

*Executive Summary

1. Computer ownership and use is now a way of life for Australia's businesses. Some 75% of all small businesses (those employing between 1 and 19 full-time persons) and 99% of all medium businesses (those employing between 20 and 200 full-time persons) use computers, and more than half of those with computers rely on them as much as possible. The Yellow Pages® *Small Business Index* found that the extent of reliance on computers was one of the key determining factors behind Internet use and perceived potential to use e-commerce.
2. One-third of all small businesses and two-thirds of medium businesses are now connected to the Internet. Moreover, among businesses using computers, there is almost universal awareness that "*Some businesses are now using the Internet for promoting or selling their products or services.*" This definition of e-commerce provides the context and focus for this Yellow Pages® *Small Business Index* Special Report.
3. Across all small and medium businesses, 38% believed they could make use of e-commerce to sell their goods and services. However, 39% believed they could not make use of e-commerce. The prime, unprompted reasons for rejecting e-commerce were "*not suited to my business*" or "*too complex*". Further exploration of reasons for rejecting e-commerce emphasised product/service suitability and customer needs.
4. Potential to use e-commerce is higher among medium businesses (54%) than among small businesses (37%). This is due primarily to the higher level of computer use among medium businesses. For businesses using computers, reported potential to make use of e-commerce did not differ significantly between small and medium businesses.

Comparison of Small and Medium Businesses on Key Measures		
	Small Businesses	Medium Businesses
Use computers	75%	99%
Use modems	42%	83%
Connected to Internet	34%	65%
Believe they have potential to sell on the Internet	37%	54%
Have a home page	12%	34%
Already have e-commerce	5%	12%

SOURCE: Yellow Pages® *Small Business Index*
 Brian Sweeney & Associates - February 1998

Base = All businesses

5. However, relatively few small and medium businesses connected to the Internet believed that the Internet is useful for buying and selling or for paying for products. This low association indicates that proprietors have not established a nexus between Internet usage and transacting business on the Internet.
6. Reported suitability of e-commerce for sales is highest where the business is already connected to the Internet and relies on computers as much as possible. Potential to use e-commerce is highest among businesses seeking significant growth. Across the sectors, the potential to use e-commerce is highest in the transport/storage sector and lowest in building/construction.
7. E-commerce is perceived by most Australian businesses as liberating, providing access to new markets, particularly interstate and overseas. Potential to make use of e-commerce is therefore highest amongst businesses whose customers and potential customers are mainly interstate or overseas. A key implication from the Index is that e-commerce for Australian businesses is not limited to e-commerce in Australia. The e-commerce market for Australian businesses, especially small businesses, is perceived as worldwide.
8. Goods and services that are infrequently purchased are somewhat more likely to be perceived to be suitable for e-commerce. The value of the goods or services had little impact on this perception. However, businesses selling high value infrequently purchased goods (but not services) are more likely to believe they can use the Internet to sell. For services, e-commerce is perceived as most suitable where bookings can be made electronically or by mail or fax.

* Refer to Page 3, "About the Special Report", for information on how these statistics have been compiled.



Where payment is effected by cash or invoices are not issued, e-commerce is less likely to be seen as suitable for sales. E-commerce is less likely to be perceived as suitable where sales are mainly to wholesalers or intermediaries.

9. The degree of interest in e-commerce is high:
 - 7% of all small businesses and 12% of all medium businesses indicate that they are already purchasing from their suppliers via e-commerce,
 - 8% and 15% respectively, have already used e-commerce to buy goods and services, such as books, computer software, videos/CDs and computer hardware,
 - 10% and 26%, respectively, have been prompted by their customers to consider adopting e-commerce,
 - 5% and 12% respectively, have already established facilities to sell over the Internet, and
 - a further 10% and 13%, respectively, report that they are extremely or very interested in e-commerce.
10. Only 29% of businesses that perceive they can use e-commerce and one-third of those that report they already have it have been prompted by their customers to adopt it. This suggests that interest in e-commerce is driven by businesses seeking new markets rather than by expressed customer needs.
11. Businesses were asked about the sort of timeframe in which they would like to move towards e-commerce, that is, to consider the range of factors involved and to make their decisions on implementation. Three per cent of all businesses surveyed (equivalent to more than 20,000 businesses) indicated this is something they would like to look at immediately. A further 12% indicated that e-commerce was something they would like to look at within the next year. In total, 15% of businesses surveyed (equivalent to more than 100,000 Australian businesses) reported that the desired timeframe for implementation decisions on e-commerce is within the next twelve months.
12. The strongest benefits of e-commerce spontaneously identified by businesses surveyed are access to wider client range and accessibility to markets. Further exploration of the benefits using prompted responses reinforced the importance of being able to reach a wider range of customers, but confirmed a broader range of benefits than mentioned spontaneously. This suggests that most businesses have not yet fully thought through what e-commerce will mean to them.
13. Perceived drawbacks tend to be more diverse including lack of personal contact, lack of wide use, and concern over fraud and payment arrangements.
14. The Index explored business perceptions of the main barriers and difficulties in implementing and installing e-commerce. Half the businesses interested in making use of e-commerce are concerned about expense and their lack of technical knowledge/expertise. Expense is a lesser concern for medium businesses but concerns over lack of expertise or technical knowledge are slightly greater concerns for medium businesses.
15. Business preferences for a range of e-commerce packages were explored. Strongest preferences were elicited for a three-part package combining a simple electronic brochure plus ordering plus a payment system. However, all individual elements - including the electronic brochure by itself - were strongly supported. An implication of these responses is that businesses might prefer a modular approach to e-commerce packages which would allow them to add modules as they become more experienced and familiar with the technology and use of this new sales channel.
16. In summary, the perceived benefits and levels of interest in e-commerce are substantial among Australia's small and medium businesses. The preferred timeframe for more than 15% of all small and medium businesses (the equivalent of more than 100,000 businesses) is to move towards e-commerce immediately or within the next twelve months. This is unlikely to be achieved. To achieve even a moderate rate of connections and transaction capability within the short timeframe of 12 months would require that the lack of knowledge and technical know-how be addressed. Business must also obtain credible and informed advice on whether e-commerce will potentially benefit them and their customers.

Introduction

The Yellow Pages® *Small Business Index* is an ongoing series of surveys designed to track confidence and behaviour in the small business sector.

The primary objectives of the Yellow Pages® *Small Business Index* are to track small business activity over the past three months; expectations over both the next three and 12 months; and to measure overall confidence within the small business community. A second purpose is to provide an independent, objective channel for reporting proprietors' experience and attitudes on key issues. From time to time, the Index examines one or more special issues.

The February 1998 Yellow Pages® *Small Business Index*, which covered both small and medium businesses, included questions on electronic commerce. The Index investigated levels of understanding and interest by small and medium businesses in what e-commerce has to offer. In particular, the Index defined e-commerce as the use of the Internet to buy and sell products. Over the past four years, the Index has examined the experiences of small business with electronic technology and these trends are reported where applicable.

The Index is an initiative of Pacific Access as part of its commitment to this vital business sector. Research is conducted by Brian Sweeney and Associates and economic advice is provided by Marsden Jacob Associates.

About this Special Report

The Yellow Pages® *Small Business Index* is the largest economic survey of small business in Australia and focuses specifically on businesses with up to 19 full-time employees (including the proprietor if he or she is part of the workforce).

The Index uses a panel of at least 1,200 randomly selected small business proprietors who are interviewed by telephone every three months.

For this special report on electronic commerce, the views of proprietors of medium-sized businesses (employing between 20 and 200 full-time persons) were also sought. An additional 600 interviews were conducted from this segment.

The sample was drawn from all metropolitan and non-metropolitan regions of Australia. Quotas were set on geographical locations and type of business division to produce the sample breakdown shown opposite.

Because this is a quota sample, results were weighted at the analysis stage by selected ANZSIC divisions within the metro and non-metro region of each state or territory to reflect actual small business population distribution. The ABS Business Register as at June 1996 is used to weight the sample to be representative of the total business population.

Interviewing for the Index was conducted over the period 28th January to 16th February, 1998.

