

How are SMEs adapting to the e-commerce world? Published in New Zealand Business April 2001

E-business SME survey (UoW X0016)

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Are we as a nation of small to medium size enterprises (SMEs) keeping up with the world in the area of information communication technology (ICT)? As part of the Government's Foundation for Research Science and Technology funded research project (UOW X0016) into ICT the quarterly SME survey investigated the attitude of SMEs to various E-business issues. Several specific questions were incorporated into a survey of 402 businesses conducted in early April 2001.

The majority of SMEs believe that e-commerce issues will impact upon their business. Nevertheless, there was slightly over a third that felt there would be no impact. This result is both surprising and worrying as New Zealand endeavours to leverage cost and efficiency gains for business of new technology. With the low cost of Internet banking and e-mail it should be possible for nearly all businesses to save through using these tools. Those SMEs responding that they thought e-commerce would impact upon their type of business, suggest that this will occur over time. Each business was asked to place the expected level of impact on a scale from 1 to 7, where 7 is a lot and 1 is negligible for a range of time periods. It appears that the impact over the short-term is not high but in the medium term, of 3 years and more, the estimated effect is much stronger as shown in Figure 1.

Figure 1

E-business Impact on SMEs

E-business is likely to have an impact on your business?	
No	36.5%
Yes	62.7%
For those responding Yes, on a scale of 1-7 an indication of how much impact expected was sought:	
In 1 year those indicating a 4 or less was 69%	
In 2-3 years those indicating a 4 or less was 35%	
In 3 years or more those indicating a 4 or less was 23%.	

Almost half of the businesses in the survey have a web page. Less than a quarter of those surveyed indicated they were not intending to develop a web presence in the next three or so years, as shown in Figure 2.

Figure 2

Web Presence

Does your business have a web page that can be accessed through the Internet?	
Yes	46%
No	54%
For those responding No are they considering developing a web presence	
No	22%
Yes, then when	
Within next 12 months	26%
2-3 years time	6%

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Over 70% of SME have e-mail, as shown in Figure 3, and nearly half of those that are not connected expecting to come on-line in the short to medium term. This will provide a good communication platform for businesses opening many new opportunities for networks and hopefully the addition of more efficiency providing Internet based services.

Figure 3

E-mail Connected

Does your business have e-mail?	
Yes	71%
No	29%
For those responding No are they considering introducing E-mail into the business?	
No.....	16%
Yes, then when	
Within next 12 months	11%
2-3 years time	2%

With the number of SMEs having e-mail connections there remains a considerable scope for using the Internet for basic activities such as banking. The opportunity to lower costs, speed up processes and add on improved debtor control etc is certainly lagging.

Figure 4

Internet Banking

Does your business use Internet banking facilities?	
Yes	38%
No	62%
For those responding No are they considering introducing E-mail into the business?	
No.....	37%
Yes, then when	
Within next 12 months	16%
2-3 years time	8%
Missing	1%

Industry differences are quite pronounced as shown in Table 1. It is important that initiatives developed by Government and industry move to capitalise on the e-mail connections and add further internet services to industry. While manufacturing has a high email usage it is low on websites and does not seem to be thinking of the potential available for enhanced returns through moving with business-to business (b2b) e-commerce.

Table 1

Industry breakdown of E-usage

Industry/Issue	e-business Will Impact %	Have a Web Page %	Use E-mail %	Use E-banking %
Manufacturing	31	42	81	52
Construction	57	45	68	34
Wholesale trade	31	49	72	49
Retail trade	31	47	60	33

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Transport and storage	38	43	76	43
Finance, property and business services	20	58	91	56
Community services	55	39	68	18
Recreation, personal and services	39	43	57	20

Disparity between regions, as seen in Table 2, raises more policy issues for Government and local government. In part the differences may be attributed to the type of industries present in each region but there does appear to be some fundamentals to consider. The more provincial regions of Waikato and Bay of Plenty seem to be off the pace. This suggests that in regions with even smaller centres, ie not having a Hamilton or Tauranga, the effect will be more pronounced. This will be a question to address as part of ongoing research.

Table 2

Regional breakdown of E-usage

Industry/Issue	Believe E-business Will Impact %	Have a Web Page %	Use E-mail %	Use E-banking %
Auckland	33	64	83	49
Bay of Plenty	52	27	56	36
Canterbury	32	51	81	43
Otago	34	50	84	50
Waikato	43	22	32	32
Wellington	39	50	26	26

The main reasons cited by SME for not advancing further with e-business are summarised in Table 3. There were 354 responses to the question, "What do you think are the things stopping your business from getting more involved in E-business?"

Table 3

Barriers to Greater Participation in E-Business

	Frequency
Not necessary for line of business	102
Cost	50
Time involved in investigating the issues and setting something up	50
Lack knowledge of issues involved	39
Clients lacking knowledge	6
Lack of apparent benefit	6
Lack of people resources	9
No computer	8
Not big enough	6
Not interested	8
People resistance	7
Security concerns	7
At full operational capacity	4
Speed of lines	4

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In order for New Zealand SMEs to keep up with the play international a lot more E is needed. Information and training appear to be the key performance areas that are missing. Industry groups, Chambers of Commerce, and Government need a strategy for closing the gap.