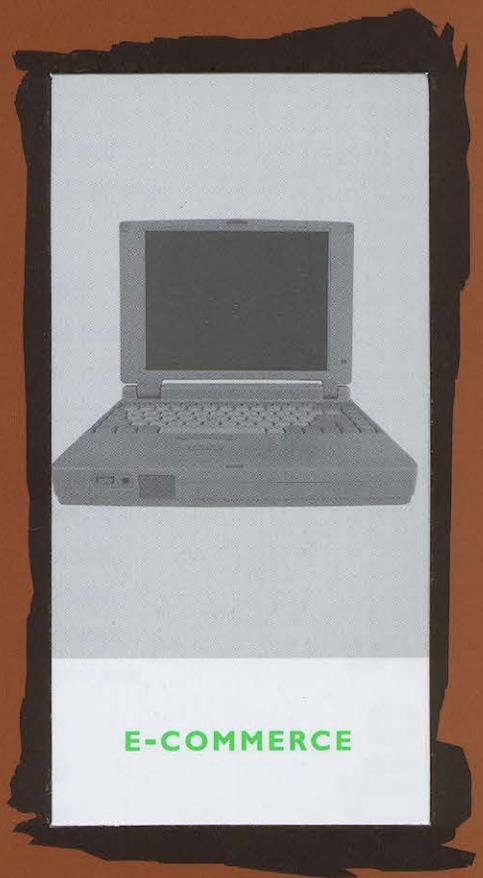


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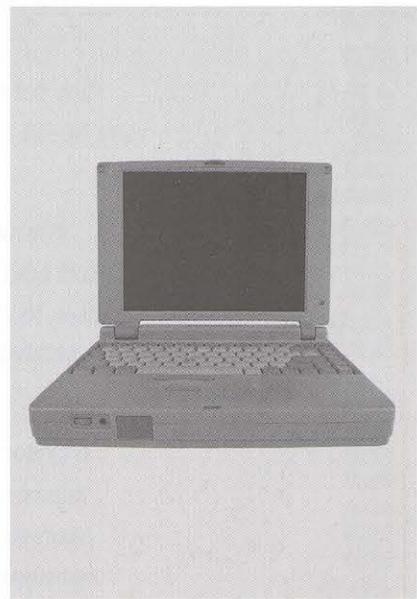


QUARTERLY SMALL BUSINESS
MANAGEMENT REPORT

Issue number 1 • Volume 8 2000

L L O Y D S T S B
SMALL BUSINESS RESEARCH TRUST

E-commerce



E-COMMERCE

QUARTERLY SMALL BUSINESS
MANAGEMENT REPORT

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WEB VERSION: INTRODUCTION

The Lloyds Bank/TSB-sponsored series of small business management reports commenced in 1992, and concluded in 2009. In total, 53 reports were published over a period of 17 years.

Our target audience comprised the owner-managers of independent small businesses, typically employing fewer than 50, and based in mainland UK.

The series originated from a longitudinal study of small business management, undertaken by the Polytechnic of Central London (now University of Westminster), and culminating in: *The Management of Success in 'Growth Corridor' Small Firms*, (Stanworth, Purdy & Kirby, Small Business Research Trust, 1992).

THEMES

The themes were wide-ranging – including such as entrepreneurship, work & stress, employment strategies, and the environment – a full list is shown overleaf.

INSIGHT

In addition to asking questions and supplying the respondents with a range of answer options, the corresponding questionnaire was included as an appendix to each report so that readers would know exactly what questions had been put to respondents.

We also sought qualitative information – in the form of verbatim comments about the key theme – to help elaborate on whatever related challenges respondents felt they were facing at the time.

Finally, the findings are primarily intended to be indicative rather than definitive – partly due to the sample size, which is, on average, 111 for the 2003-09 reports.

PUBLISHING FORMAT

The reports were published in hard copy form, obtainable via subscription. Initially

by the Small Business Research Trust, and from 2003, by the Small Enterprise Research Team (SERTeam), both research charities based at the Open University.

Regrettably, SERTeam ceased operating in 2009, and so in 2010 the authors felt that the more recent reports would find wider interest if they were made freely available in Acrobat format via the Internet – especially with the UK economy set for a protracted journey out of recession, and with the government in turn refocusing on smaller businesses to aid the recovery.

It is worth mentioning that the series commenced as the UK economy emerged from the early 1990s recession.

In 2015, the earlier reports were also converted (1993 to 2003), with the full series made available at Kingston University: <http://business.kingston.ac.uk/sbrc>

SUPPORTING INFORMATION (WWW)

In later years – as the world-wide-web developed and an increasing number of sources of information became more readily available – suggestions for online sources of related material were included.

N.B. For reports 2003 onwards - where successfully validated, the web links (URLs) were enabled in 2009. And in the case of many invalid web links, an alternative was offered, but not where the organisation appeared defunct and an obvious replacement was not traced.

**John Stanworth, Emeritus Professor,
University of Westminster**
<http://www.westminster.ac.uk/schools/business>

**David Purdy, Visiting Fellow,
Kingston University**
<http://business.kingston.ac.uk/sbrc>

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- 3 Crime Against Small Firms June 2003

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2006 (Vol.3)

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- 2 Managing IT May 2006
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2006-07 (Vol.4)

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- 2 The Ageing Workforce..... April 2007
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2008-09 (Vol.5)

- 1 The London 2012 Olympic And Paralympic Games..... April 2008
- 2 Competition: Small Firms Under Pressure.....January 2009

WEB VERSION PUBLISHING

<http://business.kingston.ac.uk/sbrc>

Certain content needed to be re-set, e.g., the figures in the earlier editions, but the report body content is intended to be identical to that in the printed original. This web version - an Acrobat document - is derived from the original DTP text and will permit searching.

LIABILITY DISCLAIMER

The information and analysis in each report is offered in good faith. However, neither the publishers, the project sponsors, nor the authors, accept any liability for losses or damages which could arise for those who choose to act upon the information or analysis contained herein. Readers tracing web references are advised to ensure they are adequately protected against virus threats.

HIGHLIGHTS

This is the twenty-ninth in a series of small business management reports based on surveys of a panel of small firms, mainly in manufacturing, retail/distribution and business services. The focus of this survey was on **E-commerce**. The principal findings were as follows:

- **Extent of Internet use** – 34% of respondents currently rank themselves 'moderate' Internet users whilst a further 33% consider themselves 'light' users. Only 15% claimed to be 'advanced' users.
- **Firm size and Internet use** – 40% of firms in the 0-4 workforce size considered themselves moderate or advanced users (including simple e-mail use), but this rose to 65% for firms in the 20-49 employee size band.
- **Business sector variations** – The **business services** sector was the most active, with 60% reporting moderate/advanced use, compared to 50% for manufacturing and 33% for the retail sector.
- **Respondent age** – The extent of moderate/advanced Internet use fell with respondent age, from 58% for those 35-44 years of age, to 39% for 55-64 year olds. For 'light use', however, there was little variation with age.
- **Gender variations** – **Women were more likely than men to be totally uninterested in Internet use** (14% compared to 4% of men) and less likely to already be light or moderate Internet users (48% compared to 71% of men). Against this trend, however, we found that **24% of women were already 'advanced' users** as against just 13% of their male counterparts.
- **Future investment plans for coming 12 months** – 58% are expecting a 'modest' level of investment. Only 8% are intending to embark upon 'major' investment. There were substantial differences between different business sectors. Combining 'reasonable' and 'major' levels of investment, **business services** leads with 45%, followed by the **manufacturing** with 28% and just 11% from **retail/distribution**.
- **Budget impact on increased IT tax relief** – The March 2000 Budget announcement of 100% tax relief on IT investment looks likely to have **relatively little effect** on our respondents. In fact, only 4% said that it would significantly influence their IT plans. There were no substantial differences here between sectors, size tranches, age of respondent or gender groups.
- **Internet/E-commerce applications** – **E-mail** stood out significantly from all other applications with 78% claiming this use. Next came a range of applications broadly associated with advertising the firm ('**products and services**' 48%; '**information about the company**' 46%; '**attracting new types of customers**' 36%). Purchasing supplies online and 'working with suppliers online' were mentioned by around one-in-five.

continued ...

- **Firm size and Internet/E-commerce applications – E-mail usage increased** across the size bands from 67% for firms in the 0-4 workforce size to 95% in the 20-49 size band. At a lower level of order, much the same pattern emerged for **'attracting new types of customers'**.
- **Teleworking** – Around one-in-six of our respondents (14%) were currently using IT as a means of sustaining teleworking - people working from home on business-centred tasks, using IT. This became **increasingly common as size of firm increased**. The exception to this general trend occurred in the case of the very smallest firms in the 0-4 workforce category where teleworking was already used by one-in-five (20%).
- **Future Internet/E-commerce use** – The use most commonly envisaged was that of **'selling to traditional kinds of customer'** (42%). This was followed by **'attracting new types of customers'** (39%); **'working with customers online'** (36%) and **'purchasing supplies or services'** (34%). The women in our sample appeared not only less likely than their male counterparts to be using the Internet already, but were also less likely than men to be planning to extend their usage of this electronic media.
- **Barriers** – **'More important projects in the business'** headed the list (27%) along with **'no staff with technical/web skills'** (also 27%). Interestingly, some felt that customers in **key markets were change averse** (19%) or were **'not co-operative'** (10%).
- **Gender differences and barriers** – 38% of women (as against 25% of men) claimed that they simply had **'more important projects in the business'** than to progress their involvement in e-commerce.
- **Comparisons with other Internet surveys** – 82% of the respondents reported using the Internet in varying degrees, which contrasts with the Durlacher Quarterly Internet Report which claimed in July 1999 that the Internet penetration amongst UK small and medium-sized enterprises (SMEs) had reached 76.6%. Previously, in 1998, the report had found that the penetration was 54% for medium-sized firms, but only 33% for small companies.