Location of Business			
	TOTAL	METRO	NON-METRO
NSW	352	309	43
VIC	349	309	40
QLD	276	171	105
SA	225	193	32
WA	199	168	31
TAS	146	83	63
NT	128	68	60
ACT	129	129	—
TOTAL	1804	1430	374

Division	
Manufacturing	383
Building/Construction	298
Wholesale/Retail	349
Transport/Storage	192
Finance/Property/Business Services	327
Recreational/Personal/Business Services	255
Total Sample	1804

Size of Business Number of Full Time Employees	
1-2 Employees	574
3-4 Employees	251
5-9 Employees	274
10-19 Employees	105
Total Small	1204
20-100 Employees	497
101-200 Employees	103
Total Medium	600

Computer Use and Extent of Reliance

In exploring Internet and e-commerce issues, the Index methodology first establishes which businesses use computers and thereafter focusses totally on this group or its subsets. The implicit assumption is that businesses not using computers will not be able to make use of e-commerce in the near future.

EQUIPMENT USAGE

Ownership of computers and modems is widespread. Across all small and medium businesses, 76% use computers of one sort or another. Ownership of desktop computers in medium businesses is almost universal. Use of notebook computers and modems is very strongly related to employment size. Only 13% of small businesses use notebooks and only 42% have modems. In contrast, over half the medium businesses surveyed use notebooks and 83% have modems.

Equipment Ownership By Business Size				
	Desktop Computer	Notebook Computer	Any Computer	Modem
All Businesses	76%	15%	76%	45%
1-2 Employees	68%	9%	68%	38%
3-4 Employees	76%	15%	77%	38%
5-9 Employees	87%	15%	88%	53%
10-19 Employees	90%	33%	94%	70%
20-100 Employees	98%	52%	99%	84%
101-200 Employees	100%	63%	100%	82%
Total Small (1-19)	74%	13%	75%	42%
Total Medium (20+)	98%	54%	99%	83%

SOURCE: Yellow Pages® *Small Business Index*
Brian Sweeney & Associates - February 1998

Base = All businesses

As noted through the report, the higher level of computer ownership reported among medium businesses is a major factor explaining their higher levels of Internet connection and potential to use e-commerce.

Across the sectors, the business services sector is the highest user of desktop computers, notebooks and modems. There is a relatively uniform ownership level in other sectors except building/construction which is lower.

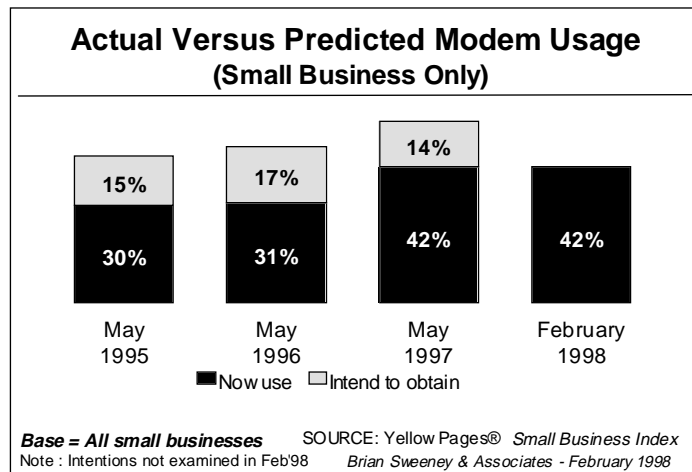
The level of desktop computer usage among small business is unchanged since the May 1996 Yellow Pages® *Small Business Index*. The number of small businesses using laptop/notebook computers has marginally declined.

Equipment Ownership Trends (Small Business Only)				
	May 1995	May 1996	May 1997	February 1998
Desktop computer	71%	74%	76%	74%
Notebook computer	17%	16%	14%	13%
Modem	30%	31%	42%	42%

SOURCE: Yellow Pages® *Small Business Index*
 Brian Sweeney & Associates - February 1998

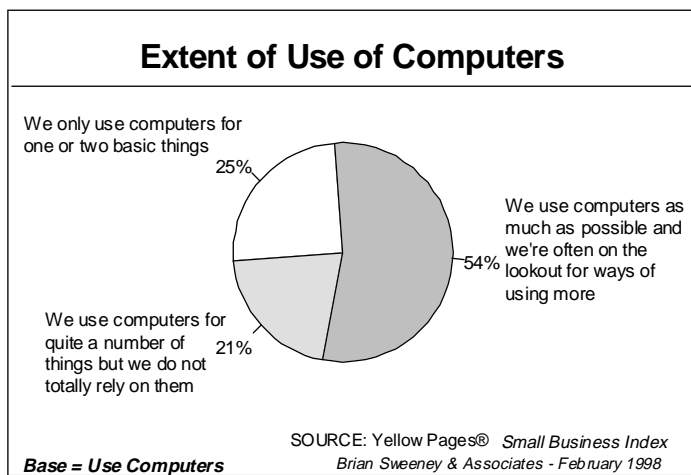
Base = All small businesses

As noted, some 42% of small businesses own modems, a level unchanged over the past year - despite a significant expected rise in ownership signalled in the May 1997 Yellow Pages® *Small Business Index*. The Index shows the high level of modem ownership preceding the uptake of Internet connections. Many small businesses used modems for data transfer and communication prior to the spread of the Internet. However, the jump in usage in May 1997 may be attributed to the growth in acceptance of the Internet.



EXTENT OF RELIANCE ON COMPUTERS

Australian business relies extensively on computers. Among small and medium businesses using computers, more than half (54%) use computers as much as possible and are on the lookout for ways of using computer technology more. Medium businesses that use computers are even more reliant with almost three-quarters of these businesses using computers as much as possible.



Across all small and medium businesses (that is, regardless of whether they use computers or not), 42% rely extensively on computers and computer use. Reliance is greatest in the business services sector and increases relative to employment size.

**Extent of Use
By Business Size**

	Use Computers For...		
	One or Two Basics	Quite a Number of Things	As Much as Possible
All Businesses	19%	16%	42%
1-9 Employees	20%	16%	38%
10-19 Employees	9%	18%	67%
20-100 Employees	7%	22%	77%
101-200 Employees	3%	8%	89%
Total Small	20%	16%	40%
Total Medium	7%	19%	73%

SOURCE: Yellow Pages® *Small Business Index*
Brian Sweeney & Associates - February 1998

Base = All businesses

The Internet

INTERNET CONNECTION LEVELS

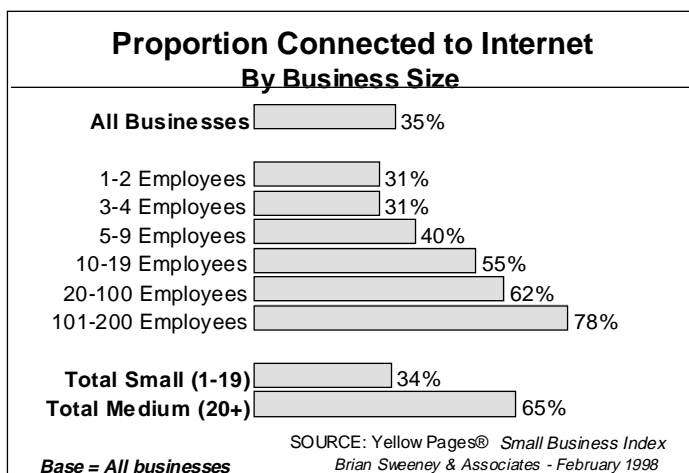
Among all small businesses, more than one-third (or 45% of those using computers) are now connected to the Internet compared with 23% (or nearly 30% of computer users) in the May 1997 Yellow Pages® *Small Business Index*.

