

May 1999

Small Business Index™

Survey of Computer Technology and
E-Commerce in Australian Small and
Medium Business



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EXECUTIVE SUMMARY

1. A strong surge in use of computer technology and electronic commerce (e-commerce) in the past 12 months is reported by small and medium businesses, according to the annual Yellow Pages® *Small Business Index* survey of computer technology and e-commerce. Particularly strong increases have been reported in the usage of modems – a key requirement for Internet and e-commerce.

Summary of Technology and E-commerce						
	Small Businesses			Medium Businesses		
	1998	1999	2000*	1998	1999	2000*
Use computers	75%	82%	87%	99%	99%	99%
Highly reliant on computers	40%	45%	na	73%	78%	na
Expect no Y2K effects	72%	81%	na	na	75%	na
Use modems	42%	63%	72%	83%	95%	97%
Connected to Internet	34%	48%	na	65%	82%	na
Home page in place	12%	18%	33%	34%	48%	67%
Already sell by e-commerce	5%	12%	30%	12%	18%	38%
Potentially sell by e-commerce	32%	36%	na	42%	41%	na

SOURCE: Yellow Pages® *Small Business Index*
Brian Sweeney & Associates - February 1999

Base = All businesses

* Based on full realisation of expectations for next 12 months.

2. Computer use by small businesses rose significantly in the 12 months to February 1999 with nearly half of all small businesses highly reliant on them. Almost all medium businesses have at least one computer and three-quarters are very reliant on them. Despite this level of reliance, most businesses believe they won't be affected by Year 2000 related issues (Y2K).
3. During calendar 1998, the typical small business spent \$4,500 on hardware and a further \$1,300 on software. However, medium businesses spent on average more than 10 times these levels.

E-commerce

4. Almost half of small businesses are now **Internet connected**, up from one-third 12 months ago and more than double the May 1997 level. Similarly, among medium businesses, the proportion of Internet connections rose strongly from two-thirds to over 80% over the 12 months.
5. **E-commerce** is already in place with 12% of small businesses, up from 5% 12 months ago. A further 36% of small businesses see **potential to use e-commerce**. For medium businesses, 18% already have e-commerce and a further 41% see potential to use it.
6. Half of all small and medium businesses believe 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.
7. Relatively few small and medium businesses connected to the Internet use e-commerce confirming that widespread Internet use does not automatically translate into e-commerce.



8. Using the **Internet to pay** for products and services is limited to a small core across both small and medium businesses.

Summary of E-commerce		
	Small Business	Medium Business
Already sell by e-commerce	12%	18%
Potential to use e-commerce	36%	41%
Can use e-commerce	48%	59%
Cannot use e-commerce	52%	41%
Intend to establish in next year	17%	20%
Intend to establish between 2 and 5 years	7%	12%
Use Internet to:		
Look for information	34%	58%
Place orders	11%	16%
Pay for products	7%	7%
Advertise products	18%	41%
Take orders	11%	16%
SOURCE: Yellow Pages® <i>Small Business Index</i> Brian Sweeney & Associates - February 1999		
Base = All businesses		

9. Reported **suitability of e-commerce for selling** is highest among businesses that are highly reliant on computers or seeking significant growth. Across the sectors, the perceived potential to use e-commerce is highest in Transport/Storage and lowest in Building/Construction.

10. The Index found:

- 9% of all small businesses and 13% of all medium businesses indicate that they are already purchasing from their suppliers via e-commerce;
- 17% and 24% respectively, have already used e-commerce to buy goods and services, such as books, computer software, videos/CDs and computer hardware;
- 14% and 29% respectively, have been prompted by their customers to consider adopting e-commerce;
- as already noted, 12% and 18% respectively, have already established facilities to sell over the Internet; and
- a further 14% and 20%, respectively, report that they are extremely or very interested in e-commerce.

11. Businesses were asked about the sort of timeframe in which they would like to move towards e-commerce. In addition to the 13% already using e-commerce (12% of small businesses and 18% of medium businesses), a further 36% of all businesses surveyed reported that they would be using e-commerce within the next 12 months. If these expectations were realised, we estimate this is the equivalent of moving from around 100,000 firms to over 200,000 firms using e-commerce.

12. As was reported in 1998, access to a wider client range and to markets are the strongest benefits of e-commerce spontaneously identified by businesses.

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 again suggests that most businesses have not yet fully thought through what e-commerce will mean to them.



13. Perceived drawbacks include:

- lack of personal contact and concern over fraud and payment arrangements, as reported in 1998; and
- security of commercial information, which was not reported last year.

However, concern over the lack of penetration of e-commerce in the marketplace has declined.

