



E-COMMERCE STILL GROWING RAPIDLY DESPITE HI-TECH SLOW-DOWN

Survey estimates Canadian small businesses bought and sold \$1.3 billion on-line last year

Toronto, May 3, 2001 – Growth in the number of Canadian small businesses connecting to the Internet has stalled, but those who are connected are buying and selling more on-line than ever before, according to one of Canada's largest surveys on small business and e-commerce.

Conducted by SES Canada Research, the **SES Web Entrepreneurship Survey** of 1,000 Canadian small businesses found that:

- ⊕ The number of small business decision-makers who bought or sold something on-line between Fall 1999 and Fall 2000 remained flat (40%).
- ⊕ 76% of Canadian small businesses are connected to the Internet, approximately the same percentage as in Spring 2000 (74%).

However, the value of e-commerce transactions conducted by Canadian small business decision-makers has jumped significantly:

- ⊕ Entrepreneurs bought approximately \$720 million and sold approximately \$590 on-line during the twelve month period from Fall 1999 to Fall 2000.
- ⊕ This makes a total of \$1.3 billion in e-commerce transactions during that period.
- ⊕ This is an increase of \$540 million in e-commerce transactions over the period from Spring 1999 to Spring 2000.

"The bursting of the dot com bubble has hit Canada's entrepreneurs," said Nik Nanos, Managing Director of SES. "Their expectations of the Internet are lower and they are not rushing to get on-line-like they were."

"However, those who are on-line are conducting more and larger transactions and increasingly incorporating the Internet into their businesses," said Mr. Nanos. "There is less sizzle but there is more steak than ever."



While e-commerce is growing rapidly, communications and research are still the main ways in which entrepreneurs use the Internet. The Survey found that:

- ⊕ 97% of small business Internet users (74% of all small businesses) use email.
- ⊕ 73% of small business Internet users use the Internet for conducting research.
- ⊕ 51% of all small businesses operate a website to promote their business.

“Communications and research are still the Internet’s ‘killer apps,’” said Mr. Nanos. “Entrepreneurs start by using it for communicating and gathering information and, as they become more comfortable with the technology, they graduate to buying and selling on-line. Small business owners adopt the Internet in a tiered and strategic fashion.”

The SES Web Entrepreneurship Survey is a syndicated survey on electronic commerce, focusing specifically on businesses with fewer than fifty employees. Conducted every six months, the Web Entrepreneurship Survey identifies opportunities and assists subscribers in understanding the perceptions of small businesses as they relate to commercialization of the Internet.

SES surveyed by telephone 1000 randomly selected Canadian small businesses between December 7th and December 15th 2000. The survey results are accurate to within 3.1 percentage points, plus or minus, 19 times out of 20.

Established in 1987, SES provides strategic research, executive counsel and innovative solutions to Canada’s leading decision-makers. SES is one of Canada’s leading research and management consulting companies.

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To electronically access the survey methodology or for information on obtaining a copy of the report visit:

<http://www.sesresearch.com>



E-COMMERCE TRENDS

METHODOLOGY The SES Web Entrepreneurship Survey is a benchmark syndicated study on electronic commerce, focusing specifically on Canadian small- and medium-sized enterprises with fewer than 50 employees.

Conducted every six months by telephone, it identifies opportunities and assists SES clients in understanding the perceptions of small- and medium- sized enterprises as they relate to commercialization of the Internet.

The survey of 1,000 Canadian entrepreneurs is accurate to within 3.1 percentage points, plus or minus, 19 times out of twenty. The project was completed in accordance with the standards of the Professional Market Research Society of Canada.

For more information on the methodology, study findings or to purchase a detailed copy of the analysis and report, please visit <http://www.sesresearch.com> or contact:

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INTERNET USE Longitudinal tracking indicates that growth in the total number of Canadian SMEs using the Internet is slowing. Likewise, growth in e-commerce confidence in Spring 2000 dissipated by the end of the year.

INTERNET USE	Spring 1999 %	Fall 1999 %	Spring 2000 %	Fall 2000 %
SMEs Using Internet	61	74	74	76
SMEs Not Using Internet	39	26	26	24
Growth	-	+13	0	+2

Source: SES Research, Web Entrepreneurship Surveys

PERCEIVED INTERNET IMPACT ON SMALL BUSINESSES	Spring 1999 %	Fall 1999 %	Spring 2000 %	Fall 2000 %
Major Impact	39	40	48	40
Minor Impact	40	41	39	41
No Impact	17	15	10	16

Source: SES Research, Web Entrepreneurship Surveys

BUYING AND SELLING The number of small businesses engaging in electronic commerce in Canada may also be leveling off.

BOUGHT OR SOLD OVER THE INTERNET	Spring 1999 %	Fall 1999 %	Spring 2000 %	Fall 2000 %
Has bought or sold	27	35	41	40
Has not bought or sold	73	65	59	60
Growth	-	+10	+6	-1

Source: SES Research, Web Entrepreneurship Surveys

E-COMMERCE DOLLAR VALUE GROWING

Although the number of Canadian SMEs who engage in e-commerce is not growing the intensity and dollar value has increased noticeably in the past six months.

VALUE OF ACTIVITY	Fall 1999	Spring 2000	Fall 2000	Change
SME Internet purchases	\$430M	\$410M	\$720M	+ \$310M
SME Internet sales	\$240M	\$350M	\$590M	+ \$240M
SME Total Value	\$670M	\$760M	\$1,310M	+ \$550M
Surplus/Deficit	- \$190M	- \$60M	-\$130	

Source: SES Research, Web Entrepreneurship Surveys