Trends In Internet Connection (Small Business Only)				
	May 1995	May 1996	May 1997	February 1998
Not aware of Internet	6%	0%	0%	0%
Connected to Internet	5%	9%	23%	34%
Aware but not connected	60%	65%	53%	40%
No computer	29%	26%	24%	26%

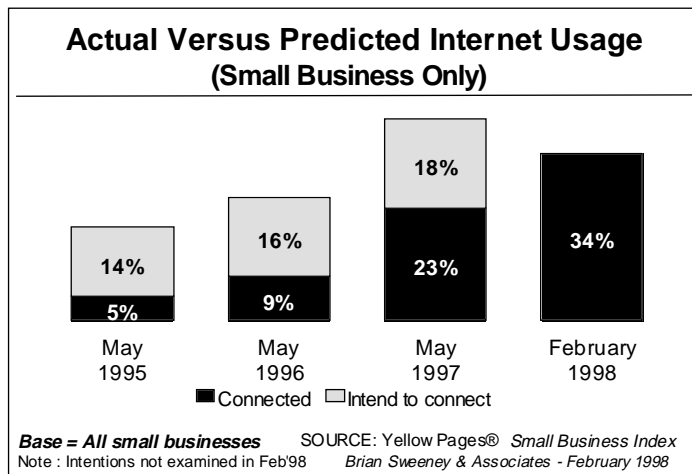
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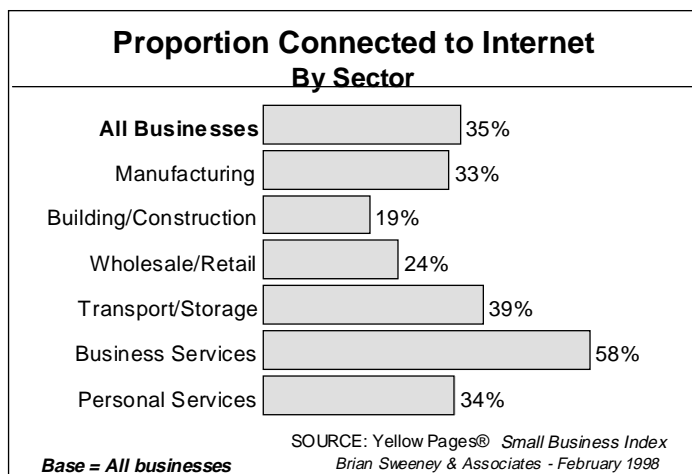
Among medium businesses, almost two-thirds (65%) are now connected to the Internet.



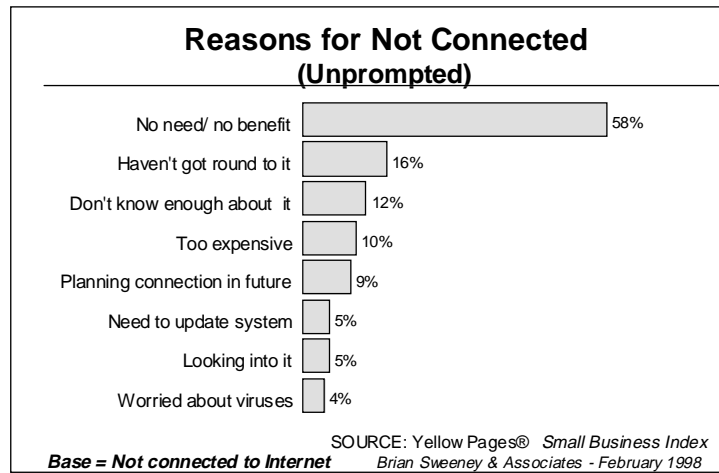
Among small businesses, the expected growth in Internet connections continues to exceed the substantial growth actually occurring. However, the gap between expected and actual levels of connections is narrowing. In the May 1997 Yellow Pages® *Small Business Index*, 18% of small businesses indicated that they intended to connect in the following 12 months. Some 11% have already done so in the nine months since that Index. It appears that, in the three years since 1995, as the Internet has become more familiar, expectations of take-up have better matched the reality.



When considering both small and medium businesses, analysis by industry sector re-affirms the greater interest and usage of computer technology by the business services sector, especially compared with building/construction.



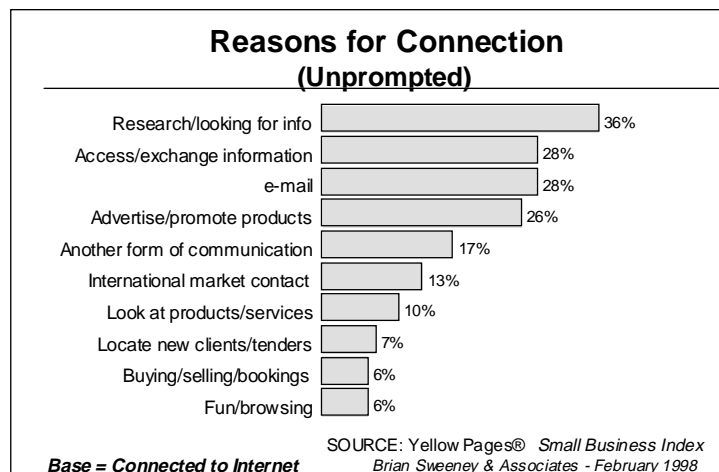
Proprietors who indicated their businesses were not connected to the Internet were asked, “*why aren’t you connected to the Internet?*” The dominant (unprompted) reason cited (58%) was “lack of need/no benefit.” A significant proportion (25%) indicated that they “haven’t got around to it” or were “planning on connection in the near future”. Twelve per cent indicated that they “don’t know enough about it” and 10% saw connection as “too expensive”.



Proprietors of businesses connected to the Internet were asked, “*Why are you connected...what do you use the Internet for?*”

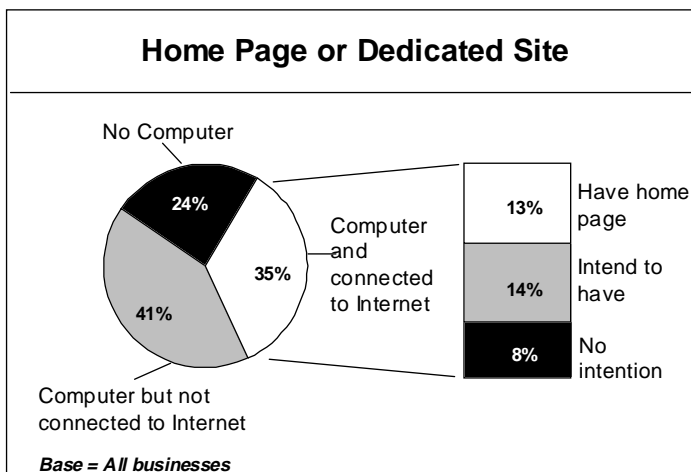
As in previous Yellow Pages® Small Business Index surveys, access and exchange of research and information are the primary (unprompted) reasons with e-mail and communications also rating highly. One-quarter of those connected to the Internet report using it to advertise or promote their products.

International market contact and the ability to locate new customers/tenders are seen as the key reasons for connection by almost 20% of businesses connected to the Internet.

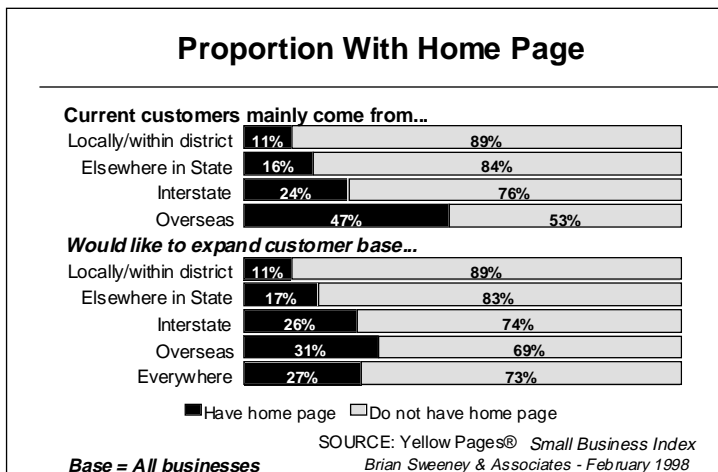


HOME PAGES AND DEDICATED SITES

The use of dedicated Internet sites or home pages is reported at 13% across all small and medium businesses.

