It's A Small World, After All

by Antonietta Palleschi

It might be something of a cliché, but the timeless adage "small business means big bucks" takes on a whole new meaning for resellers as small and medium businesses (SMBs) look towards technology to increase efficiencies and transform the ways in which they do business.

For resellers, the SMBs, also referred to as small and medium enterprises (SMEs), represent a huge potential market. Small business has an increasingly important role to play in Canada's economic well-being - creating eight out of 10 new jobs and accounting for 57 per cent of Canada's gross domestic product, according to Statistics Canada figures. Industry Canada reports there were more than 2.5 million small businesses in Canada in 1998. Small businesses are defined as firms employing less than 100 people, including self-employed people.

According to Framingham, Mass.-based International Data Corp. *(http://www.idc.com)* small business in the U.S. - businesses with fewer than 100 employees - spent US$57 billion on information technology in 1998. Here in Canada, a recent Evans Research Corp. *(http://www.evansresearch.com/)* study called, *Trends and Opportunities: Small and Medium Businesses as IT Users*, reveals that 51 per cent of the 5,000 small and mid-size businesses surveyed spent more than one per cent of revenue on IT products and services in 1998, while 16 per cent spent more than five per cent of their annual revenue on technology. (Of the companies surveyed, the majority generated revenues of less than $1 million annually.)

Once ignorant about what SMBs wanted and how the industry could make money from small business, the IT industry is waking up to the reality that SMBs are a growing IT sector. All the major computer vendors acknowledge the existence of a booming SMB market and are producing software and/or hardware and services aimed at this market. Many computer companies are forging partnerships or altering channel plans to find ways to reach the small business market.

Embracing the Enterprise's "Mini-

E-Commerce Growth

61% of Canadian small businesses are currently using the Internet;

Me"

"The channel is already motivated to boldly pursue the small and medium business market, and see it as the fastest growing segment of the computer industry," said Annette Balster, marketing manager, VentureTech Network, with Ingram Micro Inc. (Canada). VentureTech Network *(http://www.venturetechnetwork.ca)* was launched this past April, and is a national network of technology resellers designed to service the Canadian small- to mid-sized-business market. It aligns key technology manufacturers and a membership-based alliance of VARs to go after SMBs. Program sponsors include 3Com, Cisco, Compaq, Hewlett-Packard, IBM, Intel, Microsoft and Toshiba. Balster explains that the VentureTech Network will allow VARs to assess end-user requirements, assist them in the selection of appropriate equipment, tailor technology to fit their needs and requirements, train employees, and provide ongoing service and support.

An important aspect of the VentureTech Network will be to help resellers in educating their end-users about technology. Balster said while SMBs are becoming more technology-savvy, in many ways, they remain quite naïve. "They think they can go to a direct-type business, like a Dell model, and buy their system or bring a server to the office and happily they'll go along. But a lot of small and medium-size businesses need to have a network managed and designed and they need to have software tested before throwing it on a system," Balster said. "Small businesses usually don't understand their printing or security needs on their own."

Small businesses want complete solutions that work, said Josette Woolf, marketing manager, small business market, at IBM Canada Ltd. IBM really started focusing on the SMB market three years ago. Some of IBM's current offerings include:

Small Business Advisor On-Line *(http://www.can.ibm.com/smallbusiness)*, which recommends information technology for SMBs;

Small Business Solution Centres (1-888-426-5800)

78% believe the impact of the Internet will be positive;

72% believe the Internet opens new business opportunities for them;

27% of Canadian small business owners have conducted financial transactions on-line in the past year; and,

41% are planning to do so in the coming year.

Source: SES Canada Research's SES Web Entrepreneurship Survey based on 1,000 Canadian small businesses* (* businesses for this study are defined as businesses with fewer than 50 employees)Evans Research Corp. recently surveyed 5,000 small- and medium-size businesses in Canada by looking at the market's purchasing practices, decision-making processes, and installation of information technology. Here are some of the results of the study called Trends and Opportunities: Small and Medium Businesses as IT Users:

Purchasing Practices

83 per cent of respondents indicated that the president/owner takes an active part in procuring the majority of the company's IT requirements,

51 per cent of respondents spent more than one per cent of revenues on IT product and services in 1998.

16 per cent spent more than five per cent of their annual revenue on IT products and services in 1998.

61 per cent of respondents have IT personnel.

Performance of IT suppliers

45 per cent of respondents have dealt with only one IT supplier in the past five years.