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The Small Business Research Trust is particularly pleased to acknowledge the generous support provided by Lloyds TSB in sponsoring the research, analysis and presentation of this report. However, it is important to note that any opinions expressed in this publication are not necessarily those of Lloyds TSB.

Report Author – Professor John Stanworth (University of Westminster)

Series Editor – David Purdy

Lloyds TSB

The Small Business Research Trust

MANAGEMENT ISSUES

The emphasis of our Quarterly Management Reports is on monitoring the key management problems and practices of smaller business, with an emphasis on survival and success. Accordingly, each issue of the Lloyds TSB/Small Business Research Trust Management Report addresses one or more highly topical small business management issues. In this survey we focus on **E-commerce**.

PAST SURVEYS

1993 (Vol.1)

- No.1 *Surviving The Recession***
- 2 *Using Your Time***
- 3 *Management Style***
- 4 *Financial Management***

1994 (Vol.2)

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1999/2000 (Vol.7)

- 1 *The Impact of Holidays***
- 2 *Late Payment***
- 3 *Management Development***
- 4 *Exit Routes***

THE SAMPLE

This report is based on responses received from a panel of over 350 small businesses situated in the Northern, Midland and Southern regions of Britain. Respondents are predominantly small firms with fewer than 50 employees, drawn mainly from the manufacturing, business services, and retail/distribution sectors of the economy. The precise distribution of firms varies from survey to survey, but typically over half of the participants employ fewer than 10 people.

RESULTS

The questionnaire completed by sample firms appears at the end of this report as an appendix. This survey was carried out during April-May 2000.

E-COMMERCE

'E-commerce', the 'Web', the 'Net' are terms which have entered the dictionary of business terms quite indelibly in recent months. The debate on the importance and potential of electronic communications for business purposes will rage for quite some time to come. The language of e-commerce is modern, macho, techno, and testosterone-drenched. Everyone, it appears, is talking about it. But what did our panel of small businessmen and women think of e-commerce and how many are using it ?

Certainly some of our sample made very positive comments on the potential of e-commerce. For instance, from a business services firm involved in accountancy and management consultancy, came the comment:

"E-commerce is a major factor for small business growth in the early part of the new millennium. Businesses who ignore it may not survive."

Another firm from the same sector commented:

"Any business that doesn't get online will be disadvantaged in some way."

A respondent from a firm of marine engineers said:

"It's the future - get used to it !"

A firm of international freight forwarding agents took the view:

"The use of technology (IT in particular) is shaping the way we do business, especially our business with the USA."

However, other businesses were convinced of the virtues of the Internet, e-mail and e-commerce. One textile marketing firm said:

"We deal with many, many companies in this country and abroad and their approach (to e-commerce) can best be described as 'sceptical'."

Other comments included the following:

"Many of our suppliers will not allow us to carry their products on our website."

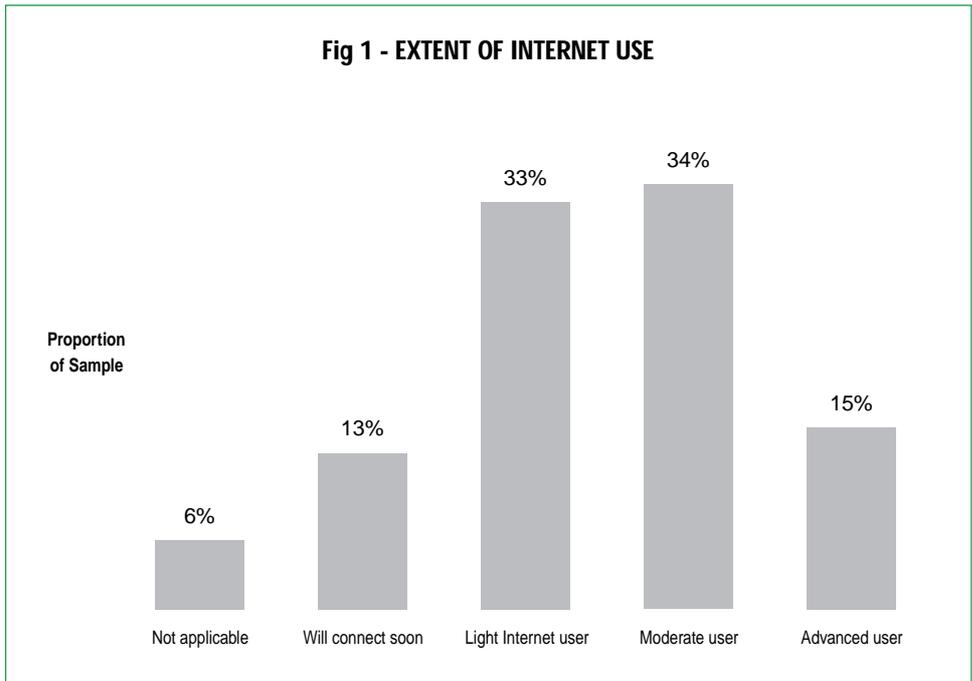
"The products we supply – professional power tools – require a high degree of after sales commitment. We believe that any product that has a chance of being 'returned' has limited scope for selling through the Internet. Theatre tickets: yes; power tools, no."

"At present e-commerce is a fad and employees waste time with it thinking they are being efficient when they are not. Surfing the web for the first hour of the day is not work. Face-to-face communication within the office is being ignored - e-mail does not replace it."

"Suppliers are forcing customers (to use) e-commerce by delays on getting through to a person, i.e., reducing the number of persons previously available for voice contacts. What are we going to do with the warm-bodied people when they've been replaced ?"

"The media is making out that every business 'must' go down this way or they will not survive in business. I do not believe that this is the 'only' way for all concerned."

"Technology is being pushed too fast for its own good by market forces."

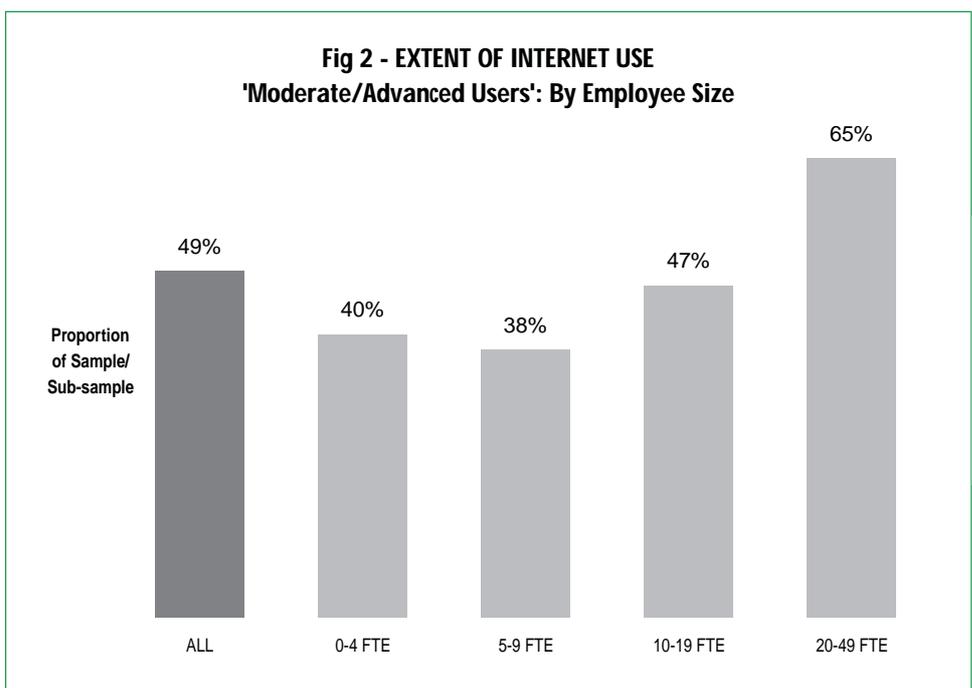


EXTENT OF CURRENT USE OF E-COMMERCE

13% said they would connect soon, leaving only 6% completely uninterested.