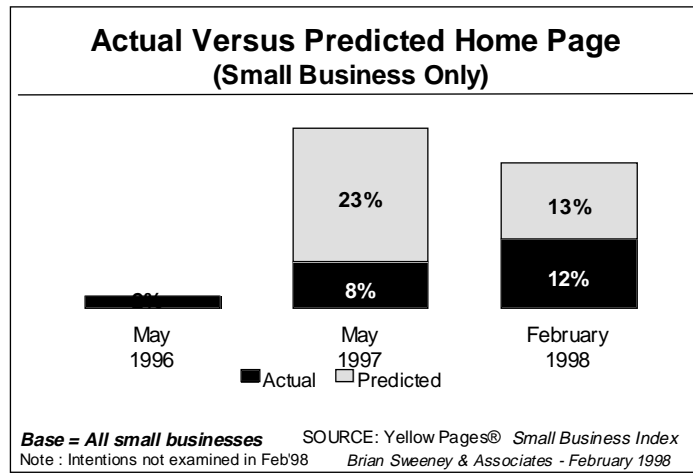


The likelihood of having a home page is influenced by where the customers and potential customers are located. Almost half of all businesses (47%) whose customers come mainly from overseas and one-quarter of businesses whose customers are mainly interstate have a home page. In contrast, only 11% of all businesses whose customers are mainly from the local district have a home page.



Home page take-up has been considerably higher among medium businesses (34%) than among small businesses (12%).

The use of home pages by small businesses has grown strongly over the last two years. As observed with the take-up of Internet connections, small businesses had a very optimistic outlook in the May 1997 Yellow Pages® *Small Business Index* on whether they would be setting up their home pages in the following year. These expectations were not met and have been substantially scaled back in the current Index.

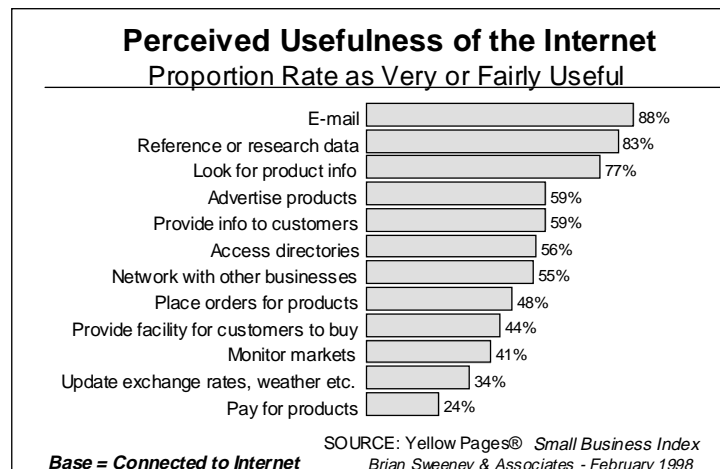


INTERNET USE

Businesses connected to the Internet were asked to rate twelve specific activities in terms of degree of usefulness. In the May 1997 Yellow Pages® *Small Business Index*, small business respondents highlighted providing information to customers, e-mail and research (they were not asked about using the Internet for selling).

The top three responses to the current Index were to:

- communicate via e-mail,
- obtain reference or research information, and
- look for product/service information.



The trends for small business show the perceived usefulness of the Internet for obtaining product information has increased substantially over the past year.

While overall there is little difference between the responses by small and medium businesses, medium businesses see more value from providing information than looking for information.

In terms of perceived usefulness of 12 prompted Internet uses, e-commerce activities rate low. Placing orders and providing a facility for customers to buy rank only eighth and ninth, respectively. Paying for products ranks last of the 12. These low rankings indicate that small and medium businesses connected to the Internet have not established a nexus between Internet usage and transacting business on the Internet. Businesses not connected to the Internet are even less likely to have established this nexus.

E-Commerce Interest Levels

POTENTIAL TO SELL THROUGH ELECTRONIC COMMERCE

Respondents were asked whether they were aware that “some businesses are now using the Internet for promoting or selling their products”?

Among businesses using computers, awareness of e-commerce is almost universal. Only 5% are not aware of e-commerce.

To explore the potential to use e-commerce for selling their own products, proprietors of businesses using computers were asked:

**“Keeping in mind your product or service image,
your type of customers and the way they buy from you,
do you feel your business could make use of the Internet to
sell products, now or in the future?”**

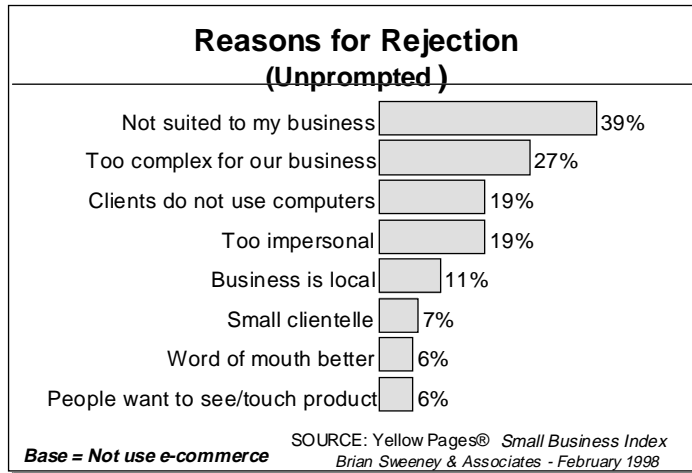
Half of those small and medium businesses using computers (49%) believe that their business could make use of e-commerce for selling. This represents 38% of all small and medium businesses. In this respect, small businesses are less likely (37%) than medium businesses (54%) to believe there is a potential to use the Internet to sell their goods and/or services.



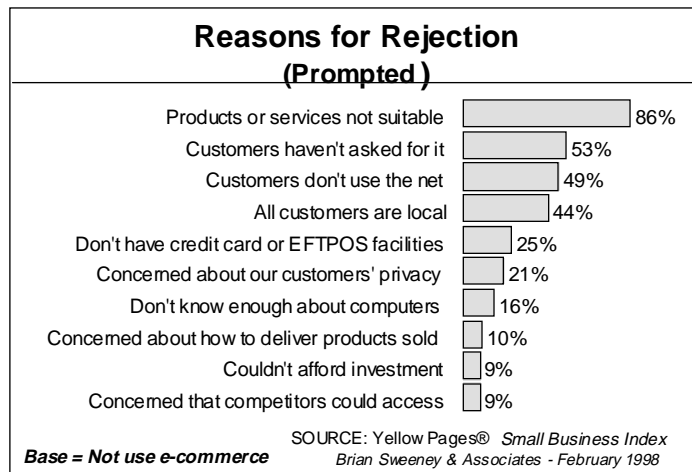
REASONS FOR REJECTING E-COMMERCE

Unprompted reasons for rejecting the use of e-commerce include:

- not suited to my business, no benefit,
- we're in a service industry,
- too complex for our business, and
- clients do not use Internet/computers.



When prompted, those businesses rejecting use of e-commerce for selling confirmed the importance of product/service suitability as the key reason.



A second group of concerns relates to customers. These include whether customers have asked for such a service, whether customers use the Internet, the location of the customers and concerns regarding customer privacy.

Specific implementation concerns (such as, lack of credit card or EFTPOS facilities, lack of knowledge of computers) comprise an important third group of reasons for rejecting the use of e-commerce.

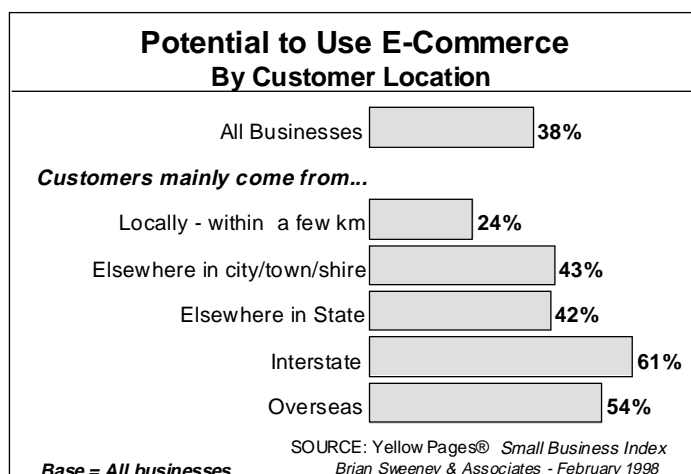
DRIVERS OF E-COMMERCE SUITABILITY

Based on the responses that businesses believe there is a potential to sell their products on the Internet, the Index analysed those factors that accounted for greater perceived suitability. The suitability of e-commerce for sales depends on customer location and requirements, the type of business and the nature of its products and services. Interestingly, the demographic characteristics of the proprietors do not appear to be important. We review the role of the main factors in turn.