47 per cent have bought from two to three suppliers in the past five years.

providing access to IBM small business advisors by telephone;

Small Business Selling Tools - a set of on-line services designed specifically for IBM Business Partners; and,

PC Builder On-Line - an Internet-based tool that assists small business owners in identifying the PC that meets their business needs.

"For the most part, SMBs don't have technology expertise in-house. They know they need technology and that it will be key to moving the business forward, but a business owner doesn't want to spend a lot of time worrying about technology," Woolf said. "When they look at technology, they are looking at solutions for their business problem."

More and more, small businesses are seeing the Internet as an opportunity to address some of the business challenges they face, like staying competitive, growing the business and reaching more customers, Woolf added.

Until now, small business owners have seen the Internet largely as a communications and research tool, not as a medium for buying and selling, said Nik Nanos, managing director of SES Canada Research Inc., a strategic research and consulting firm based in Toronto.

"This is changing, however. Canada's entrepreneurs are being very strategic in how they make use of the Internet and that increasingly means getting involved in electronic commerce," he said.

Today's small business imperative is not just about infrastructure. It's about setting up shop on the Web, and it's about engaging and retaining customers. Having computerized its basic business functions, the market is getting connected to implement e-business systems and engage in electronic commerce.

In recent survey results, the Canadian Federation of Independent Business (CFIB) *(http://www.cfib.ca)* reported 61 per cent of the country's small- and medium-sized businesses are connected to the

in the past five years.

76 per cent maintain that they will not change suppliers in the near future.

The most important factors cited in selecting a supplier are product knowledge and after-sales service.

Internet

52 per cent of respondents have Internet connections.

Preferred Vendors

For most IT product lines, several brands consistently represent the preference of the majority of small- and medium-size businesses.

Desktop PCs:

IBM
Compaq
white box

Digital Cameras:

Kodak
Sony

Notebooks:

Toshiba

PC Servers:

IBM
HP
white box

Printers:

HP
Canon

Networking:

Internet, up from 44 per cent in 1998, and roughly twice the number measured in 1997. The survey also found that larger companies are more likely to have a Web site. Forty-two per cent of businesses with

Networking:
3Com
Cisco

more than 100 employees said they have a Web site, compared with 35 per cent of those that have from 50 to 99 employees. But many small ventures are using the Web to reach out to prospective customers. Among respondents with fewer than five employees, 12 per cent reported having their own Web site.

While the rate of Internet adoption is growing, applications remain relatively limited. More than 80 per cent of those surveyed said they used the Internet primarily for e-mail and research. But a growing number of companies - between 22 and 31 per cent of those surveyed - are using the Internet to conduct financial transactions.

SMBs see the Internet as the next step in their maturation - a strategy that industry observers say requires solution-oriented vendors.

Creating Efficiencies

While a recent *SES Web Entrepreneurship Survey* found that more than 72 per cent of the 1,000 small businesses surveyed - all with fewer than 50 employees - said the Internet opens new business opportunities, almost one-quarter said e-commerce offered none.

"When we look at the continuum, most small businesses are at [the] Web site [stage] and just starting the electronic commerce. It's moving from infancy to young adulthood, but it's definitely not mature," Nanos said.

When asked their main reasons for not using the Internet, most respondents said it was not relevant to their business. Still, close to half said there were no barriers to access.

What that said is there's an education gap in the market and a product gap, Nanos said. The key stumbling block that prevents adoption of the Internet is a lack of perceived need. "Many simply don't see the technology as being relevant to them yet."

While e-commerce may be the future, SMBs, much like their corporate business counterparts, are right now looking to do a lot more with a lot less, said Danielle Robson, group manager, software marketing, for Ingram Micro Inc. (Canada), *(http://wwwingrammicro.ca).*

People who run small businesses are, more often than not, their own marketing, accounting, purchasing, manufacturing, quality control, distribution, human resources and IT departments. Technology is another business tool to help them work more efficiently, she said.

"Software these days is about helping businesses, of any size actually, create a total solution. So they don't have to go to 12 different sources to run their business, they can do it all themselves from the desktop," Robson said.

Software packages, which help create Web content and enhance productivity, have become essential for

SMBs, Robson said. "Any tool we offer that helps customers publish to the Web and that can be easily integrated into Web design is very big."

On the productivity front, there are a number of accounting packages that have made handling an organization's finances much easier. End-user productivity tools like word processors or spreadsheets are readily accessible and you don't have to be a computer genius to use them, Robson said.