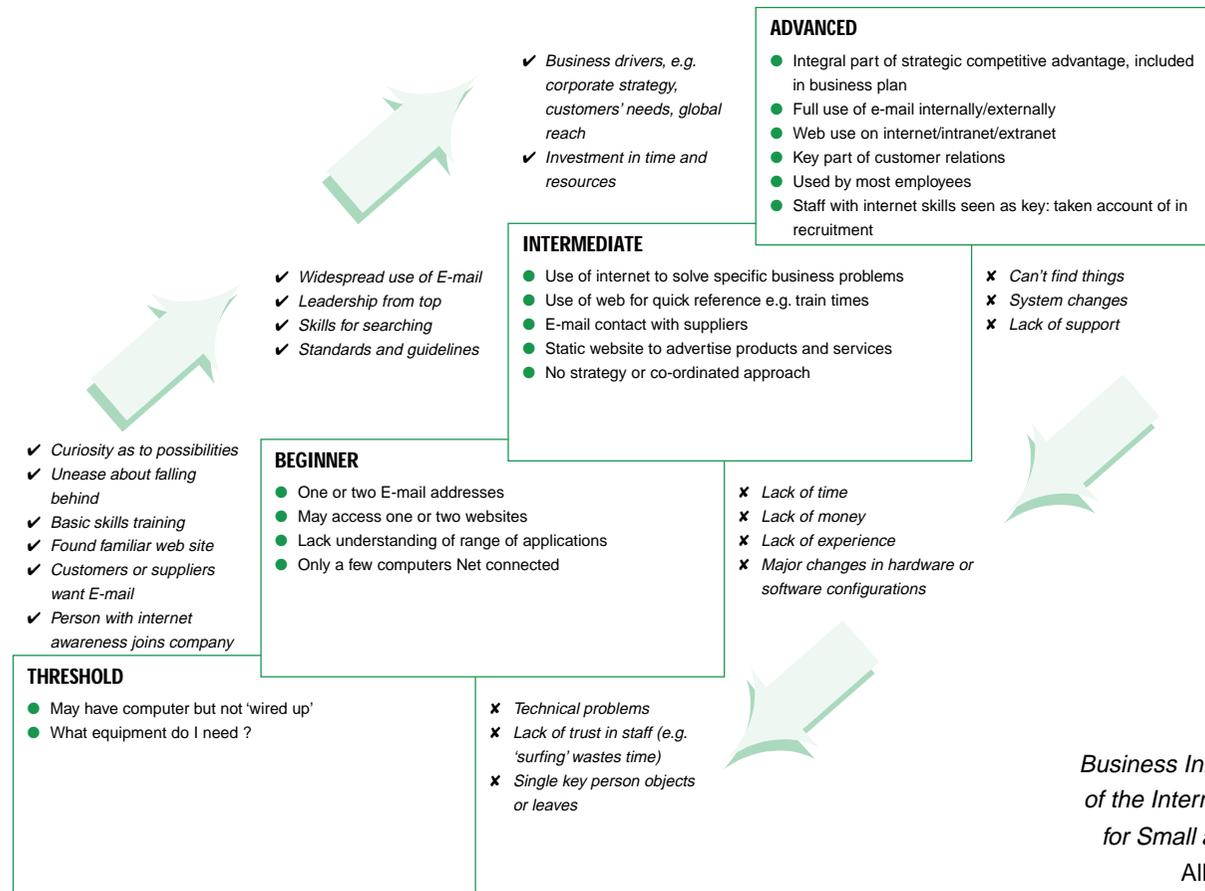
In an attempt to gauge the popularity of Internet use amongst our sample, we categorised them on a continuum ranging from 'not yet connected' to 'advanced user'. **Figure 1** here shows that 34% considered themselves 'moderate' Internet users, followed by 33% who considered themselves 'light' users and 15% who claimed to be 'advanced' users. A further

The 'light/moderate/advanced' options offered in the questionnaire were intended to correspond to the 'beginner/intermediate/advanced' stages suggested in a recent British Library report, investigating the use of the Internet by small and medium-sized firms (*Business Information and the Internet: Use of the Internet as an Information Resource for Small and*

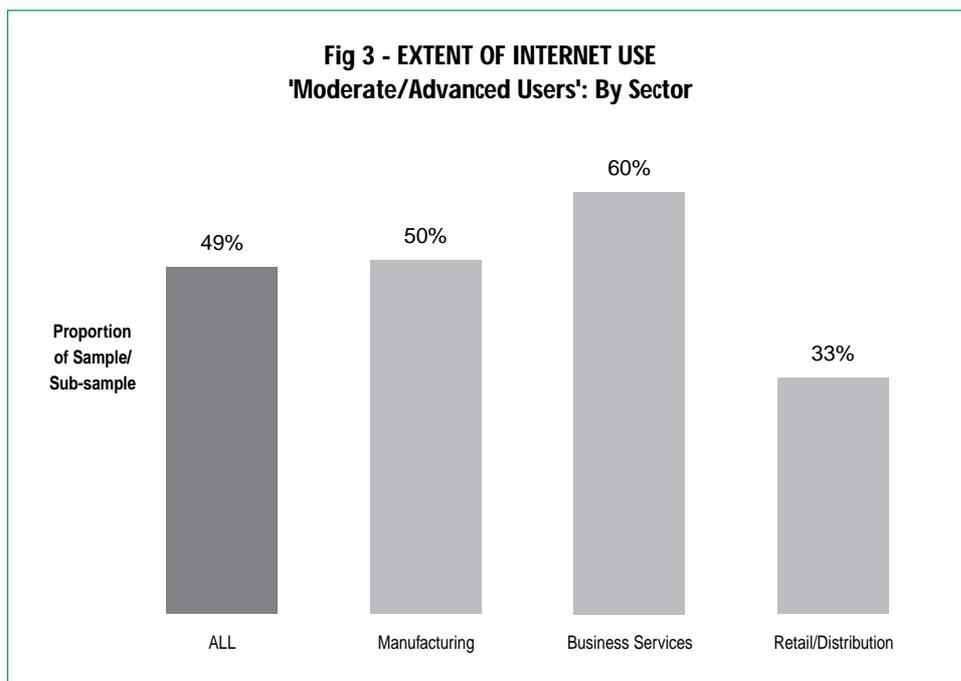


Larger firms appear to be achieving more extensive use of the Internet

SMALLER BUSINESSES – ‘STAIRCASE OF INTERNET ENGAGEMENT’



Business Information and the Internet: Use of the Internet as an Information Resource for Small and Medium-sized Enterprises, Allcock et al, British Library, 1999



Business services leading the way in the use of the Internet

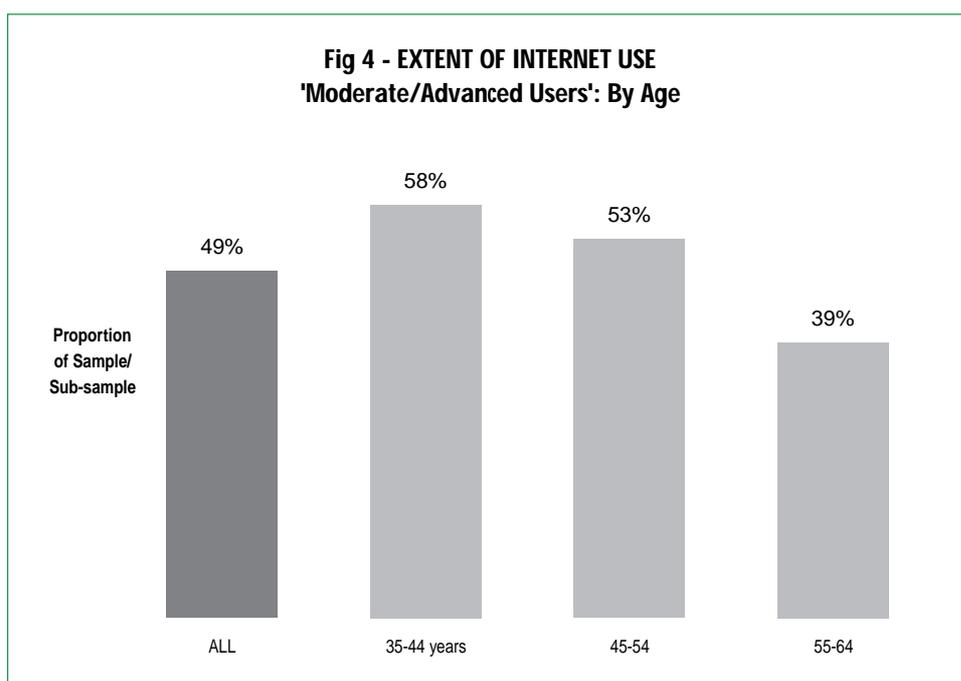
Medium-sized Enterprises: Final Report, Allcock et al, 1999). In it, the authors proposed a 'Staircase of Internet Engagement', illustrated here, to suggest that businesses can move up and down the different stages of involvement, triggered by a variety of influences.

Figure 2 breaks the analysis in Figure 1 down by size of respondent firm and there is a correlation between size and Internet use. Only 40% of firms in the 0-4 full-time

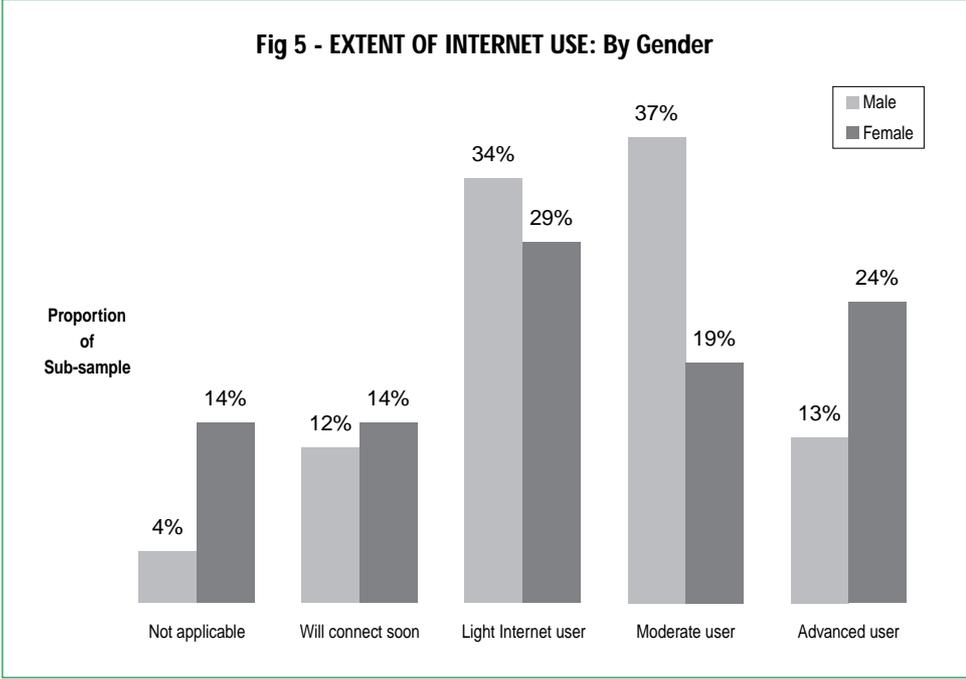
equivalent workforce size were moderate or advanced users but this rose to 65% for firms in the 20-49 employee size band.