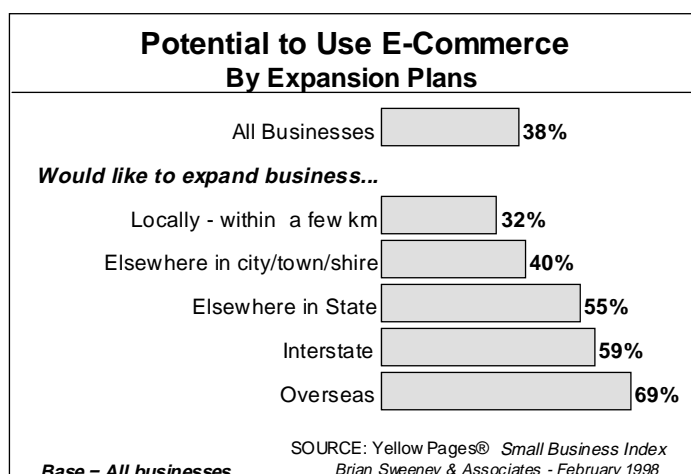
LOCATION OF CUSTOMERS

The potential to use e-commerce is strongly linked to the location of the current customers and the business's view of where it is seeking to expand its markets.

Businesses whose customers are mainly local are less likely to see potential for e-commerce. Correspondingly, they are less likely to have a home page or report already having e-commerce facilities. In contrast, businesses whose customers are mainly from interstate and overseas are more likely to be strongly interested in, or already have, e-commerce facilities.

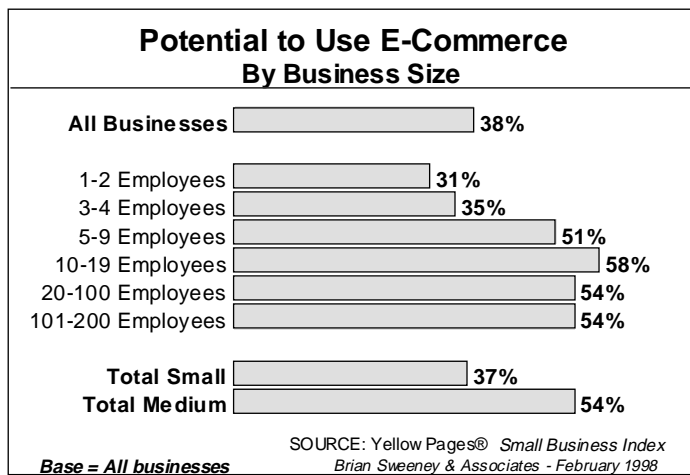


Those looking to increase their sales or exports in markets outside their own city are much more interested in the potential of e-commerce.

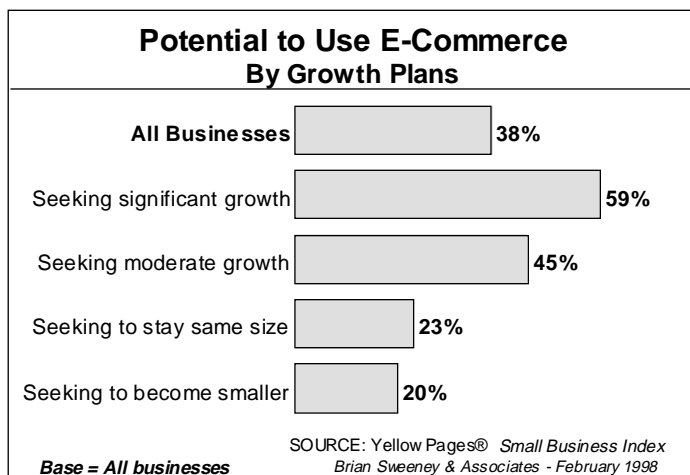


BUSINESS CHARACTERISTICS

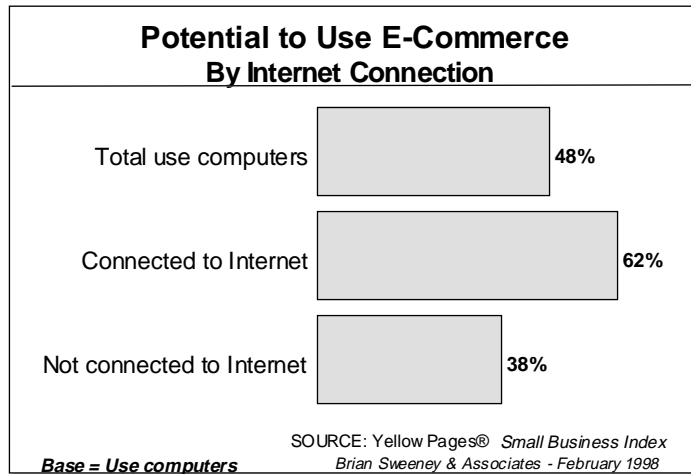
In terms of all small businesses (regardless of whether they use a computer), some 37% believe they could make use of e-commerce. Medium businesses are more likely (54%) to believe they could make use of e-commerce.



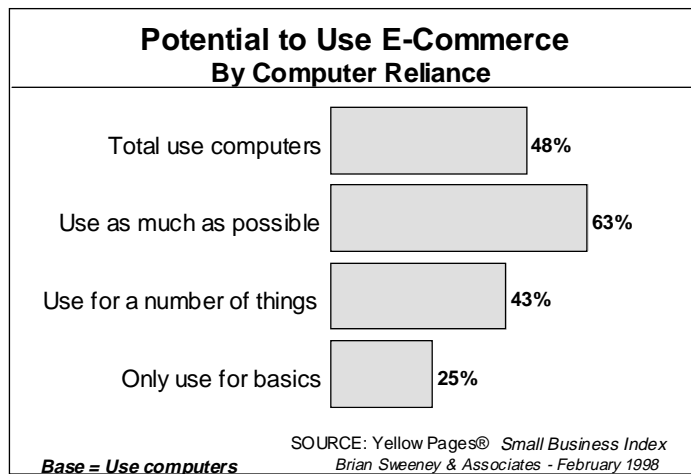
Businesses seeking significant growth are much more likely to believe that they can use e-commerce.



Businesses which are already connected to the Internet are much more likely than others to believe they could make use of e-commerce to sell their products and services.

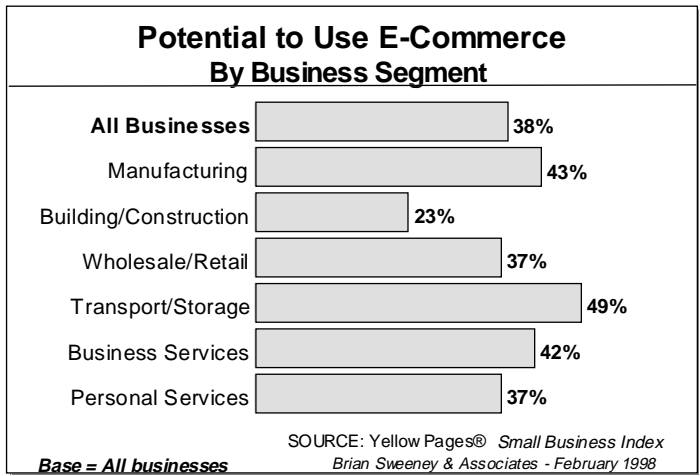


Businesses using computers extensively are more than twice as likely to believe they could use e-commerce than are businesses which use computers for basic functions only.



Similarly, businesses which have already established home pages or dedicated Internet sites are much more likely (74%) to believe that they can make use of e-commerce to sell.

Across the sectors, building/construction businesses are least likely to believe they could make use of e-commerce.