14. The main barriers and difficulties perceived in implementing and installing e-commerce are concerns about expense and their lack of technical knowledge/expertise. This was expressed by around one-third of the businesses interested in making use of e-commerce, but well down on the one-half that expressed these concerns last year.

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 as reported in 1998. 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. Thirteen per cent of small and medium businesses already use e-commerce. These are the equivalent of around 100,000 firms. A further 17% expect to pick it up in the next 12 months. However, given recent history, this is unlikely to be achieved. Based on historical realisation of previous expectations, 22% of small businesses (the equivalent of 160,000 firms) and 26% of medium businesses (11,000 firms) are likely to be using e-commerce by February 2000.



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 *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 1999 Yellow Pages® *Small Business Index*, which covered both small and medium businesses, included questions on technology usage and electronic commerce (e-commerce). The Index investigated levels of understanding and interest by small and medium businesses in what e-commerce has to offer. Over the past five years, the Index has examined the experiences of small business with electronic technology and a benchmark e-commerce study was conducted in February 1998. The trends identified from these studies 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 & 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 e-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 ANZIC 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 27th January to 16th February, 1999.

Location of Business			
	TOTAL	METRO	NON-METRO
NSW	355	312	43
VIC	352	310	42
QLD	274	171	103
SA	230	198	32
WA	202	174	28
TAS	141	78	63
NT	123	67	56
ACT	127	127	—
TOTAL	1804	1437	367

Business Sector	
Manufacturing	382
Building/Construction	298
Wholesale/Retail	353
Transport/Storage	177
Finance/Property/Business Services	331
Recreational/Personal/Business Services	263
Total Sample	1804

Size of Business Number of Full Time Employees	
1-2 Employees	594
3-4 Employees	245
5-9 Employees	266
10-19 Employees	99
Total Small	1204
20-100 Employees	512
101-200 Employees	88
Total Medium	600



Levels of Computerisation

The Small Business Index has monitored the penetration of computer technology into the small business sector since 1994 and for medium businesses since 1998.

EQUIPMENT OWNERSHIP

The February 1999 Yellow Pages® *Small Business Index* indicates that 82% of small businesses and almost all medium businesses own at least one desktop computer. Usage of notebook computers is lower but still significant. The notebook is rarely the only computer owned by the business.

Computer Usage By Business Size			
	Desktop Computer	Notebook Computer	Any Computer
All Businesses	83%	22%	83%
1-2 Employees	78%	15%	79%
3-4 Employees	84%	20%	84%
5-9 Employees	86%	22%	86%
10-19 Employees	94%	49%	98%
20-100 Employees	99%	62%	99%
101-200 Employees	100%	86%	100%
Total Small (1-19)	82%	19%	82%
Total Medium (20+)	99%	66%	99%

SOURCE: Yellow Pages® *Small Business Index*
Brian Sweeney & Associates - February 1999

Base = All businesses

Computer ownership is highest in the Northern Territory and lowest in Tasmania.

In February 1999, two-thirds of small businesses have CD-ROMs, which are now installed as standard equipment in most new PCs. A similar proportion of small businesses also have modems, which are usually a prerequisite for Internet and e-mail connection and may be a separate purchase decision. Among medium businesses, ownership of both CD-ROMs and modems is close to universal.

Ancillary Equipment Usage By Business Size			
	CD Rom	Modem	Personal Organiser
All Businesses	67%	65%	27%
1-2 Employees	61%	57%	21%
3-4 Employees	70%	71%	29%
5-9 Employees	70%	67%	33%
10-19 Employees	84%	78%	37%
20-100 Employees	88%	95%	51%
101-200 Employees	96%	96%	59%
Total Small (1-19)	66%	63%	26%
Total Medium (20+)	89%	95%	52%

SOURCE: Yellow Pages® *Small Business Index*
Brian Sweeney & Associates - February 1999

Base = All businesses



The Index examined ownership of personal organisers for the first time. Around one-quarter of small businesses and half of medium businesses owned this technology.

OWNERSHIP TRENDS

In the five years to February 1999, computer ownership by small businesses has increased by 14% with over half of increase occurring in the past twelve months. Similar significant increases were also reported in the usage of notebook computers for both small businesses and medium businesses.

Equipment Ownership Trends						
Small Business						
	Feb 1994	May 1995	May 1996	May 1997	Feb 1998	Feb 1999
Desktop computer	68%	71%	74%	76%	74%	82%
Notebook computer	11%	17%	16%	14%	13%	19%
Modem	19%	30%	31%	42%	42%	63%
CD-ROM	7%	26%	33%	48%	N/A	66%

SOURCE: Yellow Pages® *Small Business Index*
Brian Sweeney & Associates - February 1999

Base = Small businesses

The proportion of small businesses with modems rose by 21% during the year, after being relatively unchanged for the previous three years.

