops</td>
<td>CONSUMER</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>TOTAL</td>
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</tr>
<tr>
<td>Percentage</td>
<td>PERCENTAGE</td>
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**Per Capita Incomes**

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</tr>
<tr>
<td>Percentage</td>
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**Factors of Which Effects Held Constant**

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<td>Literacy of Population</td>
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<td>Circulation of Newspapers</td>
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<td>Availability of Trade Credit</td>
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<td>Aggressiveness of Manufacturers</td>
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<td>And Wholesalers</td>
<td>ALL ADS</td>
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<td>Advertising by All Manufacturers And Wholesalers</td>
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<td>Consumer Preference For Credit</td>
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<tr>
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<tr>
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<tr>
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**Per Capita Incomes**

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retailing. Certain conclusions can be drawn from Table III:
(a) most of the distortions are caused by the consumer en-
vironmental features; and, these are mostly in the demographic
and social environments; (b) mutual distortions are seen be-
tween availability of trade credit and density of population;
and, between urbanization and consumer preference for price
over quality.

My conclusions are: (a) for certain retail features and
techniques the permissive or repressive environment is pro-
vided by a compounding of the forces in the environment; (b)
although the consumer environment is not, by itself, strong
enough to have a significant impact on retail institutions
and techniques, forces in the consumer environment do, in
combination with other environmental forces, indirectly pro-
vide the assistance or impose the restrictions that shape the
observed pattern of retail development:

In summary, then, among the environmental forces taken
individually, the very good predictors appear to be:
(a) Economic environmental factors for store size and
inventory policies;
(b) Demographic environmental factors for consumer ser-
vices and store hours;
(c) Social environmental factors for special features
and pricing policies;
(d) Business environmental factors for store size,
special features, purchasing policies, inventory policies, and loss-leader type selling; and, (e) consumer environmental factors for pricing policies.

Reasonably good predictors are:

(a) Economic environmental factors for product specialization, and special features;
(b) Demographic environmental features for product specialization; store size, and special features;
(c) Business environmental factors for product specialization;

and, (d) Consumer environmental factors for store hours.

The "Advanced-Backward" Dichotomy

I have, for purposes of analysis, developed a dichotomy of environmental and retail features. For instance, a high level of economic growth is an environmental feature in an advanced area, and presence of specialty stores is a retail feature in an advanced area. My operational hypotheses, in Chapter VII, are based on this dichotomy, because I believe that the "advanced" retail feature is influenced (through enabling, compelling, or sustaining forces) by an "advanced" environment.

Some of my predictions proved to be incorrect, even after balancing off environmental forces. As I have said earlier,
I may have made an incorrect prediction. But, it appears from these negative results that, in some instances at least, retailers had developed or use retailing methods and techniques not in response to the environment, but rather to counteract or overcome the environment. This possibility is particularly suggested in the case of consumer preferences. The predictions, for example, that guarantees and return privileges would be low and offers of credit facilities extensive in areas with high consumer preference for price over quality turn out in the contrary direction.

Another possibility is that these negative results may be a consequence of too broad a categorization in the advanced-backward dichotomy. Establishing the dichotomy was necessary for setting up the operational hypotheses for purposes of testing the general thesis of a link between the environment and retailing. For example, in the instance of retailer purchasing practices, it was my prediction that in the "backward environment" areas where there was high consumer preference for price over quality, there would be a lower proportion of retailers purchasing in quantities related to sales of specified periods (which was a "backward retailing feature" in my dichotomy). The prediction was wrong, apparently because the dichotomy was inappropriate. The dichotomy was basic to the research design. Such a dichotomy assumes that all retailers will respond in the same way to a certain environmental factor.
Some of the negative results suggest that the use of the dichotomy did impose limitations.

Some negative results even suggest that relationships of the nature predicted need not exist at all. This is indeed possible because, although there is a relationship between the over-all environment and retailing (as is clearly shown at the beginning of Chapter VII), there need be no relationship between one specific aspect of the environment and one specific aspect of retailing.

There are, possibly, other explanations of the negative results. But, the over-all results do show that advanced retailing institutions, methods, and techniques were found more often in advanced environments than in backward environments.

Conclusion

As an underdeveloped country, Ceylon does not have the necessary environmental factors to support a modern retail system. Modern mass marketing (and retailing) is a function of modern mass production, of modern mass distribution, and of the modern mass market. The mass supply of goods, mass distribution and mass market are prerequisite for the success of mass retailing techniques.

In countries like Ceylon mass production is virtually unknown, and the economy cannot bear the strains of mass imports. Generally, distribution lags behind production. A
large mass of people does not make a mass market. In coun-
tries like Ceylon, the realized market is confined to a small part of the population.

However, even in a country like Ceylon, streaks of modernity are seen in a predominantly primitive retailing sys-
tem. And, the reasons for these "inconsistencies" can be traced to certain features in the economic, demographic, poli-
tical, social, business, and consumer environments. When more of these "inconsistencies" manifest themselves in areas with advanced or developed environments, the conclusion appears clear: a primitive retailing system is primitive because the environment in which it operates is primitive; and, an advanced retailing system is advanced because the environment in which it operates is advanced.

The Ceylon study shows how retail institutions and retailing techniques and methods are a function of the economic, demographic, social, business, and consumer environments. Personal incomes, the level of economic growth (particularly the level of industrial growth), the availability of food, the density of population, extent of urbanization, level of literacy, the permeation of mass media, whether or not suppliers take the initiative in transaction, whether or not suppliers use promotional devices to bring about transactions, and the needs of consumers— all appear to have a direct bearing on the types of retail institutions found in Ceylon, and the retail methods and techniques used by retailers in the country.
CHAPTER IX

IMPLICATIONS OF FINDINGS FOR THEORIES OF RETAILING

My study in Ceylon can be treated as a four-stage study. In the first stage, I have described the economic, social, political and business environments for retailing. In the second stage, I have described existing food retailing institutions, methods, and techniques; and, in the third stage I have uncovered some relationships between some of these institutions, methods, and techniques, and certain features in the environment. This chapter represents the fourth stage.

In this chapter I shall briefly review some existing explanations for the development of retailing institutions and practices, discuss the implications of my findings for these explanations, and attempt to outline a modified theory of retail development.

Existing Explanations and Present Findings

Briefly, McNair\(^1\) contends that new retailing institutions start out as low-margin, low-price operations; the new

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type of stores gradually increases its services, and simultaneously its margins, until it reaches a higher level in the price scale. At that stage another innovator starts another type of store, again at low margins and low prices. And, the cycle repeats itself. This explanation has come to be known as the "Wheel of Retailing". Hollander contends that the social and economic environments both assist and impose limitations on the development of retailing and retail institutions. He implies, therefore, that the Wheel of Retailing can revolve only if the environment is favourable for a new technique to be successfully introduced.

Cundiff contends that innovations in retailing, such as the "wheel" theory describes, take place only in the most highly developed economies, and that other economies merely adapt these innovations. He further contends that the ability of a system to adapt innovations successfully is related directly to its level of economic development. My study has

1. No data on margins over time, on changing customer services, and on sales volumes through different types of outlets at different times, are available in Ceylon. As such I could not see whether wheel type of developments had taken place in Ceylon.


helped identify several specific factors in the economic, social, political, and business environment that facilitate, or impose limitations on, innovations and/or adaptations of retailing institutions, methods, and techniques. Let us now consider these theories in somewhat more detail.

Explanations Related to Innovations in Retailing Institutions and Practices

What has come to be known as the "Wheel of Retailing" arose from a reference by McNair in 1958 to a "more or less definite cycle in American distribution". According to McNair there are five stages in this cycle:

"Taking a longer perspective and looking behind these trends, what are the forces at work? It seems to me that there is a more or less definite cycle in American distribution. The wheel always revolves, sometimes slowly, sometimes more rapidly, but it does not stand still. The cycle frequently begins with the bold new concept, the innovation. An innovator has an idea for a new kind of distributive enterprise. At the outset he is ridiculed, condemned as 'illegitimate'. Bankers and investors are leery of him. But he attracts the public on the basis of the price appeal made possible by the low operating costs inherent in his innovation. As he goes along he trades up, improves the quality of his merchandise, improves the appearance and standing of his store, attains greater respectability. Then, if he is successful, comes the period of growth, the period when he is taking business away from the established distribution channels that have clung to the old methods. Repeatedly something like this has happened in American distribution. The department stores took it away from the smaller merchants in the cities in the late 19th and early 20th century; the original grocery chains took it away from the old whole-

saler-small-retailer combination; the supermarkets then began taking it away from the original grocery chains to the extent that the latter had to climb the supermarket bandwagon. And today the discount houses and supermarkets are threatening to take it away from the department stores and variety chains. During this process of growth the institution's capital investment increases and its operating costs tend to rise. Then the institution enters the stage of maturity. It has a larger physical plant, more elaborate store fixtures and displays, and it undertakes greater promotional efforts. At this stage the institution finds itself competing primarily with other similar institutions rather than with old line competitors. The maturity phase soon tends to be followed by top heaviness, too great conservatism, a decline in the rate of return on investment, and eventual vulnerability. Vulnerability to what? Vulnerability to the next revolution of the wheel, to the next fellow who has a bright idea and who starts his business on a low cost basis, slipping in under the umbrella that the old-line institutions have hoisted'.

Several observers of American and British retailing have identified developments in those countries that appear to substantiate the concept of a wheel of retailing'. Some of these

same observers (e.g., Barger in the prior cited reference) and others have noted patterns of development that are not fully in accord with the wheel concept. From the patterns of development discussed by these observers two conclusions could be drawn: (a) there is fairly conclusive evidence that the wheel of retailing concept, in broad terms, does apply to retail development in economically developed and growing countries; (b) new institutions, whether innovations or adaptations from innovating countries, require certain environmental preconditions (e.g., growth) for success. Even in McNair's explanation there is the implicit assumption that the environment provides for a monopolistic opportunity and also that there is ease of entry for a new type of institution.

Hollander makes a strong and direct reference to a connection between the environment and retailing:


2. Hollander, "Retailing: Cause or Effect?", Op. cit
"Few contemporary accounts of past retailing have been preserved, and those that remain are not always satisfactory. Modern retailing history is often set in the framework of company history and merchant biography. They concentrate upon the unique individual, the merchant prince, and his contributions to retailing. Thus they can easily overlook the environmental changes that created the merchant prince's opportunity. Certainly the environment warrants at least as much attention as the innovator.