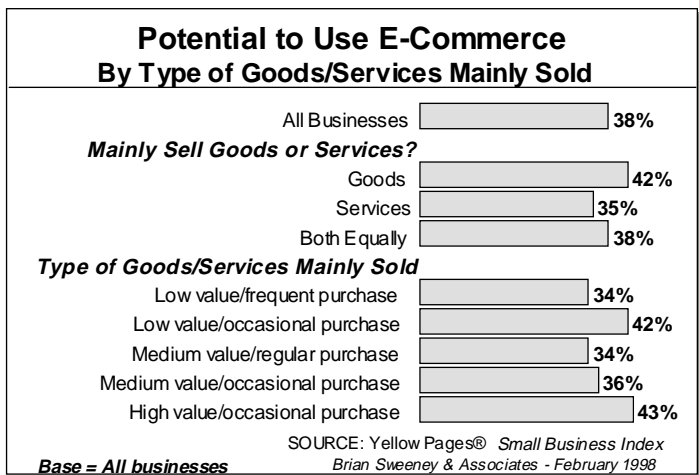


NATURE OF PRODUCT/SERVICE

The nature of the product or service is the factor most often identified by businesses as the reason why they believe they could not make use of e-commerce. To identify the product characteristics associated with e-commerce suitability, the Index asked a range of questions on the nature of products and customers. The responses outlined below suggest many product and customer characteristics are not as important as previously believed. Alternatively, this may suggest that most Australian businesses are only just beginning to think through what e-commerce is likely to involve.

Businesses providing services are less likely to see e-commerce as suitable.

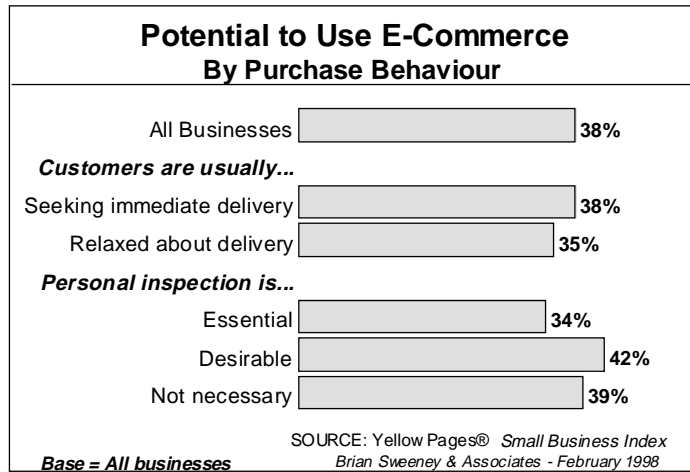
In terms of the regularity of purchase, businesses are more likely to see e-commerce as suitable for their sales where the purchase is infrequent.



Among computer users, businesses selling high value occasionally purchased goods, as distinct from services, are significantly more likely to report potential to use e-commerce than are most other businesses.



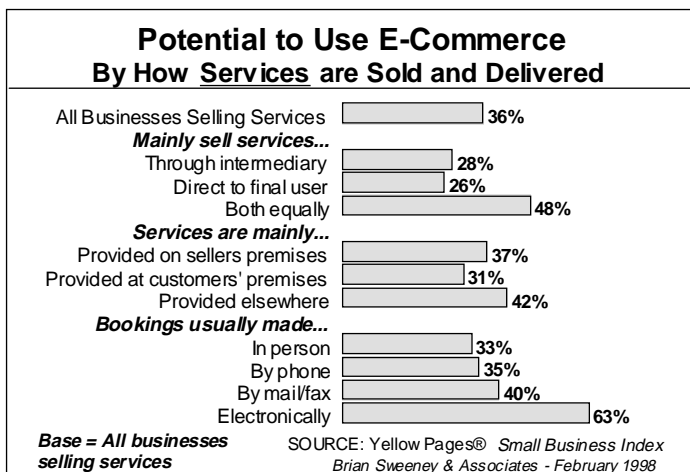
Speed of delivery does not appear to be a significant driver of whether e-commerce is believed suitable for sales.



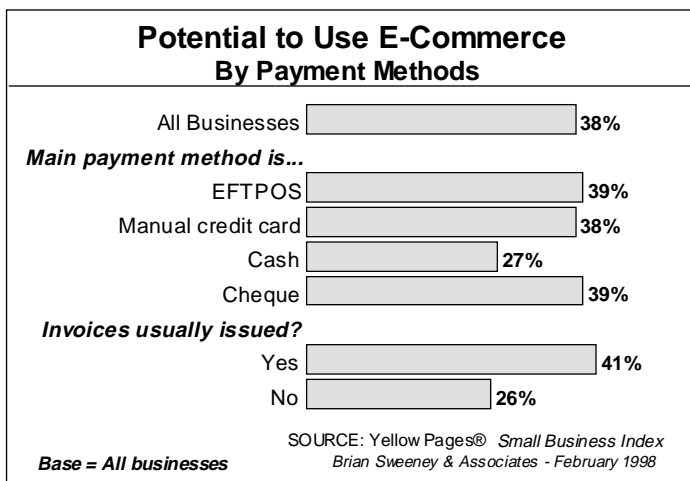
Businesses that mainly sell goods through intermediaries see a lesser potential to use e-commerce



Among service-based businesses, those that already take orders through the fax or electronically believe they are closer to taking the next step to use e-commerce.



Perceived suitability of e-commerce is low where cash is the main form of payment and where invoices are not issued. This is due primarily to the fact that businesses relying on cash payments and not issuing invoices are much less likely to have computers.



PROPRIETOR DEMOGRAPHICS

Among small businesses which believe that they could make use of e-commerce, the gender of the proprietor does not appear to affect whether they already have or are interested in setting up e-commerce for selling.

While older proprietors may be slightly less likely to be connected to the Internet, those that are connected are more likely to report already having e-commerce facilities or strong levels of interest in establishing them.

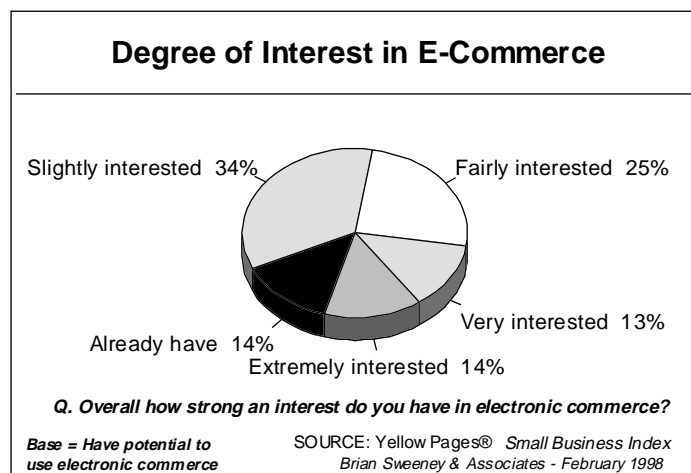


DEGREES OF INTEREST

Businesses reporting that they see potential to use e-commerce to sell their products/services were asked:

“how strong an interest do you have in electronic commerce - that is, selling over the Internet?”

Some 27% of this group, or 10% of all small and medium businesses, reported that they are extremely or very interested.



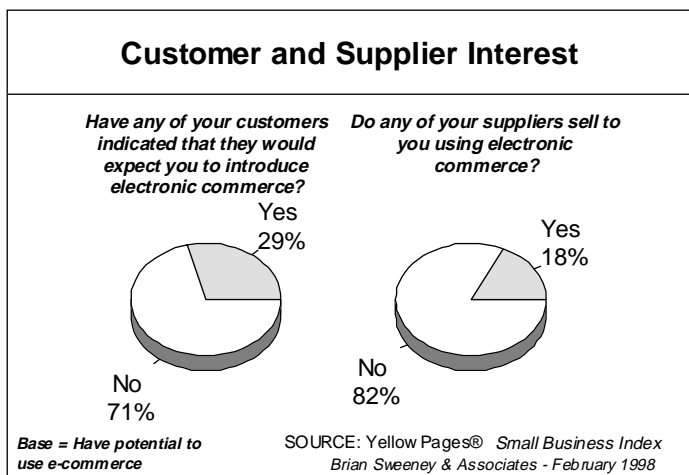
Among small businesses with potential to use e-commerce, 28% reported that they are extremely or very interested in e-commerce compared with 31% for medium businesses. These equate to 10% and 16% of all small or medium businesses, respectively.

The results show that 14% of those businesses reporting potential to use e-commerce - or 5% of all small and medium businesses - already have e-commerce. A significantly higher proportion of all medium businesses (12%) already use e-commerce compared with all small businesses (5%).