EXPECTATIONS FOR THE NEXT 12 MONTHS

Business proprietors were asked about their expected purchases for the coming year, i.e., *Which of the following items do you: ... intend to acquire in the next 12 months, ... expect to replace with new or upgraded units in the next 12 months, and ... expect to buy additional units of – to add to what you already have?*

Expectations for Next 12 Months			
Net Proportion Who Expect to Acquire for the First Time, Replace Existing Units or Buy Additional Units			
	Small Business	Medium Business	All Business
Desktop computer	46%	71%	47%
Notebook computer	12%	36%	13%
Modem	22%	41%	23%
CD-ROM	22%	42%	23%
Personal Organiser	3%	13%	4%

SOURCE: Yellow Pages® *Small Business Index*
Brian Sweeney & Associates - February 1999

Base = All businesses



Almost half of small businesses (46%) and three-quarters of medium businesses (71%) expect to purchase at least one desktop computer this year. This represents a minimum of around 370,000 desktop computers. Smaller but still significant proportions of both small and medium businesses expect to purchase other computer-related technology this year, particularly modems and CD-ROMs. However, expected take-up of personal organisers by small businesses is limited.

Expectations for Next 12 Months Small Business					Expectations for Next 12 Months Medium Business				
	Currently Have	Expect to Acquire for the First Time	Expect to replace or Upgrade	Expect to Buy in Addition		Currently Have	Expect to Acquire for the First Time	Expect to replace or Upgrade	Expect to Buy in Addition
Desktop computer	82%	5%	34%	19%	Desktop computer	99%	0%	56%	49%
Notebook computer	19%	6%	4%	2%	Notebook computer	66%	7%	22%	17%
Modem	63%	9%	11%	4%	Modem	95%	2%	29%	23%
CD-ROM	66%	7%	12%	6%	CD-ROM	89%	3%	29%	24%
Personal Organiser	26%	2%	1%	0%	Personal Organiser	52%	3%	7%	26%

SOURCE: Yellow Pages® *Small Business Index*
Brian Sweeney & Associates - February 1999

Base = Small businesses **Base = Medium businesses**

The nature of the purchase is changing. Small businesses are more likely to purchase replacement computer equipment than buy additional equipment in the next 12 months. This is consistent with their low expectations for employment and investment for the next 12 months reported in the SBI for February 1999. In contrast, approximately the same proportion of medium businesses expect to buy additional units as replace existing. This is consistent with the more expansionary outlook of medium businesses identified in the February survey.

EXPENDITURE IN THE PAST 12 MONTHS

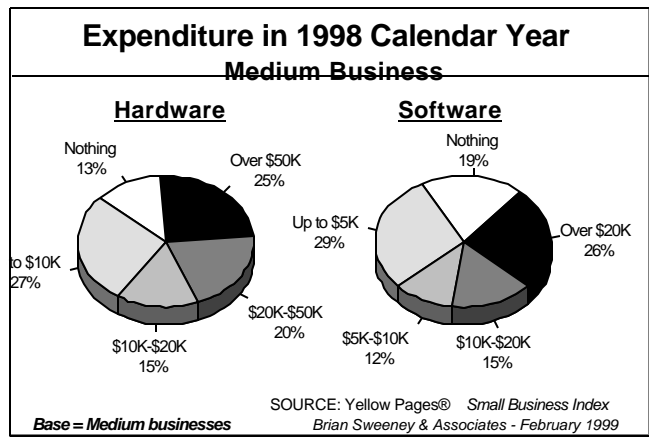
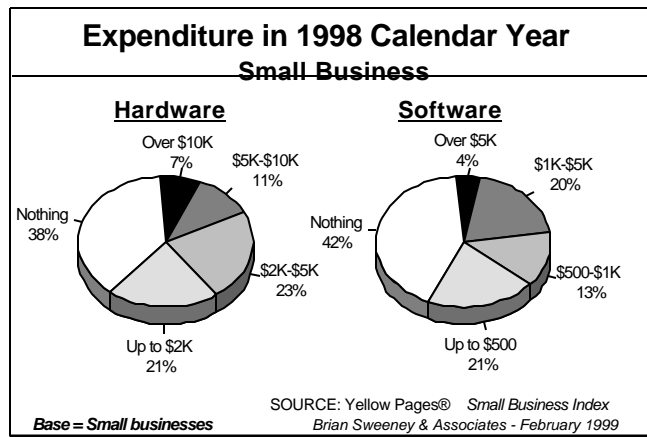
Business proprietors were asked to indicate what they spent on both hardware and software in the past 12 months.