Normally we think of environment for retailing as consisting of the social, legal, economic, psychological, geographical and physical characteristics of the markets in which retailers buy and sell. This approach considers markets as both places and peoples, but it says in essence: give us a detailed enough inventory of present conditions and we can describe the important aspects of present retailing.

One of the most interesting relationships between retailing and the broader environment concerns the connections between the amount of retailing activity, on the one hand, and the many facets of economic growth on the other.

There has been considerable debate on how advanced the market economy has to be before society begins to invest considerable time and labour in trade and particularly in retailing.

Considerable grounds for believing that what the merchant can accomplish is limited by the social and economic environment.

The underdeveloped economies seem to accept only certain types of retailing. Certain Western types of retailing, particularly our modern mass marketing techniques, appear as misfits when placed in the wrong cultures. Apparently a society has to be at a certain critical point before what it needs is a Sears, Roebuck, or an A & P.

Another part of trading opportunity arises only in the peasant society, an intermediate stage between tribal cultures and industrially developed ones.

Another reason for believing in the importance of environment is the number of times the same innovation has been introduced simultaneously by a number of separate individuals.

Our recorded retail history does seem to reveal some fairly clear cut connections between the environment and the kinds of retailing that will be fostered."

Alderson believes that retail institutions and practices

evolve in the process of the retailers' adjustments to heterogeneous and discrepant markets. The important variables in the retailers' environment are, to Alderson, the suppliers and the consumers. For survival, retailers must adjust to that environment by offering suitable packages of goods, services, and prices. In his view, few retailers can change their environment; new types of retailers, in a wheel pattern, can emerge but their survival depends on consumer acceptance or rejection.

Observations made by other authors suggest that the presence or absence of environmental factors, or the changes in environmental factors, could be used as explanations for the features of, or changes in, retailing. From these observations it could be concluded that, in the developed

Western economies generally, the retail innovations of this century are to a large extent, a reflection of the changes in the retailers' environment: increase in discretionary purchasing power, growth of production capacity through technological progress, growth of private automobile transportation, the movement towards suburbia, and changes in consumer attitudes.

Explanations Related to the Geographical Origins and Spread of Innovations

Cundiff\(^1\) who looked at the adaptation, in 20 countries, of what he called "four really new operating methods" (self-service; low-markup, high-stock-turn operations; suburban planned shopping centres; and automated retailing) set up four postulates for his study:

"Innovation takes place only in the most highly developed systems. Retailers in other systems have more to gain from adoption and adaptation of developments already tried and tested in the most highly developed systems. The ability of a system to adapt innovations successfully is related directly to its level of economic development. Certain minimum levels of economic development are necessary to support anything beyond the most simple retailing methods. When the economic environment is favourable to change, the process of adaptation may be either hindered or helped by local demographic factors, social mores, governmental action, and competitive pressures. The process of adaptation can be greatly accelerated by the actions of aggressive individual firms."

and, he concluded,

"Retailing and the broader field of marketing are not
only affected by the total economic environment, but in
turn, they may themselves affect this environment.
In societies with high discretionary incomes, and abun-
dant goods, there are pressures for improvement in re-
tailing efficiency. The degree to which these economic
pressures result in the evolution and adoption of new
methods of retailing operations depends on the total en-
vironment (cultural acceptance or resistance of change,
demographic and geographical influences, the political
and legal framework, the strength of pressure groups such
as business competitors and unions)".

The observations made by Boyd et al, Dewey, Elgass,
Stewart, and Taylor\(^1\) seem to support Cundiff's conclusions.

**Specific Environmental Influences**

My findings have established distinct relationships
between certain specific forces in the environment and re-
tailing institutions, methods, and techniques. Thus my study
has attempted to refine the Hollander and Cundiff explana-
tions of retail development by identifying a whole set of
specific environmental factors that appear to be related to
retailing development, and by further establishing the manner
in which retailing is so affected. My findings show that the
relationship between the main retailing features and specific
environmental forces, within Ceylon, are as follows\(^2\):

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2. Only those results from the quantitative analysis (Chap-
   ter VII) that came out as predicted or in the predicted
direction are used here.
(a) The degree of product specialization of retail shops is a direct function of per capita incomes, level of economic growth, density of population, urbanization of population, and aggressiveness of manufacturers' and wholesalers' selling methods; and an inverse function of consumer preference for neighbourhood shops.

(b) The relative size of retail stores is a direct function of per capita incomes, level of economic growth, density, urbanization, and literacy of population, availability of trade credit, and the aggressiveness of manufacturers' and wholesalers' selling methods.

(c) The extent of the use of self-service is a direct function of density of population, newspaper circulation and readership, availability of trade credit, and the general level of advertising; and an inverse function of consumer preference for daily shopping in small quantities.

(d) The extent of retailers purchasing on the basis of price, and purchasing for sales of specified periods, is a direct function of the availability of trade credit, and the aggressiveness of manufacturers' and wholesalers' selling methods.

(e) The extent of the use of fixed and marked prices is a direct function of literacy and newspaper circulation; and, an inverse function of consumer preference for daily shopping in small quantities, and consumer preference for neighbourhood shops.

(f) The extent of the use of sophisticated margin policies is a direct function of literacy, circulation of newspapers, and aggressiveness of manufacturers' and wholesalers' selling methods; and, an inverse function of consumer preference for daily shopping in small quantities, and consumer preference for neighbourhood shops.

(g) The extent of the use of retail advertising is a direct function of literacy; and, an inverse function of consumer preference for daily shopping in small quantities, consumer preference for credit, and consumer preference for neighbourhood shops.

(h) The extent of the offer of consumer credit is a direct function of consumer preference for credit, and consumer preference for neighbourhood shops; and, an
inverse function of density, urbanization, and literacy of population.

(i) The extent of the use of loss leader type selling is a direct function of literacy, newspaper readership, and the aggressiveness of manufacturers' and wholesalers' selling methods; and, an inverse function of consumer preference for credit.

(j) The length of shops' hours is a direct function of consumer preference for credit, and consumer preference for neighbourhood shops; and, an inverse function of the density and urbanization of the population.

As was seen in the section on validation in Chapter V and again in the "balancing of effects" process in Chapter VIII, the independent variables used to measure the environment are highly interdependent. These independent variables are in one sense different measures for the same thing; the level of development of the environment. To the extent that retailers can change the environment (e.g., by changing consumer preferences through advertising), retailing will become an independent variable and the economic and social environments dependent variables. However, I believe that instances where the economic or social environments will be a function of retailing will be much fewer than the instances where retailing will be a function of these environmental factors.

My findings show a relationship between retailing institutions and retailing practices in Ceylon, and per capita incomes, economic growth, demographic factors such as density and urbanization of population, literacy levels, circulation
and readership of newspapers, availability of trade credit, selling methods of manufacturers and wholesalers, and consumer preferences, in Ceylon. Placed in the context of existing explanations of retailing\(^1\), these findings suggest that the existing explanations may be refined and extended by the specific environmental variables identified in this study.

The extensions and refinements that my findings make to McNair's, Hollander's and Cundiff's explanations are seen more clearly from the following symbolic presentation:

Using the symbols:\(^2\)

1. The descriptive material in some works (for example, Hall et al, Op. cit., p. 62; Mueller and Garoian, Op. cit., pp 8, 11, 14; Paul H. Nystrom, Economics of Retailing: Retailing Institutions and Trends, 3rd Ed., New York, Ronald Press Co., 1932, pp 67 - 68; Pennance and Yamey, Op. cit; Shawver, Op. cit, pp 43 - 44) seem to suggest that some retail institutions have evolved through increasing product and function specialization. This is essentially an extension, to the field of retailing, of the economic theory of the division of labour. Thus specialization is best treated as a process used in the development of retail institutions, rather than as an explanation of retail development, as such.

2. The concepts represented by the symbols A, AD, AMW, CPC, CPN, DN, EG, LT, NC, NR, U, and Y are defined in Chapter V. The concepts represented by the symbols B, CN, DM, E, G, S are defined in Chapter VIII. The concepts represented by the symbols CL, CP, CE, I, L, and P are borrowed from the authors referred to, and they have not been defined by them. It is recognized that CL is a part of S, and P is a part of G, as defined in this study. "Monopolistic opportunity" is defined as an opportunity in a market when monopoly profits could be made; and "ease of entry" refers to the obstacles a new firm will meet in entering a market.
A = availability of trade credit
AD = general advertising
AMW = aggressiveness of manufacturers' and wholesaler's selling methods
B = business environment
CL = cultural environment
CN = consumer environment
CP = competitive environment
CPC = consumer preference for credit
CPD = consumer preference for daily shopping in small quantities
CPN = consumer preference for neighbourhood shops
DM = demographic environment
DN = density of population
E = economic environment
EE = ease of entry
EG = economic growth
G = governmental environment
GE = geographic environment
I = innovator
L = legal environment
LT = literacy
MO = monopolistic opportunity
NC = newspaper circulation
NR = newspaper readership
P = political environment
R = retailing
$S$ = social environment

$U$ = urbanization

$Y$ = per capita income

McNair's explanation could be stated as:

$R = f(I, MO, EE)$

Hollander's explanation could be stated as:

$R = f(I, S, E)$, and

Cundiff's explanation could be stated as:

$R = f(I, EG, CL, DM, P, L, CP, GE)$.

My findings at the macro level can be stated as:

$R = f(I, E, DM, G, S, B, CN)$

and, at the micro level they can be stated in a general form as:

$R = f(I, Y, EG, DN, U, G, LT, NC, NR, A, AD, AMW, CPC, CPD, CPN)$.