Figure 3 shows that levels of moderate/advanced use vary with business sector. Here, business services came out top with 60%, compared with 50% for manufacturing and 33% for the retail/distribution sector.

The extent of Internet use at moderate/advanced levels fell with respondent age



A significant proportion overall are expecting at least a modest investment over the coming year



(Figure 4), from 58% for those who are 35-44 years of age, to 39% in the 55-64 age band. However, there was only limited variation with age for 'light use'.

we found that 24% of women were already 'advanced' users as against just 13% of their male counterparts.

On the question of gender, Figure 5 suggests that women were more likely than men to be totally uninterested (14% of women compared to 4% of men) and less likely to already be light or moderate Internet users (48% of women compared to 71% of men). Against this trend, however,

STRATEGIES FOR COMING 12 MONTHS

When asked to indicate plans to invest in Internet use in the coming 12 months, the most common response came in the form of 58% intending a 'modest' level of investment (Figure 6). Only 8% were intending to launch a 'major' level of

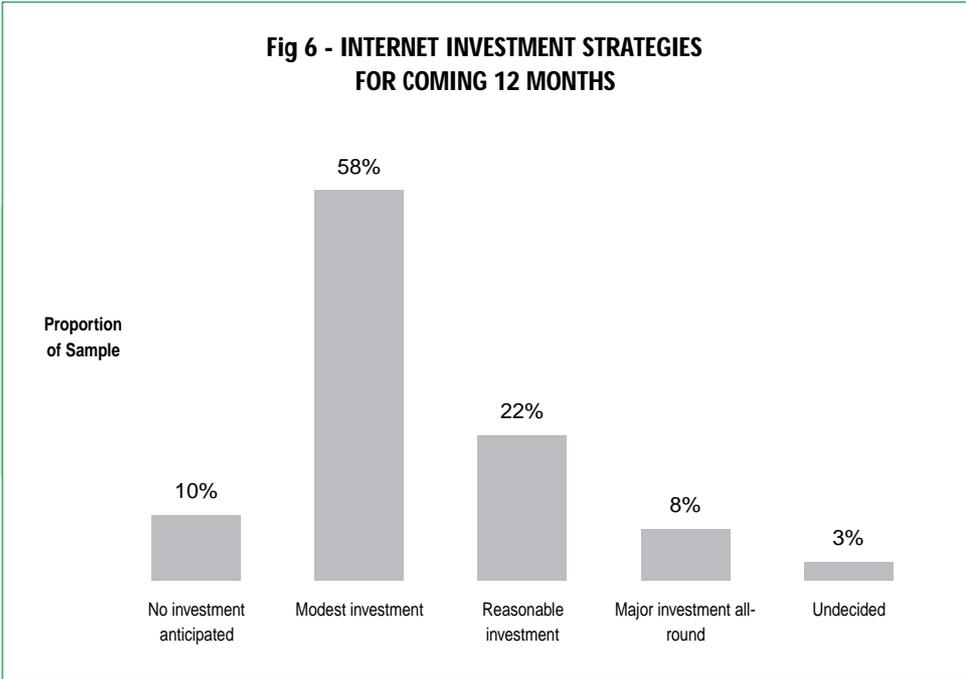
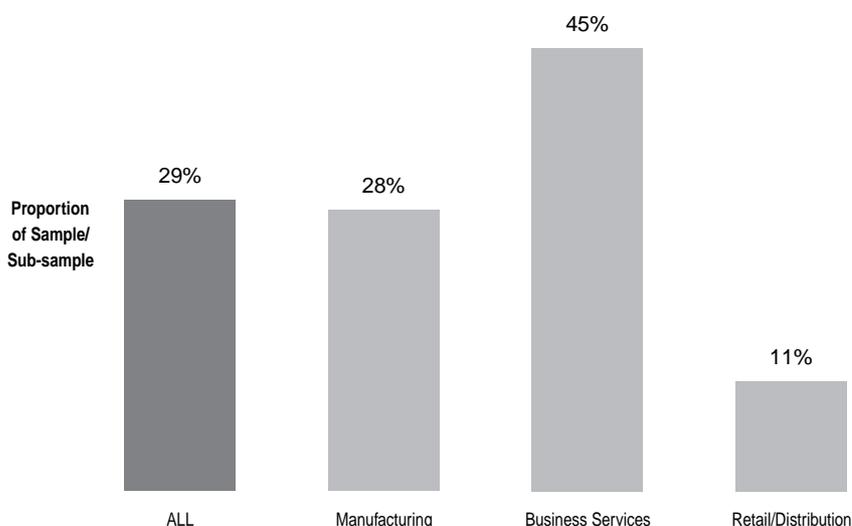


Fig 7 - INTERNET INVESTMENT STRATEGIES FOR COMING 12 MONTHS - 'Reasonable/Major Investment': By Sector



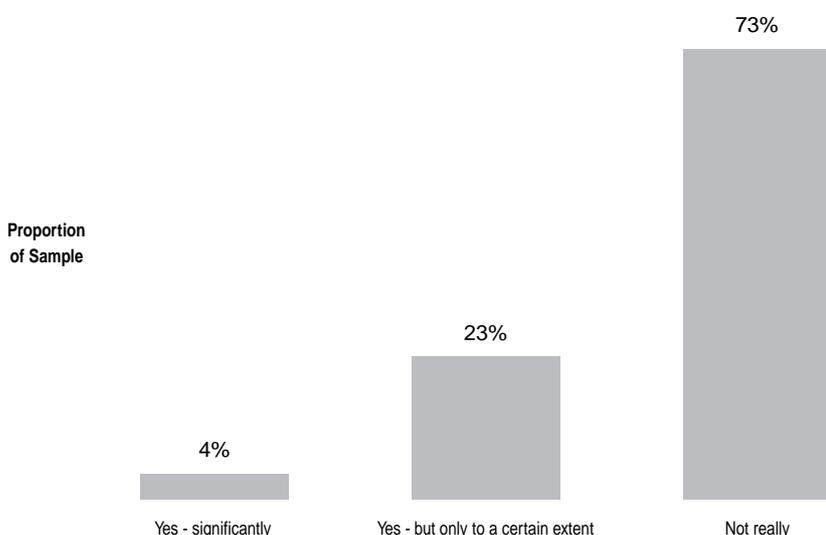
Limited investment plans for Retail/Distribution firms

investment. Again, however, there were substantial differences between different business sectors. If 'reasonable' and 'major' levels of intended investment are combined, **Figure 7** shows the business services sector leading with 45%, followed by the manufacturing sector with 28% and only 11% from retail/distribution.

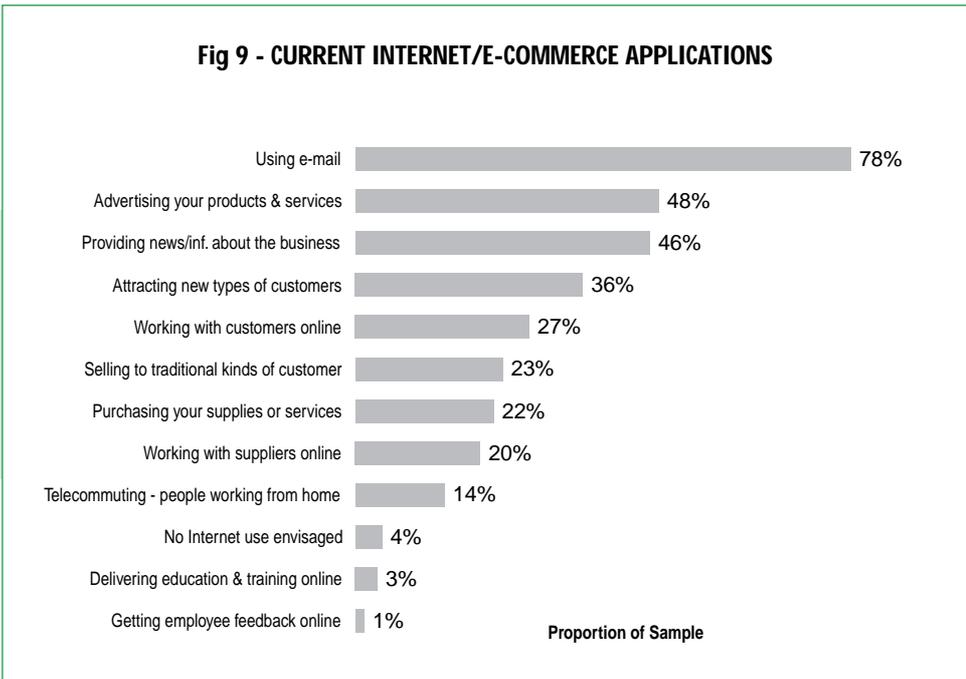
GOVERNMENT TAX INCENTIVES

Respondents were asked to indicate the influence that the March 2000 Budget announcement of 100% tax relief on IT investment was likely to have on their IT spending plans. **Figure 8** shows that, for 73%, this Government initiative was going to have no effect whatsoever. In fact, only 4% said that it would significantly influence their plans. There were no substantial differences here between sectors, size