Consistent with the depressed SBI capital expenditure figures reported over the past 12 months, around 40% of small businesses have not spent anything on hardware and software in the same period. In contrast, less than 20% of medium businesses have not spent anything on hardware or software in the past 12 months.

In terms of **hardware**, only 7% of small businesses spent in excess of \$10,000. In contrast, 60% of medium business spent in excess of \$10,000 and one-quarter spent more than \$50,000.

Only 4% of small businesses spent more than \$5,000 on **software**. Expenditure by medium businesses was substantially higher – 53% spent in excess of \$5,000 in the past year and one-quarter spent in excess of \$20,000.





The (mean) average expenditure on hardware amounted to \$4,500 for small businesses and \$47,300 for medium businesses – although these figures are boosted by a small number of major spenders. The mean expenditure by small businesses on software was \$1,500. The mean amount spent by medium businesses (\$24,500) is also affected by the small number who spent a great deal. Despite the impact of the major spenders, expenditure correlates strongly with business size.

Mean Expenditure in Last Twelve Months By Sector - Small and Medium Businesses

	Hardware	Software	Total
All Businesses	\$6,600	\$2,700	\$9,300
Manufacturing	\$7,000	\$4,000	\$11,000
Building/Construction	\$1,900	\$600	\$2,500
Wholesale/Retail	\$6,800	\$2,000	\$8,800
Transport/Storage	\$4,200	\$1,800	\$6,000
Business Services	\$8,900	\$4,000	\$12,900
Personal Services	\$6,800	\$2,800	\$9,600

SOURCE: Yellow Pages® Small Business Index
Brian Sweeney & Associates - February 1999
Base = All businesses

Across the sectors, in both small businesses and medium businesses, expenditure is highest in Business Services and lowest in Building/Construction.

Mean Expenditure in Past 12 Months By Sector - Small Businesses

	Hardware	Software	Total
All Small Businesses	\$4,500	\$1,500	\$6,000
Manufacturing	\$3,200	\$1,200	\$4,400
Building/Construction	\$1,400	\$400	\$1,800
Wholesale/Retail	\$5,000	\$1,200	\$6,200
Transport/Storage	\$3,100	\$1,100	\$4,200
Business Services	\$6,600	\$3,100	\$9,700
Personal Services	\$4,000	\$900	\$4,900

SOURCE: Yellow Pages® Small Business Index
Brian Sweeney & Associates - February 1999
Base = Small businesses

Mean Expenditure in Past 12 Months By Sector - Medium Businesses

	Hardware	Software	Total
All Medium Businesses	\$47,300	\$24,900	\$72,200
Manufacturing	\$34,200	\$24,200	\$58,400
Building/Construction	\$25,000	\$10,400	\$35,400
Wholesale/Retail	\$50,500	\$20,400	\$70,900
Transport/Storage	\$24,900	\$15,100	\$40,000
Business Services	\$69,600	\$30,900	\$100,500
Personal Services	\$47,000	\$30,100	\$77,100

SOURCE: Yellow Pages® Small Business Index
Brian Sweeney & Associates - February 1999
Base = Medium businesses



When standardised by size, expenditure by firms in the Business Services sector is still significantly higher than expenditure in other sectors. Across the states and territories, per employee expenditure is highest in Western Australia, particularly reflecting high levels of hardware expenditure. Expenditure in South Australia is well below average.

Mean Expenditure in Past 12 Months By Sector Standardised by Business Size				Mean Expenditure in Past 12 Months By State Standardised by Business Size			
<u>Expenditure per Employee</u>	Hardware	Software	Total	<u>Expenditure per Employee</u>	Hardware	Software	Total (000's)
All Businesses	\$1,280	\$450	\$1,730	All Businesses	\$1,280	\$450	\$1,730
Manufacturing	\$840	\$250	\$1,090	New South Wales	\$1,390	\$560	\$1,950
Building/Construction	\$600	\$140	\$740	Victoria	\$1,310	\$410	\$1,720
Wholesale/Retail	\$1,310	\$310	\$1,620	Queensland	\$940	\$310	\$1,250
Transport/Storage	\$1,050	\$330	\$1,380	South Australia	\$770	\$260	\$1,030
Business Services	\$2,000	\$950	\$2,950	Western Australia	\$1,920	\$560	\$2,480
Personal Services	\$1,000	\$300	\$1,300	Tasmania	\$950	\$240	\$1,190
				Northern Territory	\$1,470	\$420	\$1,890
				ACT	\$1,200	\$470	\$1,670

SOURCE: Yellow Pages® Small Business Index
Brian Sweeney & Associates - February 1999

Base = All businesses

EXTENT OF RELIANCE ON COMPUTERS

Australian business relies extensively on computers. Among small businesses, almost half (45%) use computers as much as possible and are on the lookout for ways of using computer technology more. The reliance on computers increases steadily with business size with 78% of medium businesses heavily reliant.

