

## Food Retailing Institutions in Ceylon, 1966 \*

by

G. H. WADINAMBIARATCHI

*Department of Management Studies, University of the West Indies.*

MARKETING men, who have been interested in the management of distribution activities, have studied the functioning of the distribution system largely in order to understand the development of marketing institutions and the functions they perform. The evolution of new types of distribution organizations, over the years, has been extremely dynamic. Some retail organizations have come upon the scene and gone from it, others have stayed on. These organizations did not happen by accident ; there was a reason for their appearance at the time, at the place, and in the form they did. It might be possible, if one could adequately describe the pattern of development, to explain why retail institutions have developed in the way they have.

The present paper contains a part of the material gathered in a study of the development of food retailing in Ceylon. In almost all instances the origins of food retail institutions in Ceylon, and in all instances the reasons for their continued existence, were covered as comprehensively as possible. Analyses of this, essentially non-quantitative, material were combined with analyses of material on food retailing techniques (again, non-quantitative data) and the analyses of certain quantitative data to examine the applicability of existing theories of retail development to a less-developed economy like Ceylon.

The material presented here was collected through personal interviews<sup>1</sup>. Others have used the interview method for similar

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\* This paper is based on a part of Chapter IV of the author's doctoral dissertation, *Development of Food Retailing in Ceylon*, submitted at the University of Western Ontario, School of Business Administration, in 1967-68. A Resident Fellowship of the Marketing Science Institute provided the finances for travel to Ceylon (and back) to conduct the field research for the dissertation.

<sup>1</sup> Between February and June, 1966, fifty interviews were conducted among: individual food retailers operating different types of food retail outlets ; wholesalers ; officials of government departments and government-sponsored corporations that were in, or connected with, the wholesale and/or retail food business ; executives of trade associations ; advertising agency executives ; and, a person in the forefront of the co-operative movement in Ceylon.

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studies<sup>2</sup>; and Jefferys has interviewed government officials, trade association executives, and advertising agency executives, too<sup>3</sup>. The limitations of interview data<sup>4</sup> were fully recognized, but were not considered to be too serious.

This paper, then, describes the food retailing institutions<sup>5</sup> found in Ceylon in 1966. The reasons for their origin and continued existence are examined. Particular attention is given to the environmental factors that appear to be relevant to their origin and continued existence. The Co-operative Wholesale Establishment, the Ceylon Fisheries Corporation, and the co-operative unions which seem to have an important impact on the retailing system are referred to but not discussed in detail due to limitations on space.

### Retail Institutions

At the time of the study, 23 types of food retail outlets (using local terms, except in the instance of "partial-self-service" stores) could be identified in Ceylon. Table I 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 14 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.

### Bakery Produce Stores

There were estimated to be 1,200 bakeries with total sales of Rs 250 million (two per cent of retail food outlets and 10 per cent of retail food sales). Every bakery, regardless of size, 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)"

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<sup>2</sup> James B. Jefferys, *Retail Trading in Britain, 1850-1950*, Cambridge, Cambridge University Press, 1954; Alice G. Dewey, *Peasant Marketing in Java*, New York, Free Press of Glencoe, 1962; Kenneth J. Galbraith and Richard H. Holton, *Marketing Efficiency in Puerto Rico*, Cambridge, Mass., Harvard University Press, 1955.

<sup>3</sup> James B. Jefferys, *Distribution in Consumer Goods*, Cambridge, Cambridge University Press, 1950.

<sup>4</sup> Willard E. Mueller and Leon Garoian, *Changes in the Market of Grocery Retailing*, Madison, University of Wisconsin Press, 1961; Robert Edward Mitchell, "Survey Materials Collected in the Developing Countries: sampling, measurement, and interviewing obstacles to intra- and inter-national comparisons", *International Social Science Journal*, XVII, No. 4, 1965, pp. 665-695.

<sup>5</sup> A separate paper deals with the retailing techniques.

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business. The capital investment required to run a bakery (all but one baker have brick ovens) is very small. Practically every village in Ceylon has its own bakery, and there are numerous bakeries in each urban centre. Extremely few bakeries cater to customers outside their immediate locality.

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
Milk Board Shops	25	0.04	1.25	0.05
Department Stores	8	0.01	2.50	0.10
Frozen Produce Stores	3	0.01	1.25	0.05
	<u>60,002</u>	<u>100.00</u>	<u>2,500.00</u>	<u>100.00</u>

\* 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 30,00 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.