Fig 8 - IMPACT OF 2000 BUDGET ON INTERNET INVESTMENT PLANS (100% Tax Relief On I.T. Equipment)



Over a third of respondents are using the Internet to attract new types of customers



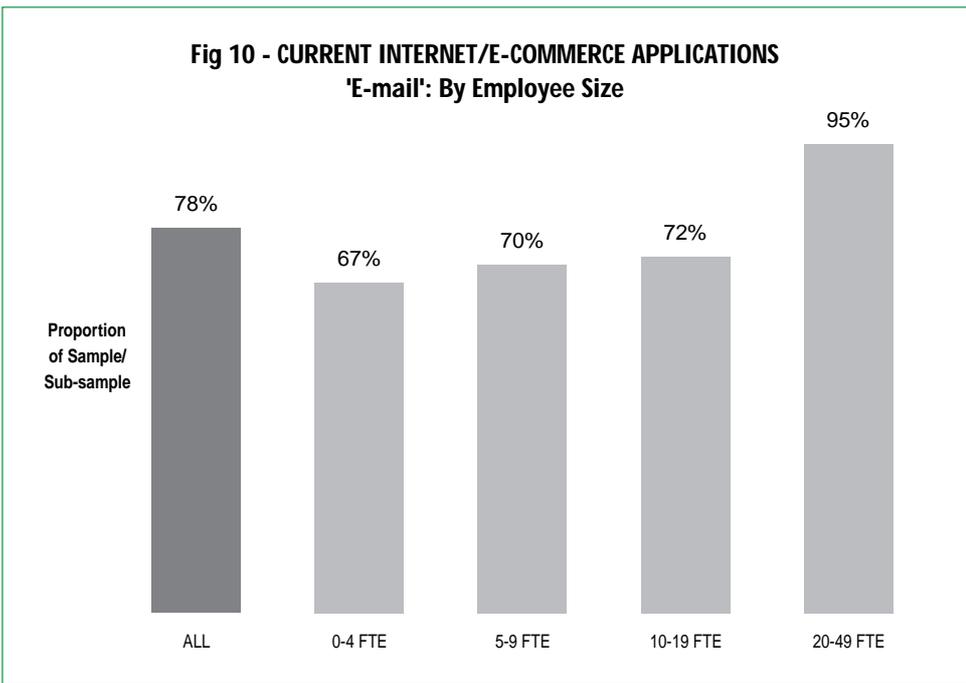
tranches, age of respondent or gender groups.

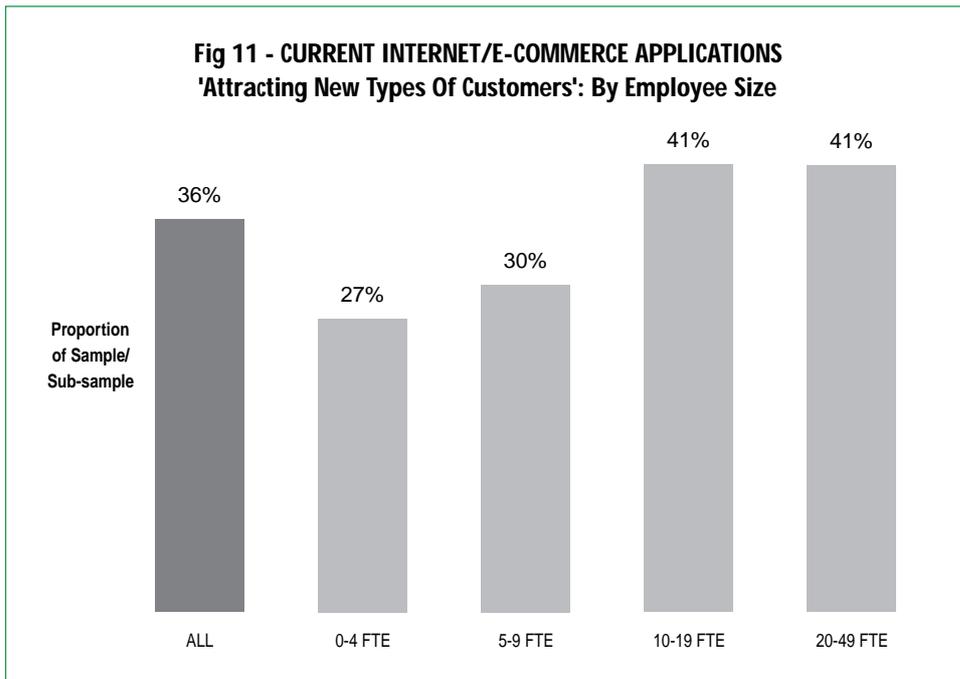
INTERNET APPLICATIONS

Figure 9 lists Internet applications currently in use amongst our sample. The use of e-mail stood out significantly from all other applications with 78% claiming this use. Next came a group of applications broadly associated with advertising the firm ('products and services', 48%; 'information

about the company', 46%; 'attracting new types of customers', 36%). Purchasing supplies online and 'working with suppliers online' were mentioned by around one-in-five.

Many responses here tallied with size of firm. For instance, **Figure 10** shows that e-mail usage increases across the size bands from 67% for firms in the 0-4 workforce size to 95% by the time we get to the 20-49 workforce size. **Figure 11** shows that, at a



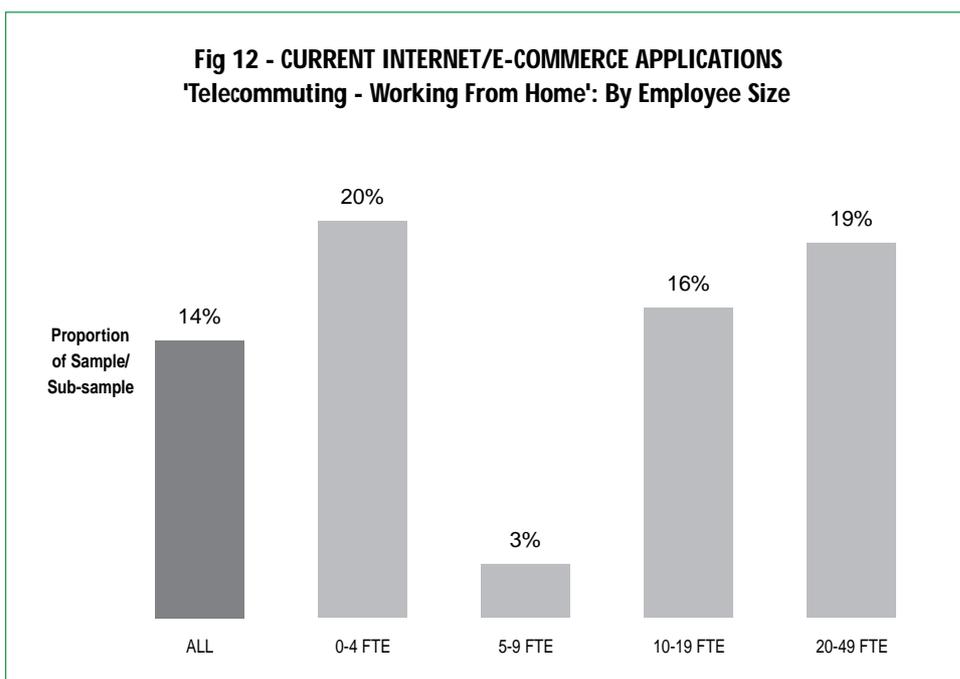


lower level of order, much the same occurs for 'attracting new types of customers'.

TELEWORKING FROM HOME

Figure 12 indicates that 14% (around one-in-six) are currently using IT as a means of sustaining teleworking - people working from home using IT. Interestingly enough, we see here a general drift with this form of working becoming more common as size of firm increases. However, the exception to

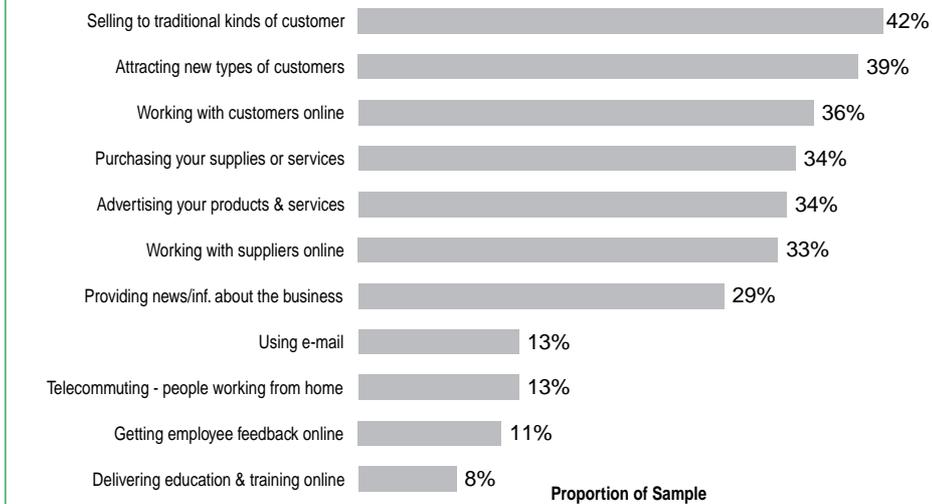
this general drift occurred in the case of the very smallest firms in the 0-4 workforce category where teleworking was already quite common. Presumably, this involved the owner/manager/s in particular having home-based IT equipment and using it for work-related purposes in order to overcome communications and flexibility challenges. Such IT usage was concentrated very strongly into two age groupings - the 35-44 and the 45-54 age groupings. Younger and older respondents claimed no active



The smallest firms appear to be taking advantage of Teleworking

Internal skill shortages appear to present a critical barrier to progress

Fig 13 - POTENTIAL INTERNET/E-COMMERCE APPLICATIONS



participation in teleworking methods.