Extent of Use of Computers By Business Size				
	No Computers	Use for One or Two Basics	Use for Quite a Number of Things	Use As Much as Possible
All Businesses	17%	17%	19%	47%
1-2 Employees	21%	21%	18%	40%
3-4 Employees	16%	15%	21%	48%
5-9 Employees	14%	14%	19%	53%
10-19 Employees	2%	11%	17%	71%
20-100 Employees	1%	6%	17%	76%
101-200 Employees	0%	0%	8%	91%
Total Small (1-19)	18%	18%	19%	45%
Total Medium (20+)	1%	5%	16%	78%

SOURCE: Yellow Pages® Small Business Index
Brian Sweeney & Associates - February 1999

Base = All businesses

Reliance on computers has increased slightly over the past 12 months. In February 1998, 42% of all small and medium businesses used their computers as much as possible, comprising 40% for small businesses and 73% for medium businesses.

Businesses in the Business Services sector are the most reliant on their computers. Similar proportions of both small and medium Business Services firms use their computers as much as possible. Reliance on computers is lowest in the Building/Construction sector for both small and medium businesses.



**Use As Much As Possible
By Business Sector Within Small & Medium**

	Total	Small Business	Medium Business
All Businesses	47%	45%	78%
Manufacturing	37%	31%	75%
Building/Construction	27%	27%	62%
Wholesale/Retail	43%	41%	78%
Transport/Storage	43%	41%	82%
Business Services	72%	71%	85%
Personal Services	39%	36%	76%

SOURCE: Yellow Pages® *Small Business Index*

Base = All businesses

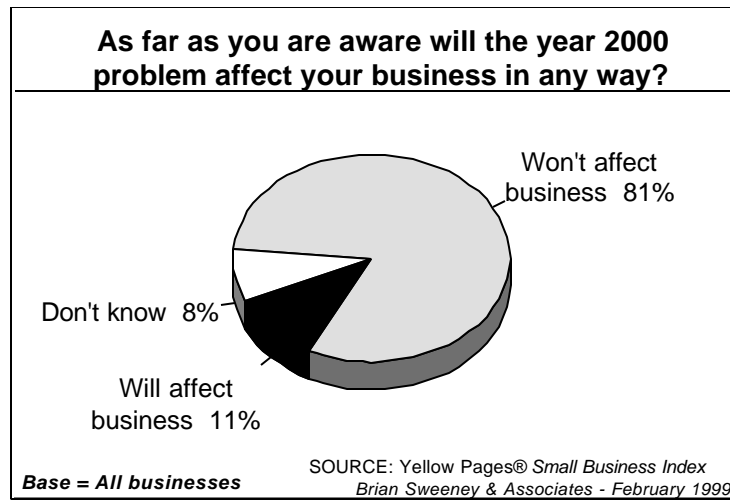
Brian Sweeney & Associates - February 1999



Year 2000

With the year 2000 in sight, respondents were asked whether they felt that the Year 2000 (Y2K) issue would affect their business. Of the 1,804 businesses surveyed for the Index, only seven had not heard of the millennium bug or Y2K.

The great majority of small and medium businesses (81%) said that Y2K would not affect their business, 11% thought that it would affect them and the balance of 8% didn't know.



Even where businesses rely heavily on computers, 84% of small businesses and 75% of medium businesses believe they won't be affected.

Perceived Affect in Detail Small Business			
	Will affect	Won't affect	Don't know
All small business	10%	81%	8%
Use computers as much as possible	9%	84%	8%
Use for a number of things	17%	75%	8%
Only use for basics	12%	78%	10%
Do not use computers	6%	87%	7%
Connected to Internet	10%	83%	7%
Not connected to Internet	14%	76%	10%

SOURCE: Yellow Pages® Small Business Index
Brian Sweeney & Associates - February 1999

Base = Small businesses

Perceived Affect in Detail Medium Business			
	Will affect	Won't affect	Don't know
All medium business	18%	75%	7%
Use computers as much as possible	19%	75%	6%
Use for a number of things	15%	76%	9%
Only use for basics	5%	80%	15%
Do not use computers	N/A	N/A	N/A
Connected to Internet	18%	74%	8%
Not connected to Internet	17%	79%	3%

SOURCE: Yellow Pages® Small Business Index
Brian Sweeney & Associates - February 1999

Base = Medium businesses

Over 80% of small businesses believe they will not be affected by Y2K – above the 72% recorded in the May 1998 Index. The proportion of small businesses that do not know if the problem will affect them has declined. In May 1998, some 13% of small businesses did not know whether they will be affected or had not heard of the problem; in February 1999, only 8% did not know.