In the more specific instances it could be stated that:

Product specialization = $f(Y, EG, DN, U, AMW, CPN)$

Store size = $f(Y, EG, DN, U, LT, A, AMW)$

Self-service = $f(DN, NC, NR, A, AD, CPD)$

Retailer purchasing practices = $f(A, AMW)$

Fixed and marked prices = $f(LT, NC, CPD, CPN)$
Margin policies = f(LT, NC, AMW, CPD, CPN)
Retail advertising = f(LT, CPC, CPD, CPN)
Consumer credit = f(CPC, CPN, DN, U, LT)
Loss leader selling = f(LT, NR, AMW, CPC)

and, Store hours = f(CPC, CPN, DN, U)

From a theoretical point of view, because institutional changes are slower, it could be said that retailing institutions (e.g., product specialized stores) are a function of the environmental factors of the immediate past period. Thus, for product specialized stores (PS),

\[ PS_t = f(Y, EG, DN, U, AMW, CPN)_{t-1} \]

Similarly, the retailing practices may be said to be a function of the environmental factors of the same period. Thus, for self-service (SS),

\[ SS_t = f(DN, NC, NR, A, AD, CPD)_t \]

Again, from a theoretical point of view, and from the high interactions evidenced at the end of Chapter V and during the "balancing of effects" process in Chapter VIII, it could be said that:

\[
\begin{align*}
\text{CPC} & = f(Y, EG, DN, U, LT, NC, NR) \\
\text{CPD} & = f(Y, EG, DN, U, LT, NC, NR) \\
\text{CPN} & \\
\text{A} & = f(Y, EG, G) \\
\text{AD} & = f(Y, EG, G) \\
\text{AMW} & = f(Y, EG, G)
\end{align*}
\]
Towards a Theory of Retail Development

In addition to isolating and describing some relationships in Ceylon, certain theoretical implications of a broader nature suggest themselves for further testing. In order to put these in perspective, I would like to go back to the concept of a market as postulated by Alderson. According to Alderson the market could be treated as an organized behaviour system. I wish to use this concept in a much broader way: the market can be conceived of as several organized behaviour systems (each of a company, its competitors, suppliers, channels, and customers) operating in the larger environment known as society. The society is composed of individuals and their formal and informal associations; organized government; and, the society's culture as represented by its economy, its technology and its social, political, economic, and technological institutions (See Figure I). The organization and operation

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FIGURE I
THE MARKET SEEN AS A BEHAVIOUR SYSTEM IN SOCIETY

Environment
- Family
- Formal and informal associations e.g., Social Class
- Organized Government
- Culture
  - Technology
  - Institutions e.g. Banks

Legend:
Interactions ←→
of a marketing system is, to a large extent, conditioned by this environment, which may be thought of as outside the marketing system. The marketing system, including the retail segment of the system, is then operating in an environment of economic, technological, social, demographic, cultural, political, and legal forces.

The relationships established in Ceylon suggest the hypothesis that certain environmental conditions such as per capita incomes, economic growth, density and urbanization of population, literacy, newspaper circulation and readership, availability of trade credit, aggressiveness of manufacturers' and wholesalers' selling methods, general advertising, and sophisticated consumer preferences, are a precondition for the adoption of certain "advanced" types of retail institutions and methods. It could be further hypothesized that the type of institution is a function of these environmental forces as they existed in the immediate past, and that the retailing practices are a function of these forces as they presently exist.

The wheel of retailing concept is built around the innovator. My thesis is that both the innovator and the process he may use (e.g., specialization) are limited by the environment. If the forces in the environment permit, these retail institutions, methods, and techniques can be introduced. And as long as the forces in the environment permit, these insti-
tuitions, methods, and techniques can continue to exist. There cannot, then, be an instance of "the best institutions, methods, and techniques", as what is most appropriate will be different from one environment to another. A retailing system can be meaningfully "advanced" or "primitive" depending only on whether the environment in which that system operates is advanced or primitive.

If this is, indeed, the case, we can speculate regarding the nature of this relationship in more specific terms than simply "advanced and primitive". If we identify stages of socio-economic development (as defined by the environmental variables stated in the hypothesis, above), then we should be able to predict in general terms the kind of retail pattern we will find associated with them.

The matrix used in Figure II is the scheme I shall use to suggest a general picture of retail development consistent with environmental development.

FIGURE II

Stages of Environmental Development

<table>
<thead>
<tr>
<th>I</th>
<th>II</th>
<th>III</th>
<th>IV</th>
<th>V</th>
<th>VI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tribal</td>
<td>Peasant</td>
<td>Early</td>
<td>Commer-</td>
<td>Highly</td>
<td>Early</td>
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<td>cial</td>
<td>Commer</td>
<td>trial</td>
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<td>trial</td>
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<table>
<thead>
<tr>
<th>Economic, Social &amp; Political Environment</th>
<th>X</th>
</tr>
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<tbody>
<tr>
<td>Stage of Commerce &amp; infra-structure</td>
<td>X</td>
</tr>
<tr>
<td>Retail Patterns</td>
<td>X</td>
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</tbody>
</table>
I have, in my study of Ceylon, filled in the boxes marked X in Figure II. Ceylon could be said to be in a period of transition from Stage IV (highly commercial) to Stage V (early industrial); but the transition has just begun, and therefore in each of the instances of environment, commerce, infra-structure\(^1\), and retailing, the predominant features are those of Stage IV.

Marketing, and particularly retailing, are social processes developed to handle the distribution of a society's output of goods and services. Prior to the existence of a market society, this process was called barter, and the exchange was of goods for goods, or of goods for services. With the extension of monetization, agriculture was transformed from peasants growing for exchange to farmers growing for cash, and every task (including feudal obligations) came to have a more or less fixed monetary reward. It was then, and only then, that a market society came into existence. Even today, some underdeveloped economies that retain peasant agriculture and quasi-feudal non-cash obligations are not pure market societies.

All countries, according to my concept as set out in the matrix above, go through six stages of development:

---

1. Infra-structure is used here to mean the facilitating conditions for retailing as provided by communications, general business, and consumer literacy.
tribal, peasant, early commercial, highly commercial, early industrial, and highly industrial. Each phase is characterized by different types of agricultural and industrial production, different forms of commerce, different structures of social organization, different demographic features, different degrees of development in infrastructure, and different levels of personal incomes. During these six phases of development, the needs of the people (consumers) are different, and patterns of consumption are different. These features are summarized in Table I, where a comparative study is easier. For each stage of development, the main features are:

I. **Tribal Stage**

Agricultural production is for local consumption only, and industrial production is limited to crude agricultural implements; commerce is in the form of barter between individuals, and social organization is feudal; population density is low, and there is no urbanization; there is no infrastructure; the concept of income levels and their diffusion is inapplicable. During this stage consumer needs are rudimentary, and the predominant retail outlets are itinerant traders.

II. **Peasant Stage**

Agricultural production is for local and regional consumption; industrial production is limited to crude
<table>
<thead>
<tr>
<th></th>
<th>Tribal</th>
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<th>Early Commercial</th>
<th>Highly Commercial</th>
<th>Early Industrial</th>
<th>Highly Industrial</th>
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<tr>
<td>Production</td>
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<tr>
<td>Local consumption</td>
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<td>Local &amp; Regional</td>
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<td>X</td>
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<td>consumption</td>
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<td></td>
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<tr>
<td>Commercial crops</td>
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<td>X</td>
<td>X</td>
<td>X</td>
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<td>for export</td>
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<tr>
<td><strong>Industrial</strong></td>
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<tr>
<td>Production</td>
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<tr>
<td>Crude agricultural</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<td>Modern agricultural</td>
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<tr>
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</tr>
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<td>consumer goods</td>
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<td></td>
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<tr>
<td><strong>Heavy industry</strong></td>
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<td>Secondary manufacturing</td>
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<td>Small local merchant</td>
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<td></td>
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Social Organization

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<th>Very large lower class</th>
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<th>Large Middle Class</th>
<th>Small Lower Class</th>
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Demographic Factors

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<th>Very low</th>
<th>Low-Medium</th>
<th>Medium</th>
<th>High</th>
<th>Very high</th>
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</thead>
<tbody>
<tr>
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<td>Very low</td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
<td>Very high</td>
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Infra-structure

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<th>Transport and Communications</th>
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<th>Primitive</th>
<th>Little Devel.</th>
<th>Developed</th>
<th>Highly Developed</th>
<th>Very highly Developed</th>
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<td>General Business</td>
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<td>Primitive</td>
<td>Little Devel.</td>
<td>Developed</td>
<td>Highly Developed</td>
<td>Very highly Developed</td>
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</table>

<table>
<thead>
<tr>
<th>Literacy</th>
<th>Nil</th>
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<th>Low</th>
<th>Medium</th>
<th>High</th>
<th>Very high</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newspaper Circulation and Readership</td>
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<td>Low</td>
<td>Medium</td>
<td>High</td>
<td>Very high</td>
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</table>

Per Capita Personal Income

<table>
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<tr>
<th>Levels (Concept not applicable)</th>
<th>Very low</th>
<th>Low</th>
<th>Medium</th>
<th>Medium -High</th>
<th>High</th>
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<td>Diffusion</td>
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<td>Highly Skewed</td>
<td>Diffuse</td>
<td>Diffuse</td>
<td></td>
</tr>
<tr>
<td>Population Density</td>
<td>Very low</td>
<td>Very low</td>
<td>Low-Medium</td>
<td>Medium</td>
<td>High</td>
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</tr>
<tr>
<td>Urbanization</td>
<td>Nil</td>
<td>Very low</td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
</tr>
<tr>
<td>Infra-structure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport and Communications</td>
<td>Nil</td>
<td>Primitive</td>
<td>Little Developed</td>
<td>Developed</td>
<td>Highly Developed</td>
</tr>
<tr>
<td>General Business</td>
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<td>Primitive</td>
<td>Little Developed</td>
<td>Developed</td>
<td>Highly Developed</td>
</tr>
<tr>
<td>Literacy</td>
<td>Nil</td>
<td>Very low</td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
</tr>
<tr>
<td>Newspaper Circulation and Readership</td>
<td>Nil</td>
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<td>Low</td>
<td>Medium</td>
<td>High</td>
</tr>
<tr>
<td>Per Capita Personal Income</td>
<td>(Concept not applicable)</td>
<td>Very low</td>
<td>Low</td>
<td>Medium</td>
<td>Medium -High</td>
</tr>
<tr>
<td>Levels</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Diffusion</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer Needs</td>
<td>Rudimentary</td>
<td>Basic</td>
<td>Mostly Essentials</td>
<td>More of Essentials than of non-essentials</td>
<td>Essentials and non-essentials equal</td>
</tr>
<tr>
<td>Predominant Retail Outlets</td>
<td>Itinerant Traders</td>
<td>Exchange Traders</td>
<td>Country Store-keepers</td>
<td>General Stores</td>
<td>Product Specialized Stores</td>
</tr>
<tr>
<td>(In order of Importance)</td>
<td>Itinerant Traders</td>
<td>Itinerant Traders</td>
<td>Product Specialized Stores</td>
<td>Product Specialized Stores</td>
<td>Product Specialized Stores</td>
</tr>
</tbody>
</table>
highly skewed; consumer needs are mostly for essentials and a few non-essentials. During this stage country storekeepers predominate with a few itinerant traders and a lesser number of general stores.