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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. 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 it fresh.

A very, very small part of the bread sold in Ceylon is through non-bakery food stores. It was during the War that some non-bakery food outlets started selling bread, but this was still only sporadic and in relatively 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.

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 prices of other ingredients have been steadily increasing since 1942) to allow sufficient margins to intermediary sellers, like food stores.

The opening times of bakeries tend to get earlier and closing times tend to get later as one moves from the bakeries in the large cities to those in the rural areas. The variety of additional lines (buns, rolls, pastries etc.), 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, but 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.

### Department Stores

The institution known as the department store in Ceylon is 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 Establishment. 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. Although insignificant (0.01 per cent outlets, including branches; and, 0.10 per cent sales) in today's food retailing, 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, of which stores in Ceylon were transplants. These at the beginning catered to the foreigners in Ceylon, who shopped for *all* their requirements in department stores. Finally, the department stores held the import agencies for a number of the most profitable lines (including food lines). These imports were sold to the trade through the stores' wholesale divisions; and the wholesale business is a very

important, though declining, part of the over-all business of the store. 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 now a larger group of people in the import business.

All 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. One of the department stores, for a number of years, had a "bargain basement" type operation: a small scale department store under another name. This store carried lower quality items at lower prices. 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 department 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. 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.

It is claimed that pricing structures used by local manufacturers have led to a reduction of department store margins. Department store executives claim that heavier import duties have tended to reduce their own margins. A superficial examination of prices seems to support this claim, although it is unlikely that margins have in fact been reduced. Department stores prices are not generally adjusted for competition. By and large, the other types of stores fluctuate their margins on the basis of scarcity. 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 that are cheaper in them than in other types of stores. Still, very few working class people ever shop in them.

### **Drug Stores**

The term 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 required by law) a qualified pharmacist to dispense prescriptions that require preparation. Milk foods (including evapo-

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rated, 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. Since 1963 or so, some druggists have added frozen foods to their lines. Druggists handling food account for about two per cent of the food retail outlets and 0.05 per cent of the 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 regulations' 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.

In Ceylon the general practitioner, who is still the predominant medical man, issues few prescriptions for drugs to be purchased at a drug store. As such, the volume of business for drug stores is low. For survival most druggists have to sell other products as well.

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 estate labourers 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. The 300, or so, estate shops account for 0.50 per cent of food retail outlets and three per cent of 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 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.

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, in which event 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 agency, in addition to management, 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 value of each labourer's purchases is recorded by the foreman, who for all practical purposes "runs" the store. 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. In 1966, there were 450 fairs in Ceylon (0.75 per cent outlets, two per cent 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.

A fair is called a *pola* or a *sundae* (pronounced sun-they), often, when held on a Sunday. About three-fourths of the products sold in all fairs are foodstuffs. Among food items sold are : rice, fresh produce, fresh fish, fresh meats, and currystuffs. There are two groups of products sold at 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 mostly merchants from the cities who move from one fair to the next on different days of the week. At most fairs, items of local production are cheaper than in normal shopping areas, and the locally grown fruits and vegetables are fresher. The prices of the non-local items are lower than or

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equal to those in the normal shopping areas. Generally, as one moves from the large urban areas, the importance of the local product component in the fair increases, and the number of sellers decreases.

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. For some rural dwellers the visit to the fair is an outing. For the urban dwellers it is, perhaps, an opportunity to "go primitive".

The fair, which is similar to the *feiras* in Latin America and the "collective markets" in Tropical Africa, is an important retail institution in Ceylon.<sup>6</sup> There is no doubt that their importance increases as the area becomes more rural and more distant from urban centers. There are three different types of vendors at these fairs: residents of the area selling local, mostly agricultural, products (This group seldom goes home with the money from the sale, but uses the money instead to buy its own requirements); 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.

The fair grounds 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.

### Frozen Produce Stores

While other stores may have a counter (very often a single freezer) for frozen produce, there are in Ceylon three (strictly) frozen produce stores (0.01 per cent food retail outlets, 0.05 per cent sales). 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%).

Right up to the recent import restrictions, the bulk of the frozen produce sold in Ceylon was imported. Prior to World War II, there was a larger market for frozen food. This was due partly to the low tariffs at that time enabling cheap imports, and partly to the presence of a large number of foreign-

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<sup>6</sup> Since the time of this study, there is now in the heart of the most fashionable residential area of Colombo City a government-organized *Jatika Pola* (National Fair) which is dominated by a stall run by the government's own Marketing Department.



ers. Since then, there has been a steady increase in tariffs and a decrease in the number of foreigners. The increase in patronage by upper-middle class and above Ceylonese has not offset the volume drop caused by the loss of the foreigners' buying.