The main concern about Y2K for small businesses is that problems will flow from other businesses in the supplier/customer chain.

In contrast, medium businesses believe the impact will be mainly internal or on-site – they will need to upgrade their equipment (34%) or check their systems (19%).

In what way will you be affected?			
	Total	Small Business	Medium Business
Problems flow on from other businesses	24%	25%	15%
Some of our software won't work	20%	21%	16%
Need to upgrade equipment	18%	16%	34%
Computers won't work	11%	11%	7%
Need to check system	8%	7%	19%
Unable to do banking	8%	8%	4%

SOURCE: Yellow Pages® Small Business Index
Base = will be affected by Y2K Brian Sweeney & Associates - February 1999

Among those who felt that they would be affected by Y2K, the Index examined a number of other issues.

Around three-quarters of all small and medium businesses are aware that expenditure to overcome Y2K problems is tax deductible. Slightly fewer, just over six out of 10 small businesses and over 70% of medium businesses, are aware that Y2K losses are not covered by insurance.

Half of small and medium businesses claim that they wouldn't be brave enough to take an international flight on 31st December, 1999.



E-mail and Internet Usage

CONNECTION LEVELS

Among all small businesses, just under half (43%) use e-mail to communicate with their clients, customers and other business contacts. For medium businesses, this figure is 84%.

E-Mail Use By Business Size			
	No Computers	Use E-Mail	Do Not Use E-Mail
All Businesses	17%	46%	37%
1-2 Employees	21%	38%	41%
3-4 Employees	16%	50%	34%
5-9 Employees	14%	46%	40%
10-19 Employees	2%	65%	33%
20-100 Employees	1%	82%	17%
101-200 Employees	0%	94%	6%
Total Small (1-19)	18%	43%	39%
Total Medium (20+)	1%	84%	15%

SOURCE: Yellow Pages® Small Business Index
Brian Sweeney & Associates - February 1999

Base = All businesses

Internet connection levels are similar to e-mail usage levels – with 48% of small and 82% of medium businesses having Internet access. This similarity is not surprising, as e-mail accounts are standard components of an Internet account.

Internet Connections By Business Size			
	No Computers	Use Internet	Do Not Use
All Businesses	17%	49%	34%
1-2 Employees	21%	42%	37%
3-4 Employees	16%	57%	27%
5-9 Employees	14%	49%	37%
10-19 Employees	2%	62%	36%
20-100 Employees	1%	80%	19%
101-200 Employees	0%	91%	9%
Total Small (1-19)	18%	48%	34%
Total Medium (20+)	1%	82%	17%

SOURCE: Yellow Pages® Small Business Index
Brian Sweeney & Associates - February 1999

Base = All businesses



Usage of both e-mail and the Internet is highest in the Business Services sector and lowest in Building/Construction.

Internet & E-Mail Usage By Business Sector - Small Businesses			
	Use E-Mail	Connected to Internet	No Computer
Small Businesses	43%	48%	18%
Manufacturing	36%	39%	25%
Building/Construction	21%	26%	30%
Wholesale/Retail	36%	37%	19%
Transport/Storage	48%	53%	16%
Business Services	67%	70%	4%
Personal Services	40%	49%	23%

SOURCE: Yellow Pages® *Small Business Index*
Brian Sweeney & Associates - February 1999

Base = Small businesses

Internet & E-Mail Usage By Business Sector - Medium Businesses			
	Use E-Mail	Connected to Internet	No Computer
Medium Businesses	84%	82%	1%
Manufacturing	81%	77%	0%
Building/Construction	77%	76%	0%
Wholesale/Retail	85%	79%	2%
Transport/Storage	76%	83%	0%
Business Services	95%	92%	0%
Personal Services	79%	80%	2%

SOURCE: Yellow Pages® *Small Business Index*
Brian Sweeney & Associates - February 1999

Base = Medium businesses

In the small business sector, the use of e-mail and connection to the Internet are highest in NSW and the ACT. Proprietors of both small and medium businesses in South Australia are less likely to use these technologies.