The latest version of Microsoft Office, which dominates the office suite market, is specifically designed with the needs of small business in mind, said Anne McKeon, marketing manager, desktop applications, for Microsoft Canada Co. *(http://www.microsoft.com/canada/office)*. Included with Microsoft's Office 2000 Small Business Edition is a series of tools for small businesses to enhance company communications and operations. The tools are called Customer Manager, Business Planner, Direct Mail Manager and Financial Manager.

The move is part of Microsoft's increasing focus on serving small businesses, industry watchers say. "They are specifically targeting small businesses," said Rob Enderle, an analyst with Giga Information Group Inc. in Santa Clara, Calif. Microsoft started a unit geared to develop initiatives toward such companies over a year ago, he said.

The inclusion of Publisher in the Office 2000 suite may be the real bonus for many small businesses. It includes templates that allow users to create their own business cards, brochures, menus, business stationery, newsletters and Web pages. Tighter integration with the Web also is highlighted in the other applications of Office 2000. The suite now offers direct support for HTML. Word, in fact, has been turned into a full-fledged HTML editor, enabling the user to open and save files in a host of document formats including text and HTML. Word also supports XML, which lets you store data that can't be displayed in HTML, such as document summaries, so that the data is available when you reopen the document in Word. The program also offers automatic link-checking during saves and a Web preview that displays a document in HTML. Office 2000 Small Business Edition has a suggested retail price of $649 and an upgrade price of $329.

Intuit Canada Ltd.'s *(http://www.quickbooks.com)* small business accounting software, QuickBooks 99 and QuickBooks Pro 99 for Windows, offers integration with Microsoft Word and Microsoft Excel. QuickBooks Pro users can export customer data directly from QuickBooks Pro 99 into Microsoft Word and Excel to easily create custom letters, mail merges and financial statements.

According to Intuit market research, QuickBooks is by far the most popular retail accounting software among Microsoft Word and Excel users. QuickBooks has a suggested retail price of $149.99 and QuickBooks Pro has a suggested retail price of $249.95.

According to Chantel Stickland, QuickBooks' product manager in Edmonton, small businesses look to financial software for two reasons: to track accounting information for tax purposes and to understand how the business is doing. "Financial software has to have a reporting engine and other tools to help with the analysis of information in order to do business forecasting," Stickland said. That's the key differentiator, since all accounting packages offer accounts receivable, accounts payable, inventory tracking, payroll and GST and PST management, she added.

Marilyn Harmidarow, CGA, professional alliances manager, with MYOB Canada *(http://www.myob.ca)* agreed. "Key to the small business market is helping them actually understand how their business is doing," she said.

MYOB Canada offers a number of accounting solutions for the SMB market: MYOB Accounting Version 8 is a single user system ($129); MYOB Accounting Plus Version 8 includes Payroll and Time Billing ($199); and MYOB Premier Version 8 ($699) includes Time Billing, Payroll, Enhanced Inventory and multi-currency functionality.

Harmidarow said foreign currency support has not traditionally been a feature of small business accounting software but with more businesses involved in e-commerce, SMBs are finding, more and more, that they are doing business with customers outside Canada. "The worst thing in the world for a small business is to get a call from someone in Texas who wants to buy your product but you don't know how much to charge."

Know Thy SMBs

So where does all this leave today's reseller?

The key to making revenues from selling broad, horizontal applications to small businesses appears to lie in helping customers create complete solutions.

According to Ingram Micro Canada's Balster, the channel can't address the SMB market with one canned solution. Rather it needs to be a multi-faceted and multi-vendor solution. Resellers will need to be prepared to talk about best of breed products in lots of categories - whether its accounting software, office suites or e-business systems.

"To me, the industry is such that no one single solution can be found from one manufacturer," she said. "There are just too many great solutions out there. Resellers need to be aware of the bundles and turn-key solutions."

As well, resellers need to remember that e-business and electronic commerce is changing the channel, creating a new model that is much more efficient and Internet-focused.

While the Internet has increased the opportunity for small businesses to compete on a global basis, it is also changing the requirements for doing business for those developing solutions for small businesses, said IBM's Woolf. "Just as the Internet has changed the economics for us - where IBM can offer on-line consulting and training as well as maintaining relationships over the Web - it is also changing the requirements for people who develop IT solutions."

She added: "They must be able to build applications for the networked world. Small businesses are looking for business partners to support a much more complex environment."

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