IV. Highly Commercial Stage

Agricultural production is for local and regional consumption, and commercial crops for export; industrial production is of modern agricultural implements and of crude consumer essentials; the form of commerce is a cash exchange; powerful foreign groups operate in imports, exports, and retailing; a small local merchant group operates in retailing; the social organization is along a small upper class, a small middle class, and a large lower class; the density and urbanization of population is medium; transportation and communications, and general business are developed; literacy and the circulation and readership of newspapers are medium; the levels of income are medium but their diffusion is skewed; consumers need more of essentials than of non-essentials. During this period the predominant retail outlets are general stores with a few product specialized stores.

V. Early Industrial Stage

Agricultural production is for local and regional consumption, and commercial crops are grown for export;
industrial production is of modern agricultural implements and import-substitute consumer goods; the form of commerce is within a cash exchange, with a powerful foreign group operating in imports, exports and retailing, and a substantial local merchant group operating in retailing; there are small upper and middle classes and a large lower class; population density and urbanization are high; transportation and communications, as well as general business are highly developed; literacy, and the circulation and readership of newspapers are high; income levels are medium to high, and incomes are diffused; consumer needs for essentials and for non-essentials are about equal. In this period the predominant retail outlet is a product specialized store.

VI. Highly Industrial Stage
Agricultural production is for local and regional consumption, and commercial crops are for export; industrial production is of modern agricultural implements and manufactured consumer goods (at this stage there is heavy industry and secondary manufacturing); commerce is on a cash exchange, and the local merchant retailing group is substantial; there is a small upper class, a large middle class, and a small lower class; population density and urbanization are very high; transportation
and communication, and general business are very highly developed; literacy, and circulation and readership of newspapers are very high; income levels are high and incomes are diffused; consumers need more of non-essentials than of essentials. During this stage mass merchandising stores are the predominant retail outlets with few product specialized stores.

It will be seen that the supply factors for goods (as determined by production and importation) and the demand factors for goods (as determined by consumer needs) are different during the different stages; therefore, the dominant retail outlets, I believe, will be found to be correspondingly different, both in organization and the selling methods used. During the early stages of a country's development the retail institutions are small and undifferentiated in product or in function. During this stage such primitive retail institutions as farmers' markets and general stores predominate. Most retailers have limited capital which curbs physical expansion or use of complex and expensive merchandising techniques. Retailers enjoy a low prestige position among the people of the community, who believe that they are making money from an occupation that is unproductive and parasitic from the community's point of view. These retailers have to take the initiative in making transactions with suppliers who are also of low status in the community, but
powerful because of their financial position. During these early times retailers believe, as do the suppliers, that demand tends to be fixed and that consumers will come to them even though they do nothing to make the consumers come to them. The consumers for their part seek only to fulfill their basic needs from their limited resources.

Production, wholesaling, and retailing in the modern profit oriented manner started only after the 18th century, after the commercialized market societies had got under way. Profit was deemed evil and those who profited, especially from buying and selling, were accounted as vulgar. Commercialization has helped to overcome this belief, but there are some who hold this view even in the most industrialized countries.

With increasing development the environment changed. Marketing and retailing evolved to meet the needs of the changing patterns of supply and demand. As the supply of goods increased in variety and quantity, and as the demands of consumers changed with their needs (which themselves had changed with changes in the social and demographic features of the society, and with the changes in consumer incomes), there were at each stage of development, corresponding changes in the institutions and in the methodological innovations in marketing, and especially in retailing, to sell off the supply and satisfy the demands. (Chart I)
CHART I

DIAGRAM SHOWING HOW ENVIRONMENTAL FACTORS AFFECT RETAILING

Social Organization

Demographic Features

Per Capita Incomes

Consumer Needs

Retail Institutions and Retailing Techniques

Business System

System of Commerce

Infra Structure

Organized Government

Agricultural and Industrial

PROROOTION
It is the transition from a sellers' to a buyers' market, which came with extensive industrialization, that created new retailing norms: the output of the mass production facilities could be sold only through mass marketing institutions and mass marketing techniques. The increasing competition led to the development of profit oriented management techniques for marketing and for retailing. For example, it is only in competitive societies that have adopted these modern management theories, that retailers think of long-run profit maximization. Those retailers in societies still wedded to the traditional economic theories think in terms of short-run profit maximization.

The process of product specialization in retailing, for example, can start only when the environmental factors are similar to those in a highly commercial society. Product specialized stores will be predominant only in early industrial societies. The wheel pattern of development can start only in early industrial societies. And, mass merchandising outlets which are really function specialized stores, can predominate only in highly industrial societies.

The environmental thesis of retail development that I present here is applicable to retailing in any of the six phases above. Developments during the highly commercial phase are better understood if both the environmental
factors and (at least partially) the specialization process are considered. A study of developments during the early industrial phase makes it imperative that both environment and specialization be considered as specialization is the dominant process during this phase. Additionally, a consideration of the wheel pattern promotes a better understanding of some developments during the early industrial phase. Developments during the highly industrial phase are best understood in terms of the environmental factors plus a consideration of the process of specialization plus a consideration of changes along a wheel pattern.

Retailing institutions, methods and techniques evolve pari passu with an evolving social structure which in turn has evolving political, economic and business components. Certain combinations of the economic, political and business components produce specific social structures, that create the need for certain retailing institutions, methods and techniques. At respective points in the development of the society the retailers are able and willing to offer a specific package of retail institutions, methods and techniques, and also the consumers are able and willing to accept that retailing package.¹ Different countries with differing economic, political and business conditions have differing

societies, and therefore have differing retail systems. Even within the same country, different regions with differing combinations of economic, political and business conditions, and therefore with differing societies, have differing retail systems. Thus, the retail system differs with the different environments provided for retailing; and, a retail system changes with changes in that environment.

As I have already submitted, retailing is a social process, and a retail institution is a social institution. It is the nature of the society (politically, economically, and socially) that determines what that particular social institution can and will do in and for the society. The mandate that retailer members of a society are granted to operate a retail system will be rooted in, and therefore circumscribed by, the political, economic, social, and business conditions in that society. The personal assets and aspirations of both the retailer and non-retailer (consumer) members of that society will therefore limit the mandate sought by retailers and the license granted by the consumers.

The retail institutions, methods and techniques must, then, necessarily be a function of the political, economic, social and business environments in which they operate.
APPENDIX A

LIST OF INTERVIEWEES

Mr. A. Aziz, Partner, Gulamhussein Reihmoo & Co., Colombo 11

Mr. J. C. Baptist, Marketing Officer, The Ceylon Milk Board

Messrs P. R. Boteju (President), W. H. Peter, D. Perera (Vice-President), and L. H. S. Wickremesinghe (Secretary), Kalubovila-Kirulapone Co-operative Stores Society Ltd.

Delianda Fair (farmers' market), Four Vendors: Mrs. Rupawathie, Messers Dayananda, Dharmadasa, and Edwin Singho

Mr. Conrad Dias, Secretary, Ceylon Chamber of Commerce

Mr. K. B. Dissanayake, Commissioner for the Development of Marketing

Mr. Ananadatissa de Alwis, Manager, J. Walter Thompson Co.

Mr. N. de Alwis, Sales Manager, Williams Confectionery Ltd.

Mr. G. V. S. de Silva, Director, Ceylon Fisheries Corporation

Mr. L. M. V. de Silva, President, Colombo Mydaliyar's Division Multi-Purpose Co-operative Societies Union

Mr. St. E. de Silva, General Manager, Millers Ltd., Colombo 1

Mr. W. H. Marshall de Silva, Stall-holder, Municipal Market, Colombo 6

Mr. Vincent Fernando, Managing Director, Ocean Foods & Trades (C & J) Ltd., Colombo 13

Capt. & Mrs. M. George, Partners, Cindy's Milk Bar, Colombo 5

Mr. D. P. Gunawardena, Assistant Commissioner of Co-operative Development (Consumers)

Mr. Gunadasa Gunawardena, Partner, W. J. Gunawardena & Sons, Nugegoda, and Managing Director, Kotte-Nugegoda Traders' Organization Ltd

Mr. A. L. M. Hashim, Partner, Aboobucker Lebbe & Sons., Mawanella, and Director, Beligal Korale Traders' Organization Ltd

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Appendix A (Cont'd.)

Mr. T. Jayalingam, Director, Brooke Bond (Ceylon) Ltd
Mr. Fred Jayasinghe, Agent for Ceylon Petroleum Corporation, Colombo 4
Mr. Canagasabai Chettiar, Estate Supplier, Colombo 11
Mr. V.E.A. Kanagasivam, Senior Partner, V.E.A. Eliyathamby, Kotiyagala
Mr. A.C. Markar, Manager, Wines & Groceries Department, Cargills Ltd., Colombo 1
Mr. S.V. Money, Proprietor, Subramaniam & Co., Colombo 11
Mr. J. Mudalige, Managing Partner, T.S. Gunaratne Trading Co., Kandy
Mr. Y.P. Muthukumarana, Secretary, All Ceylon Trade Chamber
Mr. V. V. Nair, Partner, S.V. Ram Naidu & Co., and Secretary, Ceylon Food Importers' Association
Mr. A. Stephen Perera, Proprietor, Sri Mahal, Colombo 6
Mr. P. E. Perera, Managing Director, Associated Importers Ltd., and Secretary, Master Bakers' Association
Mr. B.J.B. Pompeus, Secretary, Colombo Apothecaries Co. Ltd., Colombo 1
Mr. D.S. Porage, Secretary, Co-operative Wholesale Establishment
Mr. K.S. Raghunathan, Secretary, Adamjee Lukmanjee & Sons Ltd., Colombo 14
Mr. John D. Rasiah, General Manager, Ceylon Cold Stores Ltd., Colombo 2
Mr. A.M. Selvarajah, Administrative Secretary, Indian Mercantile Chamber
Mr. A.J.N. Seneviratne, Senior Partner, A.J.N. Seneviratne & Sons, Colombo 1
Mr. Mahinda Seneviratne, Deputy General Manager, Co-operative Wholesale Establishment
Mr. A.M.P. Vincent Silva, Partner, A.M.P. Simion Silva & Co., Gampola, and Managing Director, Udapalatha Traders' Organization Ltd