Internet & E-Mail Usage By State or Territory - Small Businesses			
	Use E-Mail	Connected to Internet	No Computer
Small Businesses	43%	48%	18%
New South Wales	50%	51%	16%
Victoria	42%	51%	15%
Queensland	39%	43%	21%
South Australia	32%	38%	22%
Western Australia	38%	40%	19%
Tasmania	42%	45%	27%
Northern Territory	45%	52%	9%
ACT	54%	51%	20%

SOURCE: Yellow Pages® *Small Business Index*
Brian Sweeney & Associates - February 1999

Base = Small businesses

Internet & E-Mail Usage By State or Territory - Medium Businesses			
	Use E-Mail	Connected to Internet	No Computer
Medium Businesses	84%	82%	1%
New South Wales	85%	77%	2%
Victoria	84%	85%	0%
Queensland	90%	89%	0%
South Australia	68%	76%	0%
Western Australia	86%	84%	2%
Tasmania	73%	74%	0%
Northern Territory	76%	88%	0%
ACT	80%	90%	5%

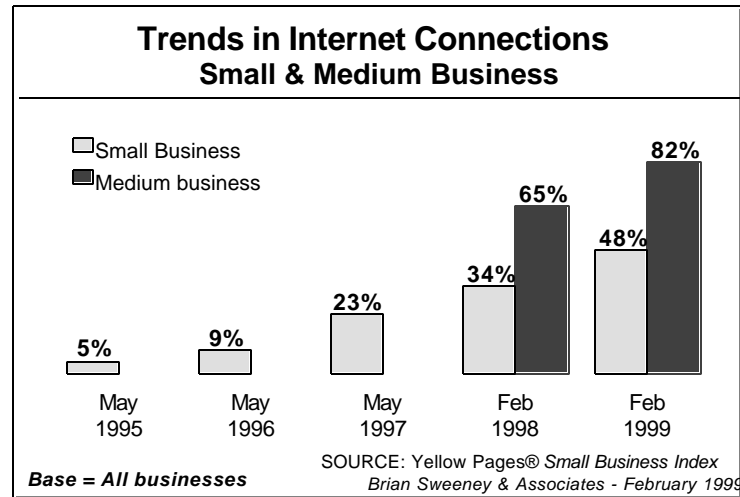
SOURCE: Yellow Pages® *Small Business Index*
Brian Sweeney & Associates - February 1999

Base = Medium businesses



TRENDS IN CONNECTIONS

The growth in connections to the Internet for small businesses remains strong. A further 14% of small businesses connected in the past 12 months. The proportion of medium businesses connected rose from 65% to 82% in the past year.



REASONS FOR NOT CONNECTING

Proprietors who indicated their businesses were not connected were asked, “*why aren’t you connected to the Internet?*” The most common reason proffered by both small and medium businesses was “lack of need”. Around one-third of medium businesses that are not connected will connect in the future or are looking into it, which is higher than the corresponding figure for small businesses.

**Reasons Not Connected to Internet
(Unprompted)**

	Total	Small Business	Medium Business
Not interested/no need	32%	32%	38%
No benefit for our business	17%	17%	7%
Will connect in future	14%	13%	25%
No time	12%	12%	9%
Can't afford it	9%	9%	3%
Looking in to it	7%	7%	7%
Not knowledgeable	6%	6%	1%
Worried about security	4%	4%	1%
Worried about time wasting	2%	2%	3%
Don't have equipment	2%	2%	3%

Base = Not connected to Internet

SOURCE: Yellow Pages® Small Business Index
Brian Sweeney & Associates - February 1999



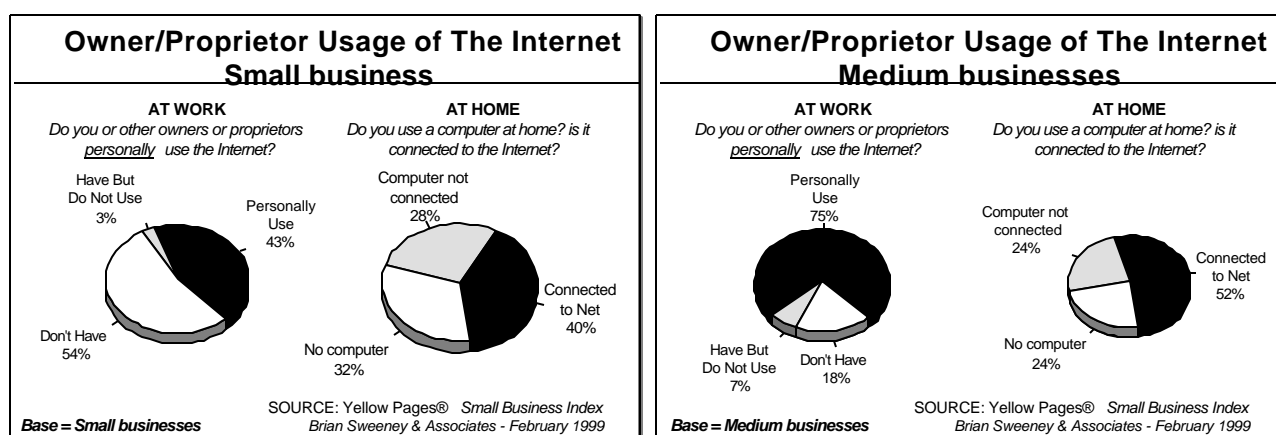
INTERNET USAGE BY PROPRIETORS

The level of Internet connection in business is high. A relevant question is “do the proprietors use it?”