FUTURE INTERNET USES

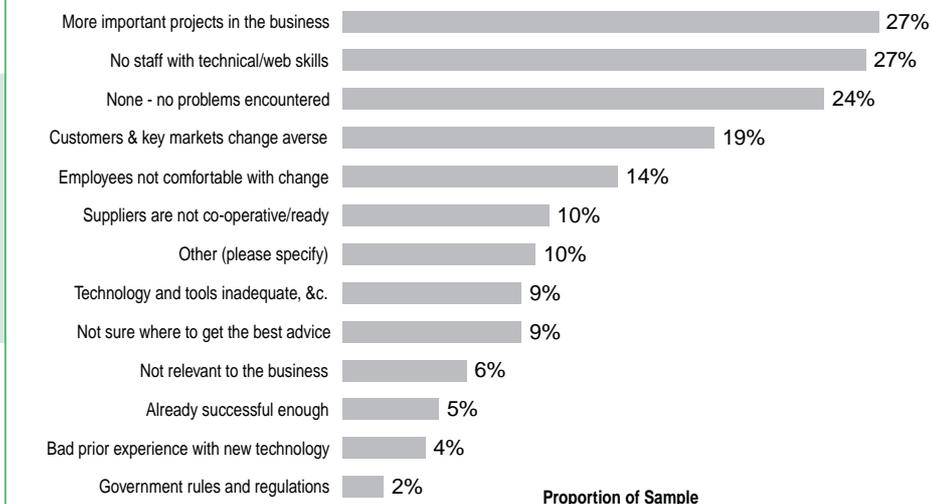
The future Internet use most commonly envisaged by our respondents was that of 'selling to traditional kinds of customer' as is shown in **Figure 13**. This was followed by 'attracting new types of customers (39%); 'working with customers online' (36%) and 'purchasing supplies or services' (34%). The women in our sample appeared not

only less likely than their male counterparts to be using the Internet already, but also less likely than men to be planning to extend their usage of this electronic media.

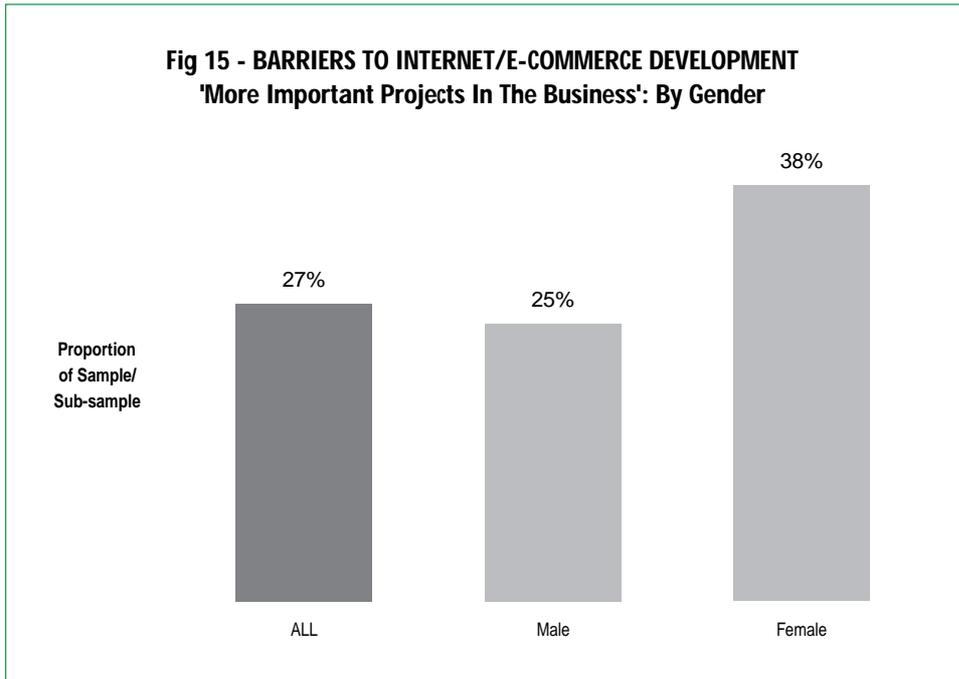
BARRIERS TO E-COMMERCE DEVELOPMENT

Figure 14 identifies the factors our respondents saw as barriers to the development of their Internet applications. Heading the list came 'more important

Fig 14 - BARRIERS TO INTERNET/E-COMMERCE DEVELOPMENT



**Fig 15 - BARRIERS TO INTERNET/E-COMMERCE DEVELOPMENT
'More Important Projects In The Business': By Gender**



projects in the business' (27%) and 'no staff with technical/web skills' (27%).

Interestingly, some felt that customers in key markets were change averse (19%) or were 'not co-operative' (10%).

Other perceived barriers included:

- It takes a long time to negotiate all the screens to conduct E-commerce
- A belief that the company's products/ services are not conducive to E-commerce
- Credit card fraud
- Customers are not co-operative, or not ready for electronic business
- Lack of trained web designers
- Limited facilities available at the moment
- No Internet connection
- It's all over-hyped, there's too much 'junk' in the system. Accessing reliable information is slower, not as easy as is portrayed
- Some customers & key markets do not want to change their behaviour; they prefer the traditional ways
- Staying solvent - no cash (strong £)
- Let down by a web provider
- Yes, The Boss, me !

Finally, **Figure 15** reveals a distinct gender divide here with 38% of women (as against 25% of men) claiming that they simply had 'more important projects in the business'.

RESPONDENTS' COMMENTS

These are shown on the following pages.

REFERENCES: E-COMMERCE

The references below are offered as an aid to readers interested in seeking further information, much of which is readily available via the Internet (WWW). The coverage is not intended to be definitive, and inclusion here should not necessarily imply either agreement or disagreement with the views expressed via these sources.

Special care should also be taken with material obtained from **outside** the UK, for example, the USA, where different legal issues may apply. N.B. Some pages may contain links to other WWW pages offering related material.

- **Information Society Initiative (ISI)**
"The DTI's Information Society Initiative (ISI) provides small businesses with

impartial advice on using Information and Communications Technologies.” Advice For Small Firms: ISI Centres/ Events; Free Publications; Case Studies; Frequently Asked Questions FAQs (including funding); Business Benefits of IT in practice. Government Policy And Actions: Government Policy; Research on how the UK compares Internationally; ISI programmes; Links. <http://www.isi.gov.uk/isi/>

ISI guides of possible interest to smaller businesses:

- ***E-commerce: how trading on-line can work for you - a guide to implementing on-line trading in your business*** (23pp)
Coverage includes: What is e-commerce ?; Why consider getting involved ?; Getting started; What does it cost to get started ?; DIY vs Web developer; On-line catalogue; Shopping cart software; Order fulfilment procedures; Legal issues; Security; The jargon explained; Where to get further information and advice.
<http://www.isi.gov.uk/isi/literature/pdfs/E-com2000.pdf>
- ***A guide to implementing the Internet and the World Wide Web in your business - How the Internet can work for you*** (26pp)
Coverage includes: What is the Internet ?; The business case; Choosing a computer; Getting on the Net; Checklist: How to choose an Internet Service Provider; How to use the World Wide Web; Using the Internet for exchanging documents; Important Internet issues; Security; Privacy; Other important issues; The jargon explained; Where to get further information & advice.
<http://www.isi.gov.uk/isi/literature/pdfs/internet.pdf>
- ***Working Anywhere - Exploring telework for individuals and organisations*** (21pp)
Coverage includes: If you are a chief executive or strategic planner; If you are self-employed; Training and development; Health and safety; Taxation and Business Rates; Data protection and security; Premises and facilities; Further information; Useful contacts; Books and publications; Web sites; Telework: the statistics.
<http://www.isi.gov.uk/isi/literature/pdfs/telework.pdf>
- **The British Library**
Business Information and the Internet: Use of the Internet as an Information Resource for Small and Medium-sized Enterprises: Final Report, 1999, the source of the ‘Staircase of Internet Engagement’ on p.8. “The aims of this project were: to identify the types of internet resource that are found useful by Small and Medium sized Enterprises (SMEs); to compare use of internet resources with use of other types of external information; ... to investigate the barriers to use of the internet by SMEs; and to try to identify levels, and indicators, of internet engagement.” Co-authors: Allcock, Sue; Plenty, Annette; Webber, Sheila; Yeates, Robin, (British Library Research and Innovation Report; 136; ISBN 07123-9731-0). Individual chapters are available free on the project web site.
<http://business.dis.strath.ac.uk/project/final/>
- **Inc. Magazine (USA)**
Web site for small business magazine: “Starting or running a business? Inc.com is for the business builder who’s long on work and short on time. We deliver ‘best of breed’ information, products, services, and online tools - aggregated from a variety of sources - for virtually every business or management task.” Assisting an E-culture survey in conjunction with