Messrs K.G. Justin Silva (President), T.M.S. Peiris (Ex-President), and S.A. Sugathan (Manager), Ihala Welikada Multi-Purpose Co-operative Society

Mr. S. Joseph Silva, Stall-holder, Municipal Market, Colombo 6

Mr. D. Sirisena, Manager, Marketing Department Shop, Colombo 10

Mr. D.H.E. Sirisena, Trader, Karandana

Mr. Tudor Subasinghe (President) and Mr. Mahesa Ranasinghe (General Manager), Sandalankawa Multi-Purpose Co-operative Society

Mr. Vincent Subasinghe, Sandalankawa

Mr. S.D.D. Thomas, Proprietor, Thomas & Co., Matale

Mr. S.D.S. Walisinghe, President, Nawala Multi-Purpose Co-operative Society

Mr. A.G.B. Wickramapala, Partner, Sortee Super Stores, Colombo 3

Mr. M.S. Wijeratne, Assistant Commissioner for the Development of Marketing, Tripoli Market, and General Manager, All Ceylon Agricultural Producers' Co-operative Union

Mr. I.S. Weir, Director, Liptons Ltd
APPENDIX B

SELECTED LIST OF QUESTIONS USED IN HOUSEWIFE SURVEY

1. When you shop for food are you interested in (a) getting the item cheap or (b) getting a better quality item at a higher price?

2. Why would you be interested in (a) or (b) above?

4. Do you shop for food in a shopping area or market close to where you live? If yes, why yes; if not, why not?

5. Do you go to a co-operative store in your area to buy the food items that are channeled through co-op stores only? Why or why not?

6. Is there any one store or stall at a market where you buy most of your food requirements? Why or why not?

7. How often do you shop for (a) vegetables (b) meats (c) fish (d) rice and curry stuffs? Why do you do so in each case?

8. Do you buy food items on credit? Why or why not?

9. Do you have food items delivered at your door? Why or why not?

11. Do you like to have your purchases carried to your car by an employee of the shop? Why or why not? Do you insist on the facility? Why or why not?

12. Are you particular about the decor and layout of a store? Why or why not?

13. Have you shopped at any self-service store in Ceylon? How did you like it? Why?

14. Do you like to shop at a store with fixed prices? Why or why not?

17. Do you buy pre-packaged curry powders? Why or why not?

18. On the average how much extra do you pay for these packs of curry powder?

19. What percentage of the food prepared in your home is cooked by you and not by a servant?
20. Are you employed outside the home?

21. What percentage of your time is spent outside the home in both employment and in other social activities?

22. In what social class would you put yourself:
   (a) Upper-upper  (b) Lower-upper  (c) Upper-middle
   (d) Lower-middle  (e) Upper-lower  (f) Lower-lower?

24. Do you normally travel by (a) private car (b) taxi (c) bus?

25. Do you own a refrigerator?
APPENDIX C

MARKETING SCIENCE INSTITUTE QUESTIONNAIRES

I. Partial List of Questions asked of Manufacturers

2. Is this a one-man business or a company? If a company, what kind of a company?

1. Proprietorship
2. General partnership
3. Partner with ltd. liability
4. Private ltd. liability co.
5. Public ltd. liability co.
6. Cooperative store
7. State corporation or dept.

-- other answer

The following questions deal exclusively with (0) product in question

10a. Does the company sell (0) directly to

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesaler</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Retailer</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Cooperative</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Public body</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Other customers? Which?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Observations

10c. What proportion of sales volume is made to each category of customers?

For each Rs 100 invoiced

<table>
<thead>
<tr>
<th></th>
<th>%</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesaler</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retailer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cooperative</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Govt. Corp. or Dept.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total sales 100 %

Observations

458
22a. Do you sell any part of your production of (0) under a brand name or total production without a brand name?
   - part or total production with brand name
   - without brand name (question 24)

43a. How are negotiations usually begun with your customers?
   - do your salesmen visit customers 1
   - do your agents visit customers 2
   - do customers contact you 3
   - in other ways? how?

43b. Do you follow a program of regular visits?
   - Yes 1  Other ____________
   - No 2

44a. Do factors exist which limit your sales to a single area (transport problems, perishability of product, exclusive rights etc.)
   - Yes 1
   - No 2
   - Other answers

44b. (If yes) What factors?

50a. Does your company collect information systematically on the wants and needs of customers?
   - Yes 1
   - No 2 (question 52a)
50b. How do you collect information on customers' wants?

52a. Has your firm undertaken market research?

-yes 1
-no 2 (question 55)

-other answers

52b. What kind of market research?

52c. By whom was this research done? By your personnel, or with the help of a consultant or through a market research agency?

-by company personnel 1
-with help of consultant or market research agency 2

-other answers

57. Do you think advertising could be useful in this field to increase sales?

-yes 1
-no 2

-other answers

58a. 1 In the last year have you done any advertising?

-yes 1 (question 58b)
-no 2

58b. How much did you spend on advertising last year?

Rs _____
58(b) If there were no tax curbs on advertising expenditures how much would you spend annually on advertising and how would you decide on this amount?

Rs

and on the basis of sales

on the basis of a lump sum allocation

other bases

60. Do you help your customers (wholesalers, retailers) with

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>-contests for consumers</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>-displays at point of sale</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>-contests, prizes for salesmen</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>-payment of local publicity</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>-suppliers of advertising material</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

-other answers

Remarks

61a. Do you give credit to

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>-wholesaler</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>-retailer</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

-other answers

If firm does not give credit go on to question 68(a).

61 b. How many customers buy on credit?

<table>
<thead>
<tr>
<th></th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>-only a few</td>
<td></td>
</tr>
<tr>
<td>-about half</td>
<td>2</td>
</tr>
<tr>
<td>-about all</td>
<td>3</td>
</tr>
</tbody>
</table>

-other answers
62a. Do you attempt to keep customers with you through credit concessions?
   -yes 1
   -no 2 (Question 63)
   -other answers ________________________________

62b. In what way? ________________________________

63. What terms of payment are offered to your customers?
   ________________________________
   ________________________________

65. For a firm like yours would you say that extension of credit to retailers and wholesalers is

<table>
<thead>
<tr>
<th></th>
<th>Retailer</th>
<th>Wholesaler</th>
</tr>
</thead>
<tbody>
<tr>
<td>necessary</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>very important</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>important</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>fairly important</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>unimportant</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

   -other answers ________________________________

TO ALL
68a. Who generally takes charge of transporting the product to your customers?
   -the company, with its own means of transport 1
   -the company, through a transport company 2
   -the customer, with its own means of transport 3
   -the customer, through a transport company 4
68b. Are transport expenses included in the purchase price or are they paid separately by your customers?

Costs of transport
- are included in price  
- are paid separately by customer

- other answers

72. In sales of (0)
- are prices and scale of discounts equal to all customers
- are prices and discounts decided individually

- other answers

73a. Do you suggest to your wholesale and retail customers a resale price for your products?

- to wholesalers

- to retailers

- other answers

73b.1 If yes for wholesalers, what happens if wholesalers do not apply your suggested price?

2 If yes for retailers what happens if retailers do not apply your suggested price?
74. Do customers accept your prices or do they try to obtain a discount?

- they try to obtain a discount:
  - always or almost always 1
  - often or sometimes 2
  - never or almost never 3

- other answers

76. Do you give discounts to customers based on

- quantity of single order 1 2
- quantity purchased in a certain period 1 2
- season 1 2
- type of client 1 2

- other factors

89a. Do you consider that in this industry, wholesalers are necessary for the distribution of the product?

- yes 1
- no 2

- other answers

96a. Does the company participate financially in distributive companies?

- yes 1
- no 2 (Question 97a)

- other answers

96b. What kind of participation?
97b. In sales of (0) who has the strongest position?

- producer 1
- wholesaler 2
- retailer 3

-other answers

98a. Do government regulations have an important influence on the operation of your firm?

- yes 1
- no 2 (Question 99a)

98c. If so, in what respect?

---

II. Partial List of Questions asked of Wholesalers

2. Is this a one-man business firm or a company? (In case of a company: What form?)

1 Proprietorship
2 General partnership
3 Partner, with ltd. liability
4 Private ltd. liability co.
5 Public ltd. liability co.
6 Cooperative store
7 State corporation or dept.

9. Has the company any form of affiliation or collaboration with:

-group(s) of retailers 1
-voluntary chain(s) 2
-manufacturer(s) 3
-other wholesaler(s) 4
-no form of association 5
-other form of affiliation
11a. Do you sell also to individual consumers?

-Yes 1 (Question 11b)
-No 2 (Question 13)
-Other answer

11b. In relation to your total sales, do your sales to individual consumers represent:

-a very small, almost negligible part 1
-a small, not very important part? 2
-a rather important part? 3
-a very important part? 4

-Other answers

34b. How many days, weeks, or months do you think your inventory would last without renewal?

-Present inventory corresponds to . . . . . . . . days ( . . . . . . weeks, . . . . . . months) of sale.

-Other answer

39. How do you get in contact with your customers, and how do you get your orders?

-Your salesmen contact the customers 1
-Customers contact you on their own 2
-Orders are obtained by other wholesalers, agents, or brokers who in their turn get their supply from you? 3

-Other ways, which? (describe in detail)
40. Do your customers for (a) often try to by-pass you in order to buy direct from the manufacturer?
   - Yes, often 1
   - No 2
   - Other answer

41a. Where is the majority of your customers located?
   - In this community 1
   - In this district 2
   - In this province 3
   - All over the country 4
   - Other answer

41b. Are there any factors which limit your sales to one area?

42. Do you sell via agents?
   - Often 1
   - Sometimes 2
   - Seldom 3
   - Never 4
   - Other answer

43a. Do you sell (a)
   - Under a manufacturer's brand name: Yes No
     1
   - Under your own brand name?
     1
   - Unbranded
     2
   - Other answer

43b. Since how many years have you sold under your own brand name?
   - Since ........ years
   - Don't remember
   - Other answer

(If the firm sells under its own brand name)
43c Why did you develop your own brand?