CUSTOMER AND SUPPLIER INTEREST

Only 29% of those businesses which believe they can make use of e-commerce have already had a customer indicate that they would expect the business to introduce e-commerce. Even among businesses reporting that they already have e-commerce, only one-third report that their customers indicated a requirement or expectation for e-commerce.

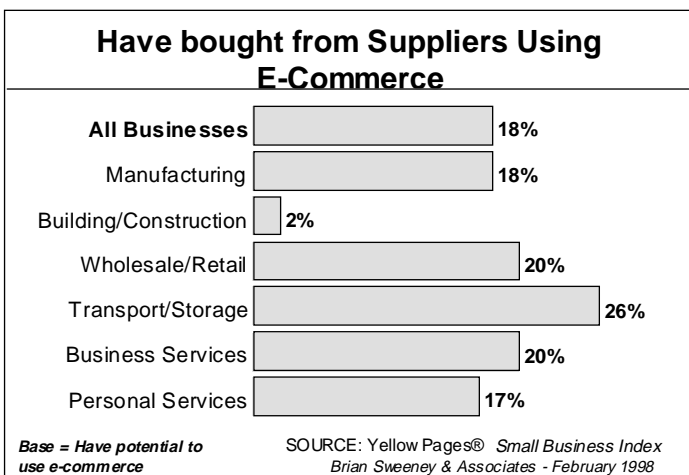
These responses suggest that existing e-commerce connections and extremely high levels of interest are not driven by expressed customer need, rather they are driven by businesses seeking access to new markets.



Reported customer prompting is fairly consistent across different customer types. However, for those few businesses that deal mainly with government, over half (54%) report that their customers expect them to introduce e-commerce.

Customer prompting on e-commerce is substantially higher for medium businesses than small businesses. For over one-quarter of all medium businesses, customers have indicated they expect e-commerce to be used for sales. However, for small businesses in total, the corresponding level of customer prompting is 10%.

Some 18% of businesses which believe they can make use of the Internet to sell their own products and services - at least 7% of all small and medium businesses ³/₄ have had goods and services sold to them. This appears to be most advanced in the transport/ storage sector. Medium businesses are more likely to believe they can use the Internet (12% of all medium businesses) than small businesses (5% of all small businesses).

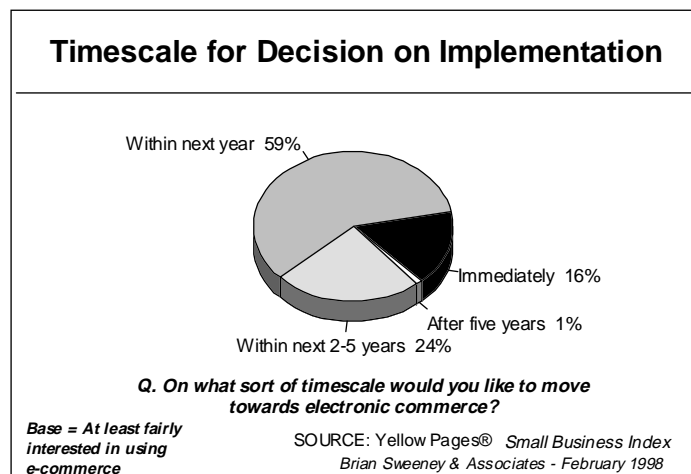


TIMEFRAME FOR MOVING TO E-COMMERCE

With 5% of all small and medium businesses indicating that they already have e-commerce, the time scale for moving towards e-commerce was explored with those businesses which expressing at least a fair interest in e-commerce.

Within this category:

- 16% (or 3% of all small and medium businesses) indicated that e-commerce was something they would like to look at immediately, and
- a further 59% (or 12% of all small and medium businesses) indicated that e-commerce was something they would like to look at within the next year.



In total, some 76% of all businesses which are at least fairly interested in e-commerce as a sales channel, indicate that they want to move towards and look at e-commerce within the next 12 months. This is equivalent to 15% of all small and medium businesses or more than 100,000 businesses.

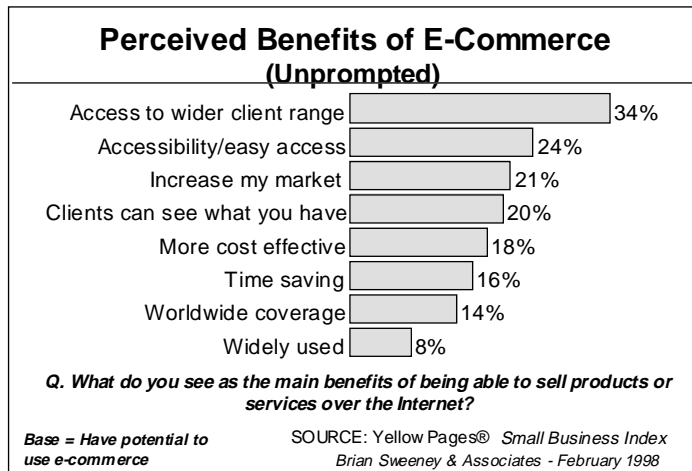
Benefits, Drawbacks and Difficulties

UNPROMPTED BENEFITS AND DRAWBACKS

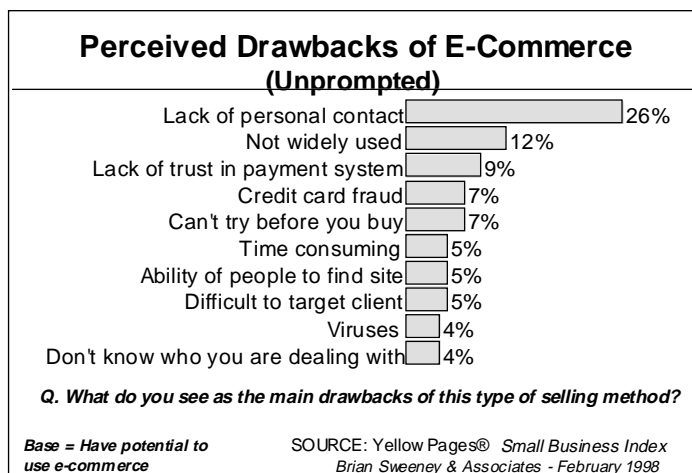
For businesses that see potential through e-commerce to sell their products and services, a series of questions sought their unprompted responses on:

- main benefits,
- main drawbacks, and
- main difficulties or barriers they might face in installing or implementing electronic commerce.

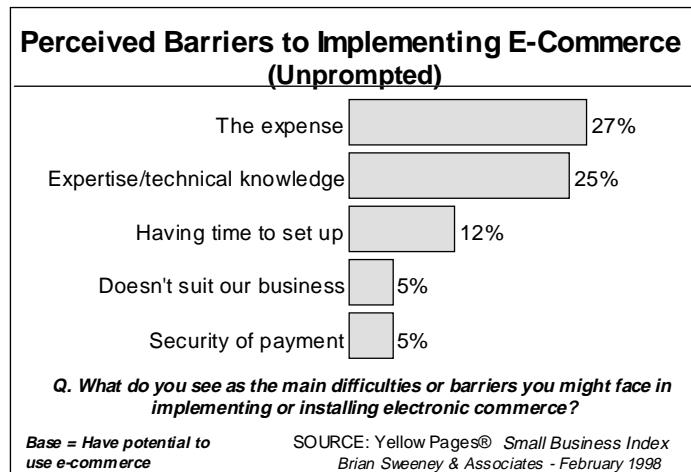
The overwhelming top-of-mind benefit to be gained from e-commerce is the access to a wider range of clients, that is, the easy access to increase the potential market. This benefit is seen to be at least as important for small businesses as it is for medium businesses. Other features such as time saving or cost effectiveness are less likely to be perceived as benefits.



Perceived drawbacks mentioned were more diverse.



The main barriers and difficulties that businesses with e-commerce potential perceive in implementing or installing electronic commerce are expense (27%) and technical knowledge/expertise (25%). These two concerns are often seen to go hand in hand but expense is a much lesser concern for medium businesses (18%) compared with small businesses (28%).



Concerns over expertise/technical knowledge and how to set up are a higher concern among medium businesses (31%), than for small businesses (25%).