Professor Rosabeth Moss Kanter (Harvard Business School), see also her article, *Are You Ready to Lead the E-Cultural Revolution ?*
<http://www.inc.com/>

Web sites. But nearly six out of 10 say the Web has had no measurable impact on their businesses ..." May 2000
<http://www.dnb.com/newsview/0500news8.htm>

● **Nua Internet Surveys (Irish)**

"Nua Internet Surveys is the authoritative source online for information on Internet demographics and trends. Its information reaches 200,000 people worldwide every week."
<http://www.nua.ie/surveys/>

● **Dun & Bradstreet (USA)**

"Dun & Bradstreet ... is the world's leading provider of business-to-business credit, marketing and purchasing information and receivables management services." *D&B Study Shows Seven Out of 10 U.S. Small Businesses Now Have Internet Access* (Press release extract): "Dun & Bradstreet survey of small businesses finds nearly 40 percent have their own

● **matchco.co.uk**

"In conjunction with companies such as KPMG, Simmons & Simmons, Field Fisher Waterhouse, and The Ecademy, the matchco.co.uk process not only helps to get start-up e-ventures off the ground, it will cut the average time it takes for a business to acquire funding in weeks rather than months. An automated email system leads the entrepreneur through the process of setting up a business plan online, giving the e-entrepreneur access to a personal mentor for specific help and advice. On successful completion of the plan, the entrepreneur is guaranteed comprehensive feedback from a suitably interested venture capitalist."
<http://www.matchco.co.uk>

MANUFACTURING

Cash Register Ribbons and Stationery

"On-line merchants need better protection against fraudsters. I think that if the card company gives authorisation, then they should pay - not reclaim monies later on if [there is a] fraud."

Golf Clubs

"How secure is E-commerce/Internet ? [It is] Still a concern to customers."

Kitchen & Furniture Manufacturers

"Possibly the only barrier to using the Internet for sales specifically, would be the enormous choice given to the buying public, and how easy it would be for your company to be chosen and then accessed by them for comparison."

Manufacturing

"We are all very busy doing our own work; we haven't any time to waste 'looking' through the Internet; my production would go down with people gossiping about what has been found."

Manufacturing Broom Clamps and Holders

"Technology is being pushed too fast for its own good by market forces."

Pneumatic Connectors/Valves

"[The] Speed of industrial integration will lag behind home usage due to lack of equipment/skills in the workplace."

Printing, Graphic Design, Copy Service

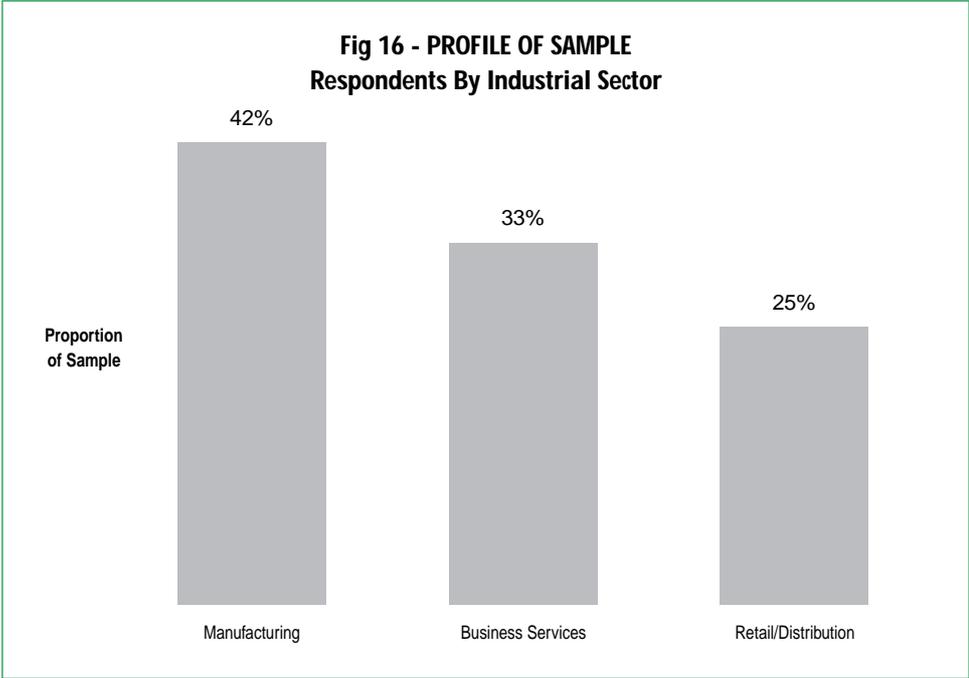
*"The media is making out that every business **must** go down this way or [they] will not survive in business. I do not believe that this is the *only* way for all concerned !"*

BUSINESS SERVICES

Accountancy, Audit, Tax & Management Consultancy	<i>"E-commerce is a major factor for small business growth in the early part of the new millennium. Businesses who ignore it may not survive."</i>
Analytical Chemists	<i>"Confidentiality and security is a concern."</i>
Architect	<i>"[The] Advantage of the Internet is that you have a global market - we are just at the point of understanding what this means for us."</i>
Chartered Accountants	<i>"The speed of access puts some people off. This will be improved in due course and the Internet will become second nature to people. Any business that doesn't get online will be disadvantaged in some way."</i>
Consultant Naval Architects	<i>"It's the future - get used to it !"</i>
Implementation & Audit of Quality Standards	<i>"The majority of small traditional engineering-type businesses still have a fear of the 'E' technology. They are aware but hesitant."</i>
Insurance Brokers	<i>"Have not seen much in the way of Government help agencies."</i>
International Freight Forwarding Services	<i>"The use of technology (IT in particular) is shaping the way we do business, especially our business with the USA."</i>
Recruitment - Contract & Permanent	<i>"This takes time to implement and get the benefit. We tend to move faster than our customers."</i>
Software Development & Maintenance	<i>"The Internet is changing the world, whether you like it or not. Ignoring new trends is possibly the most dangerous behaviour of all."</i>
Software Provider	<i>"At present 'E' is a fad and employees waste time with it thinking they are being efficient when not, i.e. surf[ing] the web for first hour of day is not work. Face-to-face communication within [the] office is being ignored; E-mail does not replace it."</i>
Textile Marketing	<i>"We use the Internet in two ways - for reference purposes, and as an additional communications medium. In the former we find in practice that we use it more privately than for the business, but this may be because we are just too busy to spend time on it. As far as communications are concerned it only duplicates other existing systems and we find faxes more practical; we can react faster and more efficiently to the hard copy in front of us ! ... We shall not be introducing our own web-site because much of our work is confidential, which is another concern. I cannot see how privacy can be protected on line. We deal with many, many companies in this country and abroad and their approach to the future can best be described as sceptical. Certainly, E-commerce is an impressive new communication medium, but contrary to the media hype surrounding it, it has its limitations and can never replace personal contact which forms a cornerstone of our business."</i>

RETAIL AND DISTRIBUTION

Computer System Reseller	<i>"Suppliers are forcing customers down E-commerce by delays on getting through to a person, i.e. reducing the number of persons previously available for voice contacts. What are we going to do with the warm-bodied people when they've been replaced?"</i>
Health Foods and Herbal Remedies	<i>"My store has the name '[deleted] Herbal Store' since 1939. [A nationwide chain starting with the same name] has objected to the use of the name [deleted] outside my geographic area. This would make a web site difficult."</i>
Retail Perfumes/Cosmetics/Pharmacy	<i>"Many of our suppliers will not allow us to carry their products on our website."</i>
Retailing of Motor Accessories and Spares	<i>"[We are] Using Internet and e-mail more as we get familiar with the working."</i>
Suppliers of Woodscrews, Adhesives, Fixings &c.	<i>"The products we supply, i.e. professional power tools, require a high degree of after sales commitment. We believe any product that has a chance of being 'returned' has limited scope for selling through the Internet. Theatre tickets: yes; power tools, cars, no."</i>
Tool Plant & Equipment Hire, Sales & Repair Service	<i>"[The] Internet can bring us more customers to our 'hands on' hire service. You cannot have a virtual hire of a 20-inch petrol chain saw - you must be fully shown in safe usage."</i>