43d Who manufactures (packs) the product sold under your own brand name?

- a manufacturer 1
- a voluntary chain 2
- you yourself 3
- other answer

43e Of 100 items of (0) sold, of all brands, what percent does your own brand represent?

- less than 10% 1
- 10-29% 2
- 30-49% 3
- 50-69% 4
- 70% or more 5
- other answer

44. What is the proportion between branded and unbranded items of (0) you sell?

- branded ............ percent
- unbranded ............ percent

- observations

46a Who decides (usually) the sales price to consumers for the product (0)?

- the manufacturer 1
- the wholesaler 2
- the retailer 3 (question 47)

- observations
46b When the manufacturer or wholesaler decides the price to consumers (46a), does it mean that he

- sets the price 1
- recommends the price 2

46c Do the retailers follow the prices decided on by you or the manufacturer?

- yes 1 (Quest. 47)
- no 2

46d What do you do if a retailer doesn't follow the prices set or recommended by you or the manufacturer?

a) if the retailer charges prices above those recommended:


b) if the retailer charges prices lower


47. Do your customers for (c) accept your prices, or do they try to obtain a discount?

Try to get a discount:

- always or almost always 1
- sometimes 2
- never or almost never 3

- other answer


48. On what basis does a wholesaler normally decide his selling for price (c) to retailers?

The wholesaler decides on the basis of:

- his purchase price 1
- the present market price 2
- what the retailer is prepared to pay 3
- manufacturers fixed retail price 4
- government decree 5

other elements, which?
Does the price per unit of (°) to retailers vary according to:

- size of order?  
  - Yes 1  
  - No 2
- items purchased during a certain period?  
  - Yes 1  
  - No 2
- season?  
  - Yes 1  
  - No 2
- type of retailer?  
  - Yes 1  
  - No 2
- price does not vary  
  - Yes 1  
  - No 2
- other elements, which? __________________________

In selling (°) do wholesalers have a fixed scale of discounts to retailers (in relation to quantity, season, etc.), or are the prices that retailers can obtain decided from case to case?

- fixed scale of discounts equal for everyone  
  - Yes 1  
  - No 2
- discounts decided from case to case  
  - Yes 1  
  - No 2
- other answers __________________________

(If answer 1)

How high a discount do you grant your customers on (°)?

What is the average gross margin for wholesalers on (°)?

The wholesaler's gross margin is:

- ... percent of purchase price paid by the wholesaler
- ... percent of sales price to retailer
- ... percent of consumer price
- other answer __________________________
50b Is the margin the same for all types and all brands of \(^{(0)}\)?

- Yes, the same 1
- No, different 2
- Other answer__________________________

56. Do you allow your customers to come into the warehouse to select and collect their own merchandise?

- Yes, always or almost always 1
- Yes, often 2
- Yes, sometimes 3
- Never 4
- Other answer__________________________

61a Do your suppliers have a tendency to by-pass you, selling direct to your retail customers?

- Yes 1 (question 61b)
- No 2 (question 62a)
- Other answer__________________________

61b Do you do anything to avoid the suppliers (manufacturers) selling directly to your customers?

- Yes 1 (question 61c)
- No 2 (question 62a)
- Other answer__________________________

61c What, specifically do you do in such a case?
The following questions concern the firm's total activity, not only product (0).

62a Do you buy on credit?
- always or almost always 1
- not always, but often 2
- sometimes 3
- never 4 (question 63)

- other answer

64a How many of the firms buying from you would you call your regular customers?
- almost all 1
- about one-half 2
- only a few 3
- none 4 (question 65)

64b Why do you think these regular customers prefer to buy from you and not from somebody else?
(Motives for preference)
- price 1
- service 2
- quality 3
- credit 4
- nearby location 5

- other reasons

67a Do some of your retail customers also act as (sub) wholesalers, selling to other retailers?
- yes 1
- no 2 (question 68)

- other answer

67b Why do you think these retailers also act as wholesalers?
68. How many salesmen do you employ? 

............... salesmen

observation

71a Does your firm participate in any joint or group effort with retailers or wholesalers to buy, sell, promote, etc.?

-yes 1 (question 71b)
-no 2 (question 72)

other answer

71b What type of group or joint effort?

72. Do you call on your customers according to a regular prepared time plan?

-yes 1
-no 2

other answer

73a Do you systematically collect information on your consumers' wants or demands?

-yes 1 (question 73b)
-no 2 (question 74a)

other answer

74a Has your company conducted any market research?

-yes 1 (question 74b)
-no 2 (question 77a)
74c By whom was the market research carried out? By your own personnel or with the aid of professional consultants?

- with own personnel 1
- with the aid of professional consultant 2
- other answer

77a Do you do anything particular to find new customers?

- yes 1 (Question 77b)
- no 2 (Question 78)
- other

78. Do you think advertising is useful for a wholesaler?

- yes 1
- no 2
- other

79a During the last year, have you advertised?

- yes 1 (question 79b)
- no 2 (question 80)
- other answer

81a Do you assist your customers by supplying them with material or funds to:

- sell with premiums, competition, gifts? 1
- point of sales material? 2
- funds for advertising? 3
- no aid at all? 4

- observations
81b Was this material or funds furnished through your initiative or through a manufacturer's initiative?

- through wholesaler's initiative 1
- through manufacturer's initiative 2
- other answer

82a Do you extend credit to your customers?

- Yes 1
- No 2 (Quest. 91a)

82b Who do you extend your credit to?

- Consumers 1
- Retailers 2
- Sub wholesalers 3

83. How many customers buy on credit?

- only a few 1
- about one-half 2
- almost all 3

- other answer

84a Do you attempt to keep customers with you through credit concessions?

- Yes 1
- No 2 (Quest. 85)
- other answer

87. Would you say that extending credit for a company like yours is:

- necessary, indispensable 1
- very important 2
- important 3
- not too important 4
- without importance 5

- other answer
88 Do you use credit as a sales argument to your customers?
-yes 1
-no 2
-Other answer

91a Who is in charge of transportation of your products to your customers?
-you yourself with your own means of transportation? 1
-you yourself with the aid of a transport agent? 2
-the retailer with his own means of transportation 3
-the retailer with the aid of a transport agent? 4
-Other answer

91b Usually are transportation costs included in your price, or do your customers pay separately for them?
Transportation costs are:
-paid separate by customer 1
-included in sales price 2
-Other answer

107 Has the company invested any funds in manufacturing or retailing operations?

-in manufacturing
  Yes No
  1 2

-in retailing
  1 2

-Other answer

109a Do you also handle imported products?
-yes 1 (question 109b)
-no 2 (question 110)
109b Who imports these products to Ceylon?

- you yourself
- a Ceylonese importer
- a foreign agent
- other answer

111. In sales of (0), who do you consider to have the strongest position?

- the manufacturer
- the wholesaler
- the retailer
- other answer

III Partial list of Questions asked of Retailers

1. When was the company founded?

Year ........... don't know 0

2. Is this a one-man business firm or a company? (In case of a company)? What form?

- Proprietorship 1
- general partnership 2
- Partner, with limited liability 3
- Private limited liability 4
- Public Limited liability 5
- Cooperative store 6
- State corporation or dept. 7

4. How many people are currently working for the company, full time or part time, considering the owner and his immediate family, as well as other relatives, separately from other employees?

- No. ........ family & relatives (including owner)
  - full time......
  - part time......

- No. ........ other employees of which:
  - full time......
  - part time......
5. Has the company one single retail outlet, or more than one?
   - a single retail outlet 1
   - ......... retail outlets

6. Since the founding of the company, have there been any important changes a) in the kind of product sold, b) in the type of activity? Which were the most important changes?
   no change in activity 1
   - a. these are the changes in activity:
   no change in products 1
   - b. these are the changes with respect to products:

8. Does the company visited wholly or in part belong to or own
   - an industrial company
   - a wholesale company
   - another company for retail sales
   - a consumer cooperative
   - a public company
   - does not belong to another company

9. The company is affiliated with:
   - a retail buying group without wholesalers 1
   - a voluntary chain (with wholesalers) 2
   - an industrial company 3
   - a wholesale company 4
   - other form of association

10a. Can the retail outlet be classified in one of the following categories?
   - Department store 1
   - Grocery store 2
   - General or Sundry Store 3
   - Co-op Store 4
   - Textile (Draper) Store 5
   - Drug Store or Pharmacy 6
   - Earthenware Shop 7
   - Household Appliance Shop 8
   - other type (with particular characteristics)
10b Is the retail outlet, at least in part, "self-service."
(does the customer select goods himself and pay at the
exit)?

-no 1
-yes, wholly self-service 2
-yes, partly self-service 3

11. Does the company have:

-a permanent retail outlet, open all year 1
-a permanent retail outlet, with seasonal opening 2
-a mobile retail outlet (mobile store) 3

(describe special cases: e.g. permanent retail outlet
with supplementary activities of mobile vans, kiosks in
local markets, etc.)

12. When customers in this area buy X, what interests them
most?

-price 1
-quality 2

-other things (possibility of buying on credit, delivery
to home, etc.) What?

13a How often do your regular customers buy this product?

As in Quest. 13 wholesalers

13b How much or how many of X does a customer buy at one
time, when he comes to make a purchase?

-unit of measurement -quantity bought

-other answer

14a Do you sell X on the market with:

- brand name of manufacturer
  - Yes 1
  - No 2
- brand name of wholesaler
  - Yes 1
  - No 2
- brand name of this company
  - Yes 1
  - No 2 (question 15)
- without brand, i.e. anonymously
  - Yes 1
  - No 2
- other answer

14b How long has the company sold under its own brand name?

- since . . . . . . . . .
- other

14c Who puts the brand name on the product?

- the manufacturing firm
  - Yes 1
- the wholesaling firm
  - Yes 2
- this company
  - Yes 3

15. Do manufacturers and wholesalers impose or recommend retail sales prices?

- yes 1
- no 2 (question 17)
- other

16. Do retailers in this area usually apply recommended prices, or prices lower or higher than the recommended price?

- apply recommended price
  - Yes 1
- apply higher price
  - Yes 2
- apply lower price
  - Yes 3

17. Does the retail sales price in this area vary according to:

- quantity purchased
  - Yes 1
  - No 2
- season
  - Yes 1
  - No 2
- type of buyer (private consumer, firm, etc.)
  - Yes 1
  - No 2
- other factors, which?