Moreover, while connection to the Internet or having a home page might be expected to lead to significantly lower concerns, the levels of concerns for these more experienced businesses are lower but not substantially so. Indeed, among medium businesses reported concerns over the expense of e-commerce are actually higher for businesses connected to the Internet than for those which are not.

Reflecting the substantial number of small and medium businesses which intend to move towards e-commerce immediately or within the year (over 100,000), these are significant levels of concern.



PROMPTED BENEFITS AND DRAWBACKS

Businesses that saw potential in e-commerce to sell their products were asked to indicate which benefits and drawbacks they saw as major.

In terms of the five specified benefits, expanded geographic coverage was the dominant major benefit.

Perceived Benefits of E-Commerce (Prompted)			
	Major Benefit	Minor Benefit	Not a Benefit
Allow expanded geographical coverage	59%	26%	14%
Please customers	34%	45%	20%
Provide competitive advantage	30%	38%	31%
Reduce selling costs	26%	31%	41%
Allow to sell direct to end user	24%	18%	58%

Base = Have potential to use e-commerce SOURCE: Yellow Pages® Small Business Index
Brian Sweeney & Associates - February 1998

Across the sectors, expanded geographic coverage was more likely to be cited as a major benefit by businesses in wholesale/retail and in transport/storage.

In terms of the specified drawbacks, none emerges as clearly dominant. However, the three major concerns all relate to customers, viz:

- lack of personal contact,
- customers not prepared to carry out financial transactions over the Internet, and
- most customers not ready for e-commerce.

Cost and lack of expertise, which were the dominant 'top of mind' impediments, are rated more moderately in the prompted responses. Nonetheless, 33% of businesses reporting e-commerce suitability - the equivalent of some 100,000 businesses - identify lack of computer expertise as a major implementation concern.

Perceived Concerns About E-Commerce (Prompted)			
	Major concern	Minor concern	Not a concern
Lack of personal contact with customer	45%	28%	26%
Customers not prepared to carry out financial transactions over net	42%	32%	25%
Most customers not ready for E.C.	41%	32%	25%
People being able to hack into system	39%	33%	28%
Problems with not getting paid	34%	32%	34%
Lack of computer expertise	33%	39%	28%
Cost of hardware and software	25%	54%	21%
Customers go directly to suppliers	13%	26%	61%
Technology too new to be relied on	8%	38%	53%

Base = Have potential to use e-commerce SOURCE: Yellow Pages® Small Business Index
Brian Sweeney & Associates - February 1998

Across the sectors, businesses in the wholesale/retail sector report the greater levels of concern in six out of the nine concerns specified.

Concern over hacking is highest in building/construction (the sector making least use of computers and the Internet) and lowest in business services (the sector with the highest level of computer ownership and the most reliant on computers). Concern over hacking may be greatest among those businesses which are the least familiar with computers and Internet technology.

Preferred E-Commerce Packages

Businesses interested in using e-commerce for sales were asked to indicate their level of interest in different e-commerce packages. The specific packages described to them were:

- **The Electronic Brochure**, “*your business' products or services ... [are] displayed over the Internet. People examine what you have to sell and then order by conventional means such as by phone, fax or in person. A sort of electronic brochure.*”
- **The Electronic Brochure plus Ordering System**, “*the electronic brochure but also [including] an order facility so that customers can order from you over the Internet. Payment is then arranged by conventional means.*”
- **The Electronic Brochure, Ordering System and Payment System**, “*the electronic brochure and the order facility – but also [providing] you with a credit card or EFTPOS facility so that your customers can pay you over the Internet.*”

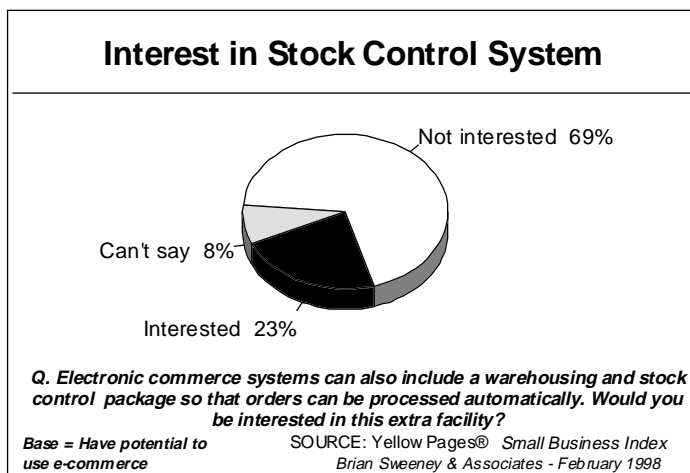
The significant levels of interest in each of the three packages indicates that no one package will suit all businesses and that a modular approach would be more appropriate. However, particular modules are more likely to be selected by certain businesses. It also points to the need for reliable advisory services for business proprietors.

	Electronic Brochure Only	Electronic Brochure plus Order Facility	Electronic Brochure plus Order and Payment Facility
Extremely/very interested	43%	36%	31%
Fairly/slightly interested	49%	42%	33%
Not interested	9%	21%	36%

Base = Have potential to use e-commerce

SOURCE: Yellow Pages® Small Business Index
Brian Sweeney & Associates - February 1998

Proprietors were also asked their interest in e-commerce packages with a stock control system. Almost a quarter of proprietors who identified a potential to use e-commerce to sell expressed interest in this additional facility.



Businesses were asked which package they were most interested in. The attitude of businesses varied according to their size and whether they were connected to the Internet.

- With businesses already connected to the Internet, there was little difference in the views of small businesses or medium businesses. Both were more likely to prefer the full three-part package.
- However, among businesses that are not connected, small businesses tended to be more conservative, favouring the electronic brochure alone.
- In contrast, medium businesses that are not connected were more likely to prefer the three-part package of brochure, order and payment facilities.

The responses suggest that businesses are not totally certain about what they want in the way of E-Commerce packages and may change their views as they get more information. This interpretation is reinforced by the significant proportion of businesses that are concerned about lack of technical knowledge or know-how.

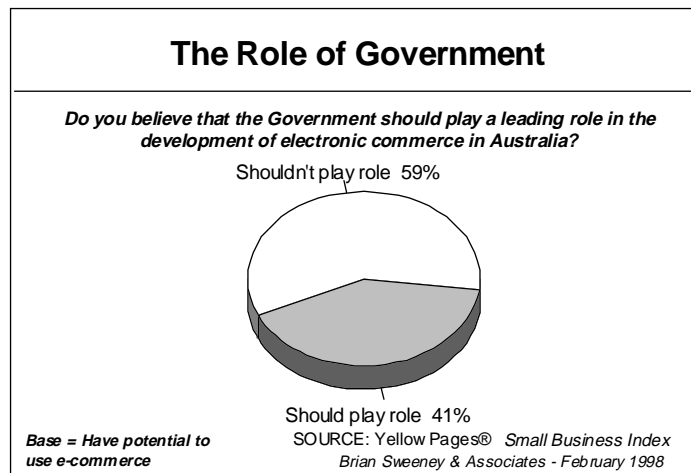
Preferred E-Commerce Package							
Connected to net?	Small Business			Medium Business			All Business
	Yes	No	Total	Yes	No	Total	
Brochure alone	26%	43%	33%	23%	18%	22%	32%
Brochure with order	23%	17%	21%	23%	13%	20%	21%
Brochure with order and payment	42%	31%	38%	44%	58%	48%	38%
Can't say	8%	9%	9%	10%	11%	10%	9%
Warehouse and stock control	21%	23%	22%	41%	25%	36%	23%

Base = Have potential to use e-commerce SOURCE: Yellow Pages® Small Business Index
Brian Sweeney & Associates - February 1998

The Role of Government

Those businesses with an interest in using e-commerce were asked “*did they believe that government should play a leading role in the development of e-commerce in Australia?*”

The majority of businesses (59%) say no. Only 40% of small businesses and 48% of medium businesses believe that government should play a leading role in e-commerce development.



Businesses with greater experience with the Internet are slightly less likely to endorse a leading role for the government. For example, among businesses that are already using e-commerce, only one-third believe government should play a leading role.

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Yellow Pages

Survey of E-Commerce in Australian Small and Medium Businesses April, 1998

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