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Small business clicking on electronic commerce

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Close to 41 percent of enterprises plan on using the Internet to buy and sell goods and services this year, a new survey reveals.

John Connolly's 10-year old company has enjoyed dramatic growth since setting up shop on the Internet in 1995.

Annual sales at Image Control, which sells and recycles toner cartridges for fax machines, printers and copiers, have doubled to \$500,000 in the three years following its Web site launch.

The Toronto retailer now uses the Internet to process credit card payments, offer free advice and provide information about its products and services. Last year, the three-person company shipped products to customers in 39 U.S. states and nice countries.

"It's all off the Internet," says Mr. Connolly, referring to Image Control's foreign customers. "I've never paid for an ad in recent years in the US"

According to a survey released yesterday, more than 60 per cent of Canadian small businesses are using the Internet and one-quarter have conducted financial transactions in cyberspace.

Data collected by **SES Canada Research Inc.** also suggest that there will be a boom this year in the number of entrepreneurs participating in electronic commerce.

The SES Web Entrepreneurship Survey found close to 41 per cent of the 1,000 small businesses surveyed - all with fewer than 50 employees - plan on using the Internet to buy and sell goods and services this year.

But Mr. Connolly warns that the dollars won't start rolling in just because you have a Web site..

"The first year it was kind of discouraging because our site wasn't right," he says.

"The [Web site provider] did a great job, but it didn't quite dawn on us the first day we set up with him that we were stuck in the mall at the end of a long string of URL addresses. That sort of indicates rinky-dink to customers."

Firms should have their own URL or Web address, he suggests.

While more than 72 per cent of respondents said the Internet opens new business opportunities, almost one-quarter said E-commerce offered none.

Traditionally, the Internet has been used as a marketing mechanism or a research tool, explains Nik Nanos, managing director of **SES**, a strategic research and consulting firm based in Toronto.

"There's kind of a food chain of activities," he says. Small business tend to start out by using E-mail, then surf the Internet for market research before moving on to create their own Web site. The next stage in business development is buying and selling over the Internet; companies eventually decide to deal with banks and government electronically.

"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," Mr. Nanos says.

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 says to me is there's an education gap in the market and a product gap from an electronic commerce point of view," Mr. Nanos says.

But for those who did see barriers to going on-line, 11 per cent identified lack of security and 10 per cent said using the Internet would require substantial training.

For Image Control, which competes with major ISO 9000 registered companies and big-box stores, processing payments on-line is imperative.

"Without that you're not taken seriously," Mr. CONnolly says. Companies must at least be able to handle Visa and MasterCard credit card payments - "and recently, we've had a few people walk away when we couldn't handle their American Express."

Too many people still subscribe to the "urban myth" that personal information can be stolen and misused once transmitted over a secure site, he says.

Mr. Nanos, the researcher, adds that "the relevance gap" is probably a bigger obstacle than security, training and other factors.

Almost 78 per cent of respondents said the Internet will have a positive influence on their business while almost 15 per cent said it will have no impact.

One of the things we're going to be looking for is: Are medium-sized businesses going to get squeezed as a result of electronic commerce," Mr. Nanos says.

"The problem with middle-sized companies is they don't have the resources that larger ones do and they don't have the niche advantage of small businesses."

The survey of randomly selected businesses was conducted between March 2 and 12. The results are considered accurate to within plus or minus 3.1 percentage points, 19 times out of 20.