18. What is the margin (gross) which retailers of this area generally obtain in sales of X?
   - in relation to buying price .................%
   - in relation to consumer sales price .......%  
   - other ____________________________

19. In purchases of X, do you purchase the majority from one or a few suppliers regularly, or do you change suppliers frequently?
   - a single supplier 1
   - some permanent suppliers 2
   - change suppliers frequently 3 (question 20b)
   - other answer ____________________________

(If answer 1 or 2)

20a Why do you buy frequently from this supplier(s) and not from others?

______________________________
______________________________
______________________________

(If answer 3)

20b Why do you change suppliers frequently?

______________________________
______________________________
______________________________

21b Do you buy most frequently
   - directly from the manufacturer 1
   - through wholesaler (with inventory) 2
   - through agents (without inventory) 3
   - other ____________________________
21c Do one or more of the supplying companies have special ties with this company (co-ownership, family relationship, etc.). If yes, what ties?

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>yes</strong></td>
<td>1</td>
<td>what ties ____________________________</td>
</tr>
<tr>
<td><strong>no</strong></td>
<td>2</td>
<td>____________________________</td>
</tr>
</tbody>
</table>

23. Why do you buy frequently from this company and not from other companies?

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>more advantageous price</strong></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td><strong>better quality</strong></td>
<td>2</td>
<td></td>
</tr>
<tr>
<td><strong>speed of delivery</strong></td>
<td>3</td>
<td></td>
</tr>
<tr>
<td><strong>better payment terms</strong></td>
<td>4</td>
<td></td>
</tr>
<tr>
<td><strong>other</strong></td>
<td></td>
<td>____________________________</td>
</tr>
</tbody>
</table>

25. In your purchase of X:

a) do suppliers generally initiate the contact (by visiting, telephoning, or writing)?  1
b) or do you generally take the initiative in placing an order?  2

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>other</strong></td>
<td></td>
<td>____________________________</td>
</tr>
</tbody>
</table>

26. How often do you see your suppliers?

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>every day or almost</strong></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td><strong>......times a week (approx.)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>......times a month (approx.)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>once every ...... months</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(This concerns only wholesalers and manufacturers from whom you buy most frequently)

27. How often do the salesmen of these suppliers visit your store (including visits when you do not place orders)?

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>every day or almost</strong></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td><strong>......times a week</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>......times a month</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>other</strong></td>
<td></td>
<td>____________________________</td>
</tr>
</tbody>
</table>
28. At present, are you greatly or a little interested in finding new suppliers of X?

-very interested   1  other_____________________
-fairly interested  2
-a little interested 3_____________________
-not interested    4

Remarks: _______________________________________
______________________________________________________________________________

29a Does the purchase price of X vary for retailers in this area according to:

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>quantity bought</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>season purchased</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>type of supplier</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>-manufacturer or</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-wholesaler</td>
<td></td>
<td></td>
</tr>
<tr>
<td>type of retailer</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>-large or small firm</td>
<td></td>
<td></td>
</tr>
<tr>
<td>payment conditions</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>-other</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(If interviewer indicates changes in prices - if 1 in any one above)

29b Does the supplier have a set scale of discounts (according to quantity purchased or season, etc.), or are discounts decided individually for each retailer by negotiation?

- fixed scale of discounts, same for all   1
- discounts decided individually          2
- other__________________________________

(Question 30 only concerns non-durable goods)

30a Do the prices quoted by different suppliers vary considerably?

- equal or almost equal 1
- little different      2
- fairly different      3
- very different        4
31. In general, do retailers in this area accept prices proposed by suppliers, or when placing an order, do they try to obtain some discount?

- accept prices proposed by suppliers 1
- try to obtain some discount 2
- other

32a Do you receive special privileges from one of your suppliers?

- exclusive sale in this area 1
- money contribution for local advertising or special shows 2
- no advantages 3
- other

32b When was the last purchase of X, and how much of it did you buy the last time?

- last purchase ......days, ......months, ......weeks ago

How much was purchased, or what was the value of the purchase?

- other

33b Why did you decide, the last time, to buy the amount indicated and not more or less?
34b To how many days, weeks, or months of sales does this inventory correspond?

- current inventory corresponds to:
  ...... days, ...... weeks, ...... months of sale
- other

35a Does the price vary according to the season?

- yes, the price varies 1
- no, the price is constant 2 (question 36)

(If yes)

35b Do you think retailers in this area place large orders of X in season when the price is low?

- yes, they place large orders 1
- no, they do not place large orders 2
- other

37. What do you think suppliers should do to give your company better service, and meet your requirements?

38a Who generally takes charge of transporting X from the supplier to the store?

- the supplier, with his own means of transportation 1
- the supplier, with a transport company 2
- the interviewee, with his own means of transportation 3
- the interviewee, with a transport company 4
- other
38c. Are costs of transportation included in price of purchase, or are they paid separately by the retailer?

- are paid separately by retailer 1
- are included in purchase price 2
- are paid in part by retailer and in part by supplier 3
- other ______________________________________

The next questions concern all products sold by the retailer, not only sales of X.

42a How often do you receive visits from suppliers?

- very often 1
- often 2
- sometimes 3
- never or almost never (question 43a) ______________________
- other ______________________________________

43a Do you sometimes buy together with other retailers, e.g. as part of a group, association, or co-operative, for purchase of some product?

- yes 1
- no 2 (question 44)

43b How is that buying group organized? How many retailers belong? (give details)

_________________________________________________________________
_________________________________________________________________
_________________________________________________________________
_________________________________________________________________

43c Who organized this group? You or someone else?

- the interviewer 1
- other ______________________________________

Remarks: ______________________________________

_________________________________________________________________
44. Who is responsible for buying in your company, i.e. who decides which articles should be bought and in what quantities? (Indicate only the title and function of person responsible not his name.)

45. Do you buy on credit:
- always or almost always  1 (question 47)
- often  2 (question 47)
- sometimes  3
- never or almost never  4 (question 47)
- other ____________________________

47. What are the terms of payment most frequently given by your suppliers?

48. Do you think that for articles handled in this shop it is more important for a retailer to try to buy at the most advantageous price or to sell with a good margin?
- to try to buy at the most advantageous price  1
- to sell with a good margin  2
- other ____________________________

49. Do you know approximately how many customers enter this store
- on a normal sales day .......... customers
- other ____________________________
50. Which day do you have the highest sales?

- Monday 1
- Tuesday 2
- Wednesday 3
- Thursday 4
- Friday 5
- Saturday 6
- Sunday 7

51a How many days per week is the store open?

- 1 day 1
- 2 days 2
- 3 days 3
- 4 days 4
- 5 days 5
- 6 days 6
- 7 days 7

51b Is the store open on Sunday? If yes, only the morning, or also the afternoon?

On Sunday the store is:
- Closed all day 1
- Open only in the morning 2
- Open only in the afternoon 3
- Open all day 4

Remarks: ________________________________

52a Do you sell chiefly to private consumers or also to companies, hotels, communities, public companies, etc.?

- Only to private consumers 1 (question 53a)
- Also to hotels, companies, etc. 2

53a Out of all the people who buy in this store, how many can be considered regular customers because they come more frequently here when they have to buy X?

- Less than 1/2 customers 1
- About 1/2 2
- Over 1/2 3
- Other ________________________________
53b In what are your regular customers most interested when they come to a store to make a purchase?
- the price of the article and possibly of obtaining a discount 1
- courtesy and service offered by store 2
- quality of product 3
- possibility of buying on credit or paying in installments 4
- other factors (e.g. location of shop, etc.)

54a If you had to classify people who buy in this store, would you say, in general, these people had a standard of living:
- higher than customers of other stores 1
- similar to customers of other stores 2
- lower than customers of other stores 3
- other

54b Do the majority of your customers live
- very near the store 1
- not near the store, but in another part of the same community 2
- in another community 3
- other

53a In this last year, have you done any advertising in newspapers, with exhibitions, in cinema, or other ways?
- yes 1
- no 2 (question 63c)
- other

53b What kind of advertising have you done?
63c Do you think advertising is essential to increase the number of customers and sales?

- yes 1
- no 2

65a In this last year, has there been more initiative to increase sales apart from special offers and competitions promoted by suppliers, e.g. period of special sale, or end of season sales, special discounts and coupons for customers?

- yes 1
- no 2 (question 68a)

65b What initiative has been taken in this last year?

- to sell, at reduced price, all articles 1
- to sell, at reduced price, some articles 2
- coupons for customers (excluding draws) 3
- competitions with prizes for customers (with draws) 4
- other initiative

67a Are these initiative (sales at reduced prices, competitions, etc.) undertaken in cooperation with other retailers?

- yes 1
- no 2 (question 68a)

67c How long has there been this cooperation with other retailers?

67d Do you think this type of cooperation is useful or not?

Remarks
68a How many of your customers buy on credit?
- only a few 1
- about half 2
- almost all 3
- none 4 (question 70)
- other ________________________________

68c Generally, how long is the credit?


69. If you decided to sell only against cash, would many of your customers go to another store where they could buy on credit?
- yes 1
- no 2
- don't know 0
- other ________________________________

Remarks ________________________________


70. Do you sometimes suggest to your customers to buy on credit to encourage customers to buy in this store, or do you sell on credit only to customers who request it?
- we suggest to customers to buy on credit 1
- we sell on credit only on request 2
- other ________________________________

71a Do you deliver articles to the house?
- yes 1
- no 2 (question 73a)
- other ________________________________

71b Do customers living in the community pay for delivery service?
- yes 1
- no 2
- other ________________________________
(Only for durable goods – see instruction)

73a Do you give some kind of guarantee to customers for X bought in this store?

-yes 1 -other________________________
-no 2 (question 74) __________________________

73b (If yes) What kind of guarantee do you give? ______

What others? __________________________________________

(To all)

74. Do retailers in this area have fixed selling prices, i.e. same price for all customers, or do prices vary according to the customers (are discounts made to special customers or if customers insist)?

-prices are fixed 1
-prices can vary 2
-other________________________

75. Is the sales price shown on:

-all items displayed 1
-over half of the items 2
-about half of the items 3
-less than half of the items 4
-only a few items 5
-no items 6

-other________________________
77a In this kind of store, is the gross profit margin the same on all articles, or higher on some and lower on others?