Part of the products in 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 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 food retail 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) handle wholesale business, regardless of the size of his retail operations.

All the general merchants interviewed said that unless they have the widest product range, their customers "will go elsewhere to purchase part of their requirements". General merchants in the outstations also claim that it is uneconomical to specialize in one or two product lines.

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 of 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. Hours of business vary from 8 a.m. to about 6 p.m. in Colombo to from 6 a.m. to 10 p.m., or even midnight, in the outstations.

### **Grocery Stores**

Stores selling groceries only are few, and stores using the term grocery in their names (e.g., X Grocery Stores) are fewer still. Again, few stores describe

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their business as "grocery business", most of them are in other businesses as well. There were estimated to be about 1,800 grocery stores (three per cent of food retail outlets, five per cent of 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 are in turn, often, wooden-topped glass showcases with doors that open on the side away from the customer.

It seems that the reasons for the small number of grocery stores are the same as 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 very small. Some selling groceries claim that the only margin is obtained by selling the empty (often wooden) case.

### **Green Grocery Stores**

If the stalls in the municipal markets, and pavement (sidewalk) hawkers are excluded, there are extremely few stores that sell vegetables (and fruits) only. There are 600 such stores (one per cent each of food retail stores and of 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. No shopping area of any consequence, whether rural or urban, is complete without one of these stores. Including the proprietor, the total number of employees in such a (near-fixtured) store is two, or at most three, and expenses (as with overheads) are minimal.

The few "vegetables 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 their prices are higher. 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.

### **Hawkers**

The 1,200 or so hawkers in Ceylon represent about two per cent of food outlets and 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 vans. The stock carried is small, the variety limited, and the prices are generally higher than at regular shopping areas. However, purchasing from hawkers saves the housewife the inconvenience of walking to the market to make purchases. Since, in the absence of refrigerators, most households make daily purchases, walking to the market could be a nuisance.

These operators purchase their stocks at wholesale rates from central marketing points. Along the costal areas, fish hawkers (known as fish-mongers) purchase their stocks from in-coming boats on the beaches. For some persons, hawking is a life-time occupation. There are those who carry their load and walk miles 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.

Hawking is less prevalent today than it was some years ago. Improved rural conditions (economic and educational) are 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, covering several stalls, 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. 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. 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. In the more modern markets there are sections, of at least one or two stalls, for textiles, hardware, handicrafts, etc.

The municipal market is like the old American combination stores<sup>7</sup> except that there are several stores that deal in the same line of products. In layout they are similar to farmers' markets in North America, but the vendors are not farmers or even remotely connected to farmers. In the absence of cool

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<sup>7</sup> These are described by Mueller and Garoian, *op cit.*, p. 11



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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. Markets, which are open from 6.30 or 7.00 a.m. till 8.00 p.m. (or later if produce, fish, and meat stocks are still available), are open seven days a week.

The average market caters to people in the immediate locality; but some markets, because of the range and depth of their stocks, can attract customers (often with private transportation) from a larger area.

### **Oilman Goods Stores**

There are about 1,800 oilman goods stores (three per cent each of food retail outlets and sales). These stores carry products identical to those in a grocery store. It seems that the expression oilman goods preceded the word grocery in being introduced to business circles in Colombo. There are some stores that describe themselves as oilman goods stores. Yet others call themselves "grocers and dealers in oilman goods". The only perceptible difference between grocery and oilman stores is that the latter appear to be carrying more canned and bottled foods.

It would seem that oilman goods were any item of food that is canned or bottled. It would also appear that items of this nature were in the early days hawked around by the man selling oil for lighting and cooking. It was these men who were the first to set up business at a fixed place and to offer products of this nature for sale. It is probable 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 cooking 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 (ground area and sales volume). 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. This type of shopkeeping is thus a cover for under-employment.

In urban areas these stores 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 cliché speaks of

Ceylon as “ a nation of boutique-keepers ”). They carry limited stocks, but surprisingly (for their situation) large variety. Unlike most other stores which have regular hours and are closed one day of the week, these stores are open seven days of the week from “ early morning ” till “ late at night ”. In fact, they will serve a customer at “ any time of day or night ”. Most of them also grant credit, something they could ill afford.