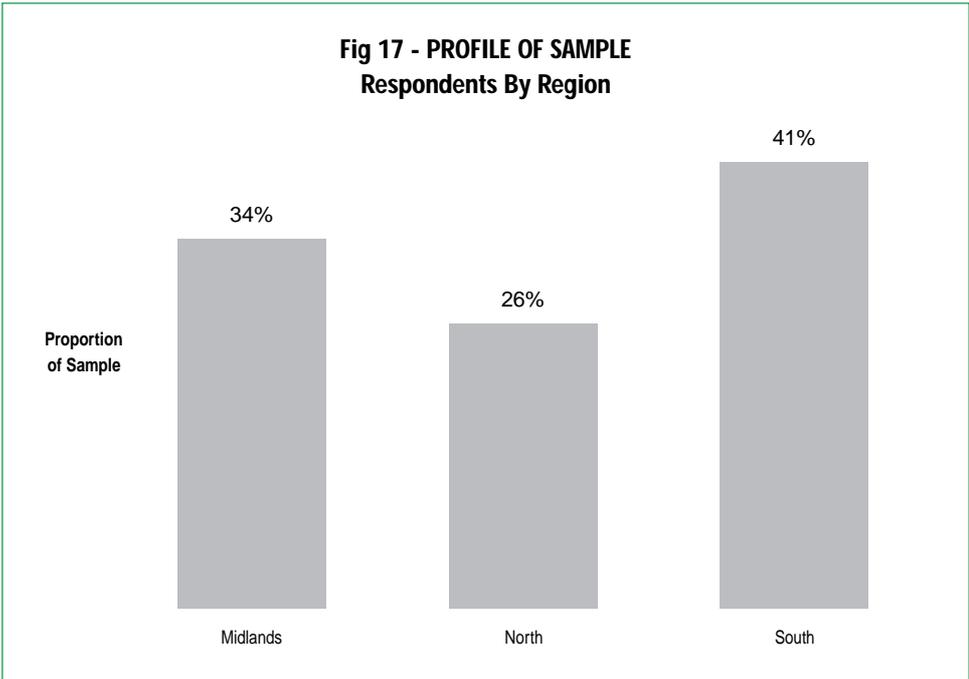
APPENDIX 1 - ADDITIONAL INFORMATION

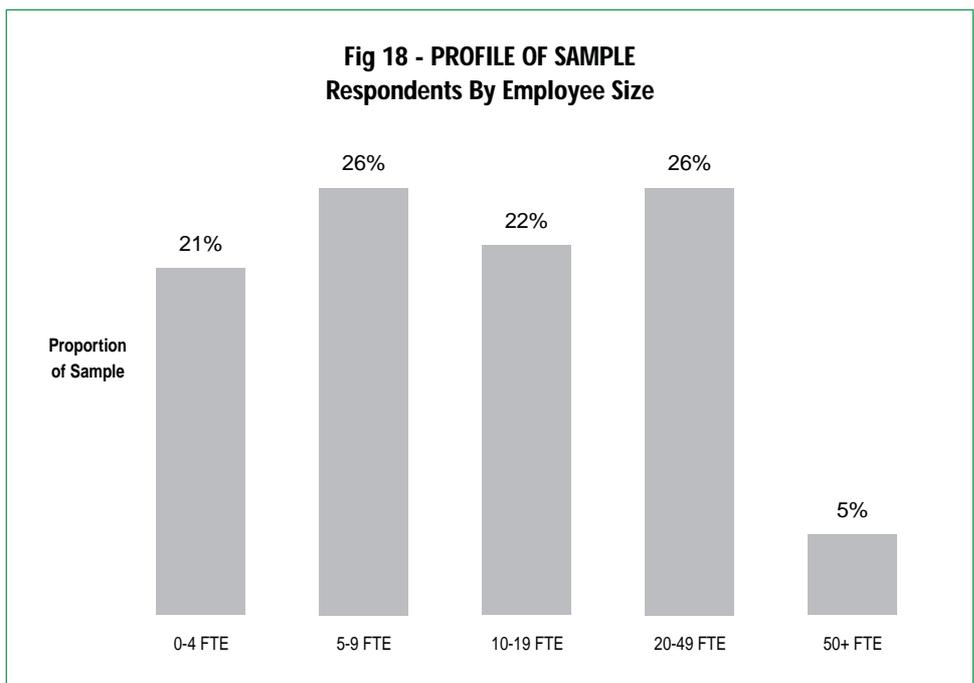
As an aid to the interpretation of the various figures (histograms), we have included some further information about the firms responding to this survey.

The analyses involve key variables, and **industry sector** and **employee size** are those most frequently used as they are reasonably reliable indicators and less

prone to misinterpretation. Other variables have also included **region**, **sales growth**, **respondent age** and **sex**.

Industrial sectors – based on the descriptions supplied by respondents, each firm is coded according to the Standard Industrial Classification (SIC 1980). Firms are then grouped into manufacturing, business services, retail/distribution. From 1996 onwards, firms falling outside these 3 bands – previously classified as ‘other’ –





are now allocated to the foregoing sector which offers the closest match.

Regions - firms are also classified according to their physical location, namely, North, Midlands and the South.

Employee size - finally, firms are placed in bands according to the number of employees. Each part-time employee is assumed to be equivalent to 40 per cent of a full-time employee ('FTE' = full-time equivalent). All of the surveys to date have received only a small number of responses from firms with 50 or more FTE employees. These responses have been **included** in the breakdowns for the **sectoral** and **regional** analyses, but have been **excluded** as a '50+FTE' band in the **employee-size** analyses (the 'All' band in each histogram includes all usable responses regardless). This is because a percentage breakdown band based on just two or three firms may not be representative of this size of business.

Figure axes/scales (histograms) - each figure uses a linear scale, with reference to a common zero axis, e.g. running horizontally across the bottom of each column, as in the figure above.

Distribution of firms

The highest proportion is in manufacturing (42%, previously 43%), followed by business services (33%, see **Figure 16**). Previously, the samples have contained the largest proportion of firms in business services, but the composition has shifted slightly due to the introduction of additional respondents to the sample late 1998, and again, mid-1999.

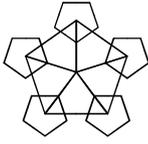
In this survey, the Southern region has the largest representation, with 41% of the sample's respondents (previously 38%, see also **Figure 17**).

Historically, the manufacturing and business services firms in the samples have tended to be larger, in terms of employees, whereas the firms in retailing/distribution have had fewer full-time equivalent employees. Likewise, the sample has been biased towards the smaller businesses, but since 1999 there has been an increase in the 20-49 FTE firms (**Figure 18**).

As on previous occasions, the sample is predominantly male (85%).

Lloyds TSB

The Small Business Research Trust



**SMALL
BUSINESS
RESEARCH
TRUST**

Quarterly Small Business Management Report No.29

Sponsored by Lloyds TSB

This questionnaire will take approximately 5-10 minutes to complete – most answers require only a single tick. All information received will be treated in complete confidence. PLEASE DESPATCH AS SOON AS POSSIBLE.

MANAGEMENT ISSUE: E-commerce

- 1** a) Please indicate the number of people working in your business (including yourself):
- Full-time : _____ A
- Part-time (16 hours/wk or less) : _____ B
- b) Your age last birthday:
- 16-24 years A
- 25-34 B
- 35-44 C
- 45-54 D
- 55-64 E
- 65 or over F
- c) Your gender:
- Male M
- Female F

- 2** General extent of Internet use – Please indicate which ONE of the following best describes your business: *Just ONE ✓ only*
- Not applicable – No current use and none planned for the foreseeable future A
- OR** Will connect soon to the Internet – Have one or more personal computers without access to the Internet but expect to gain access within 12 months B
- OR** Light user of the Internet – Have an e-mail address/es and occasionally use Internet for obtaining information C
- OR** Moderate user of the Internet – Have e-mail address/es & basic web site for own business; use it for several purposes (e.g. potential supplier and/or competitor information, travel information etc.) D
- OR** Advanced user of the Internet - Have e-mail address/es used internally; extensive web site for own business, perhaps including online ordering for customers; seen as critical part of the business E

- 3** Future plans concerning Internet use – Which ONE of the following best describes your business's strategy for the coming 12 months: *Just ONE ✓ only*
- No investment anticipated A
- OR** Modest investment in related equipment and/or training B
- OR** Reasonable investment in related equipment and recruitment of staff with necessary skills C
- OR** Major investment all-round D
- OR** Undecided E

4 **Government tax relief for IT – Has the March 2000 Budget announcement allowing 100% tax relief favourably influenced your strategy noted in Q3 ?** *Just ONE ✓ only*

Yes - significantly..... A

OR Yes - but only to a certain extent..... B

OR Not really..... C

5 **Internet applications – Please indicate which of the following applications apply or might apply to your business:** *Just ONE ✓ for each application (skip options if not applicable)*

	<i>Now</i>	<i>Later</i>	<i>Don't know</i>
Using e-mail	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> A
Selling products or services via the Internet to traditional kinds of customers.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> B
Attracting new types of customers who did not previously buy from you.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> C
Providing news & information about the business or its products or services.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> D
Advertising your products & services on the Internet.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> E
Delivering education & training online	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> F
Getting employee reactions & feedback online.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> G
'Telecommuting' - letting people work from home some or all of the time.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> H
Working with suppliers online (exchange data, track orders, modify designs, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> I
Working with customers online (exchange data, track deliveries, etc.).....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> J
Purchasing your supplies or services via the Internet.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> K
OR No Internet use envisaged for the foreseeable future.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> L

1 2 3

6 **Barriers – Has your business encountered any barriers to developing e-commerce or Internet applications ?** *✓ Against all which apply*

Technology and tools are inadequate, unavailable, or unreliable A

Customers & key markets do not want to change their behaviour; they prefer the traditional ways B

Suppliers are not co-operative, or not ready for electronic business..... C

Employees in the business are not comfortable with change

The business does not have staff with adequate technical or web-specific skills

The business had a bad previous experience with new technology.....

There are more important projects in the business that require existing resources and time

It is not relevant to the business.....

Government rules and regulations get in the way

The business is already successful enough.....

The business is not sure where to get the best advice.....

None - no problems encountered

Other (please specify) _____ M

7 **'E-commerce/Internet' – If you have any strong views about the topic, especially if you feel that any aspect is not fully appreciated by important sections of the business community (such as the government help agencies or the financial services sector), then please comment**



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