Profit margin is:
-the same (or almost) on all articles 1
-higher on some and lower on others 2

-other

77b Why is the margin ......... (repeat answer to 77a)?

________________________________________

80a Do you foresee that in the next 4-5 years the sales of this store will increase, decrease, or stay approximately the same?

-sales will increase 1
-sales will remain stable 2
-sales will decrease 3

-other

80b Why do you think ......... (repeat answer to 80a)?

________________________________________

80c 1. Do you foresee in the next 4-5 years any important changes in store premises, e.g. expansion, modernization, changes in location?

-yes 1
-no 2 (question 82)

-other

80c 2. What alterations are you thinking of making in the next 4-5 years?

________________________________________
(If the interviewee is going to make alterations)

80d  For new premises and installations you need money. Where will you find the necessary money? Will you use family funds, loans from a bank, or other persons or suppliers?

-own funds or family's  1
-bank loan  2
-loan from other person (friend)  3
-loan from suppliers  4
-company funds  5
-

82. Does someone do the accounting in this store?

-yes  1
-no  2 (question 84b)
-

83. Who does the accounting - you or another person?

-the interviewee  1
-relations  2
-other person (full time)  3
-other person (part time)  4
-

84a  Of what do you keep accounts? Only of cash takings, or also of other things?

-only of cash takings  1
-of other things, i.e.  
-

84b  Does the retailer have a cash register or adding machine?

-yes, cash register  1
-yes, adding machine  2
-no, no machines  0

86a  Do you belong to a trade association?

-yes  1
-no  2 (question 57)
86c Do you obtain certain advantages or usefulness as a member of this association? What kind of advantages?


(For proprietorship or partnership only)

85. When you retire, do you think this business will be carried on by your son or other relatives?

-yes 1

-no 2

- other________________________

(For interviewer's attention: fill in this part before leaving store without putting questions directly to the interviewee)

56a Do you have the impression that the interviewee or staff tries to influence customer's decisions and selections with proposals and advice?

-yes, considerably 1

-yes, sometimes 2

-yes, a little 3

-no or never 4

- other________________________

57. Can the customer examine the products in the store?

-yes 1

-no 2

- other________________________

58. When the customer enters the shop, does the salesman immediately ask the customer to point out the required product (if he is not occupied with another customer), or does he wait until the customer has finished examining the products on display (as generally in a department store)?

-asks customers immediately to point out required product 1

-waits until customer has finished examining product on display

- other________________________
59. Does the salesman generally exchange a few words with customers on entering the shop (including things not concerning purchase)?

- yes, always or almost 1
- yes, often 2
- yes, sometimes 3
- no, never or almost never 4

60. If a customer does not find the make or type of product required, does the salesman generally:

- suggest that he takes another make which is similar 1
- point out to customer another shop which has the required make 2
- say he doesn't have the required product (without considering other products or retailers) 3

90. In which class, with respect to sales volume, would this company fall?

<table>
<thead>
<tr>
<th>Sales Volume</th>
<th>Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,000</td>
<td>1</td>
</tr>
<tr>
<td>20,000</td>
<td>2</td>
</tr>
<tr>
<td>40,000</td>
<td>3</td>
</tr>
<tr>
<td>60,000</td>
<td>4</td>
</tr>
<tr>
<td>80,000</td>
<td>5</td>
</tr>
<tr>
<td>100,000</td>
<td>6</td>
</tr>
<tr>
<td>1,500,000</td>
<td>7</td>
</tr>
<tr>
<td>Over 1,600,000</td>
<td>9</td>
</tr>
</tbody>
</table>

No information 0
APPENDIX D

PHOTOGRAPHS OF SELECTED CEYLONese FOOD RETAIL STORES

1. Vendor of local vegetables, Delkanda Fair
2. Vendor of non-local vegetables, Delkanda Fair
3. Fish vendor, Delkanda Fair
4. Dried fish vendor, Delkanda Fair
5. Coconut vendors, Delkanda Fair
6. Vendor of curry stuffs, Delkanda Fair
7. Vegetable stall, Municipal Market, Colombo 6
8. Canned, preserved, and bottled fruit stall, Municipal Market, Colombo 6
9. Fish stall, Municipal Market, Colombo 6
10. Wines and Stores Department, Millers Department Store
11. Wines and Grocery Department, Colombo Apothecaries Co Ltd.
12. Ceylon Cold Stores Sales Room
13. Front view of Tripoli Market
14. Vegetable section, Tripoli Market
15. Canned goods section, Tripoli Market
16. Meat section, Tripoli Market
17. Front view of Marketing Department Shop, Colombo 10
18. Front view of Kalubovila-Kirulapone Co-operative Store
19. Curry stuffs section, Kalubovila Kirulapone Co-operative Store
20. Front view, Ihala Welikada Multipurpose Co-operative Store
21. Curry stuffs section, Ihala Welikada Multipurpose Co-operative Store

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Appendix D (cont'd.)

22. Front view, Cindy's Milk Bar
23. Goods display at Cindy's Milk Bar
24. Food display at a Petrol Shed (gas station)
25. Entrance to Sortee Super Stores, self-service store
26. Display at Sortee Super Stores
27. Entrance to Self-service store of Colombo Mudliyar's Division Multi-Purpose Co-operative Societies Union
28. Display at Self-service store of Colombo Mudaliyar's Division Multi-Purpose Co-operative Societies Union
Vendor of local vegetables, Delkanda Fair
Vendor of non-local vegetables; Dalkanda Fair
APPENDIX D - 8:

Fish vendor, Belkanda Fair
Dried fish vendor, Dolkanda Fair
Coconut vendors, Delkanda Fair
Vendor of curry stuffs, Delkanda
APPENDIX D - 7

Vegetable stall, Municipal Market, Colombo 6
APPENDIX D

Canned, preserved, and bottled fruit stall,
Municipal Market, Colombo 6
Fish stall, Municipal Market, Colombo 6
APPENDIX D - II

Wines and Groceries Department, Colombo Apothecaries Co. Ltd.
Front view of Tripoli Market
APPENDIX D - 14

Vegetable section, Tripoli Market
Canned goods section, Tripoli Market
Meat section, Tripoli Market
APPENDIX D - 17

Front view of Marketing Department Shop, Colombo 10
Front view of Kalubovila-Kirulamme Co-operative Store
Curry stuffs section, Kalubovila-Kirulapone
Co-operative Store
front view, Thala Welikada Multipurpose Co-operative Store
APPENDIX D - 21

Curry stuffs section, Ihala Welikada
Multipurpose Co-operative
APPENDIX D - 22

Front view, Cincy's Milk Car
Gnome display at Cindy's Milk Bar
Food display at a Petrol Shed (gas station)
Entrance to Sorton Super Stores, self-service store
Display at Sortee Super Stores
APPENDIX D - 27

Entrance to Self-service store of Colombo Mudliyar's Division Multi-purpose Co-operative Societies Union
Display at Self-service store of Colombo Mudaliyar's Division Multi-purpose Co-operative Societies Union
APPENDIX E

CHANNELS OF DISTRIBUTION FOR FOOD ITEMS

I

Channels of Distribution for Imported Food

I (a) Imports through the Food Commissioner:
   - Rice
   - Flour, Sugar, Dhall, Potatoes, Onions

I (b) Imports through the CWE:
   - Chillies, Dried Fish, Tinned Fish

I (c) Imports under licences granted to the Private Trade

II

Channels of Distribution for Local Food

II (a) Purchases under Guaranteed Price Scheme sold under ration

II (b) Purchases under Guaranteed Price Scheme sold off ration

II (c) Non-regulated Local Produce

II (d) Local Vegetables and Fruits

II (e) Local Fish

II (f) Other local Foods
Imports Through CWE

- Chillies, dried fish, tinned fish
Food imported under licences issued to the private sector
LOCAL FOOD
Purchases under Guaranteed Price Scheme sold under ration - e.g., rice
Purchases under Guaranteed Price Scheme sold off ration - e.g., potatoes
APPENDIX E - II(c)

MARKETING DEPARTMENT

FOOD COMMISSION -ER

L O C A L

CO-OP UNIONS

MARKETING DEPARTMENT SHOPS

AUTHORIZED DEALERS (PRIVATE RETAILERS)

C

CO-OP UNION SHOPS

CO-OP SOCIETIES SHOPS

N

CWE

CWE SHOPS

CWE APPROVED PRIVATE RETAILERS

U

PRIVATE RETAILERS INCLUDING AUTHORIZED DEALERS & CWE APPROVED RETAILERS

M

PRIVATE IMPORTER

COMMISSION AGENTS

FISHERIES CORPORATION

PRIVATE WHOLESALERS INCLUDING CWE APPROVED WHOLESALERS

FISHERIES CORPORATION STALLS

CWE

P R O D U C E

Non-regulated local produce - e.g., coconuts
Vegetables and Fruits
Other foods, e.g., bread, meat
APPENDIX F

LIST OF PERSONS WHO ASSISTED IN STUDY IN CEYLON

The Partners of Airline Radio Company loaned several tapes to be used in the tape-recording of interviews.

Dr. Asoke Andaramasama arranged for the use of the library at the Department of National Planning.

Mr. Percy Colsambage arranged for the use of the library at the Associated Newspapers of Ceylon Ltd., and also provided information on newspaper circulation.

Mr. Asoke de Lanerolle made available the Report of the Readership Survey conducted by Messers Lever Brothers (Ceylon) Ltd.

Mr. A. T. Dharmaratne transcribed two of the tape-recorded interviews.

Mr. W. B. Darukumbura arranged for the use of the Vidyananda University Library.

Mrs. D.J. Jayasinghe handled all matters connected with the administration of the housewife survey questionnaire.

Mr. T. M. Jayasinghe loaned the tape-recording equipment used in the interviews.

Mrs. I. M. Kanaangara arranged for me to receive the list of “faire” in Ceylon.

Miss Irangane Perera transcribed several journal articles available at the University of Ceylon library.

Mr. A. R. Ratnavale arranged for the use of the library at the Department of Census and Statistics.

Mrs. Y.D.A. Senanayake transcribed two tape-recorded interviews.

Dr. K.T.W. Sumanasuriya arranged for the use of the Department of Education’s Record Room and library.

Miss Mallini Weerapperuma arranged for access to the statistics at the Office of the Registrar-General.
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