### **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 do not carry rice and curry-stuffs. Also, some of them have open counters so that customers can inspect and select items. In some of them there is partial selfservice. There are about 900 such stores (1.5 per cent of outlets, three per cent of sales).

These so-called variety stores seem to have a combination of the better-class features of the general store, plus the added line (e.g., toys and jewellery) that 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 a Colombo District City. They are small stores. A few of the variety stores in Colombo are quite large, and are departmentalized in layout, though not in administrative organization.

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

### **Consumer Co-operative Stores**

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 fled to India ; (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. Despite government assistance in the form of a monopoly for the co-operatives to distribute certain commodities, most of the few that survived the immediate post-war era 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

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at controlled or fair prices<sup>8</sup>. 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<sup>9</sup>; 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 finance, and in another, the experience and attitudes of management.

The consumer stores originated in a period of austerity and stress. And, the officers of government's co-operative department were (and are) grounded in a co-operative philosophy that was austerity-oriented. They are unable to offer any meaningful advice on running a store as a retail business. Extremely few co-operatives are equipped to emerge into a period when austerity is not acceptable to the consumers.

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 not 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.

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.

#### **Marketing Department Shops**

The retail shops of the Marketing Department (a department within the Ministry of Agriculture and Food) are also a war-time innovation that has stayed on. During the depression of the ' thirties, the government had created

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<sup>8</sup> The term "fair prices" is commonly used in Ceylon to mean just, equitable, or non-excessive-profit prices.

<sup>9</sup> In 1957, multi-purpose co-operatives were established by ministerial directive. All stores societies were persuaded (or even cajoled) to adopt new by-laws that transformed them into the new version. One society could then handle credit, production, marketing, consumer sales, and labour functions; functions which, hitherto, had been handled by different types of societies. Hundreds of these multi-purpose societies, however, have no functions other than the normal retail consumer sales, that they had been used to.



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 department. It was called the Tripoli Warehouse. During the war-emergency of 1942, the consumers in Colombo were finding it difficult 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 department calls satellite stores are located in various parts of the city, and a few are located outside the city, as well. 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 vegetables and fruits, these shops today sell food items of local manufacture and processing. Except for the Tripoli Market, the department's 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. The prices are about the lowest anywhere, and the volume is very high. Very considerable improvements have been made to the store, but the margins are reported to have remained the same.

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 department's prices as a guide line. Their prices are generally five cents, seldom ten cents, per pound more than those prevailing in the Marketing Department stores.

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.

#### **Pavement (Sidewalk) Hawkers**

The pavement hawker is an immediate post-war phenomenon that has now become an important retail phenomenon. In 1966 there were about 1,200 pavement hawkers (two per cent of food retail outlets, 0.20 per cent of

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retail food sales). The pavement hawkers deal in a wide range of goods and product categories including food. Those who sell foodstuffs 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. 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.

Attempts to get them off the pavements and into covered 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. They 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 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 Whole-sale Establishment. It appears that CWE 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". Sometimes the CWE, Marketing Department, and co-operative shops are set up in direct competition with each other. 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 sign boards 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) than the Marketing Department, and all but a handful of co-operatives.

### **Fisheries Corporation Stalls**

The Ceylon Fisheries Corporation<sup>10</sup> 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. Except at its own stalls, there are no refrigeration facilities, 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

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<sup>10</sup> The Ceylon Fisheries Corporation is a 100 per cent government-owned corporation.



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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. Although correctly timed and properly frozen fish is always better than inefficiently packed wet fish, 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 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 centre 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.

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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 residents 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 places, 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 identical 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".

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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 fullpage spread on the day of its opening. The other store used press advertising for sometime 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 knew 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. The self-service stores had to be searched out, as even people in the immediate locality had no knowledge of them.

#### **Conclusion**

The picture presented by a study of the food retailing institutions in Ceylon, in 1966, is of a retailing system that is, on the whole, rather primitive. The paucity of specialized food stores, the preponderance of small stores, the large number of "fairs" or farmers' markets, the very few self-service stores, all tend to support this observation. There are, however, certain trends of modernity, especially in the more developed areas of the country. It does appear that : certain environmental factors (social, economic, governmental, business, and consumer) have forced certain types of retail institutions on the scene; that other such factors have enabled their being started ; certain other factors have sustained some of them ; and that, finally, other environmental factors have restrained the development of other retailing institutions. The environment appears both to set the limits and to provide the opportunities for the Ceylonese innovators in retailing.