Respondents were asked whether they or other owners or proprietors of the business **personally** use the Internet. Some 90% or so of those with Internet connection do personally use the Internet – translating to around 43% of all small and 75% of all medium business operators. Clearly the use of the Internet is not restricted to support staff, even in medium businesses where specialist computer staff are more likely to be employed.

Most small and medium business proprietors have a computer at home. Medium business proprietors are only slightly more likely (76%) than proprietors of small business (68%) to have a home computer.

Slightly more than half of all medium business proprietors (52%) and 40% of small businesses have Internet access at home.



Across the states and territories, small business proprietors in South Australia and Western Australia are less likely to use the Internet at work. Home connections are low for small business proprietors in South Australia and Tasmania.

	At work		At home	
	Connected to Internet	Personally Use	Computer at Home	Connected to Internet
Small Businesses	48%	43%	68%	41%
New South Wales	51%	49%	68%	45%
Victoria	51%	47%	68%	37%
Queensland	43%	38%	71%	43%
South Australia	38%	33%	64%	28%
Western Australia	40%	33%	61%	41%
Tasmania	45%	35%	60%	30%
Northern Territory	52%	47%	70%	45%
ACT	51%	50%	81%	45%

SOURCE: Yellow Pages® Small Business Index
Brian Sweeney & Associates - February 1999

Base = Small businesses

	At work		At home	
	Connected to Internet	Personally Use	Computer at Home	Connected to Internet
Medium Businesses	82%	75%	75%	52%
New South Wales	77%	69%	76%	49%
Victoria	85%	79%	77%	56%
Queensland	89%	83%	82%	54%
South Australia	76%	71%	73%	55%
Western Australia	84%	77%	64%	36%
Tasmania	74%	70%	78%	48%
Northern Territory	88%	82%	86%	68%
ACT	90%	66%	59%	53%

SOURCE: Yellow Pages® Small Business Index
Brian Sweeney & Associates - February 1999

Base = Small businesses



Across the sectors, small business proprietors in Building/Construction are least likely to use personally work Internet connections. These proprietors are also least likely to have an Internet connection at home.

Internet Usage by Proprietor By Business Sector - Small Businesses				
	At work		At home	
	Connected to Internet	Personally Use	Own computer	Connected to Internet
Small Businesses	48%	43%	68%	41%
Manufacturing	39%	36%	62%	31%
Building/Construction	26%	23%	61%	26%
Wholesale/Retail	37%	33%	68%	39%
Transport/Storage	53%	47%	63%	38%
Business Services	70%	66%	77%	51%
Personal Services	49%	44%	66%	45%

SOURCE: Yellow Pages® *Small Business Index*
Brian Sweeney & Associates - February 1999

Base = Small businesses

Internet Usage by Proprietor By Business Sector - Medium Businesses				
	At work		At home	
	Connected to Internet	Personally Use	Computer at Home	Connected to Internet
Medium Businesses	82%	75%	75%	52%
Manufacturing	77%	72%	78%	52%
Building/Construction	76%	63%	73%	42%
Wholesale/Retail	79%	71%	81%	54%
Transport/Storage	83%	67%	62%	51%
Business Services	92%	86%	72%	49%
Personal Services	80%	77%	75%	51%

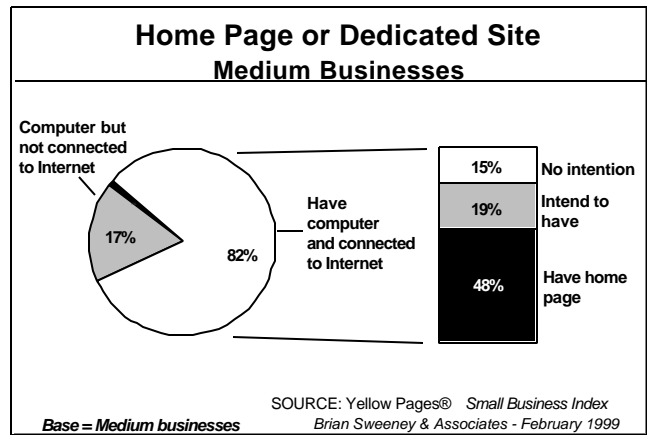
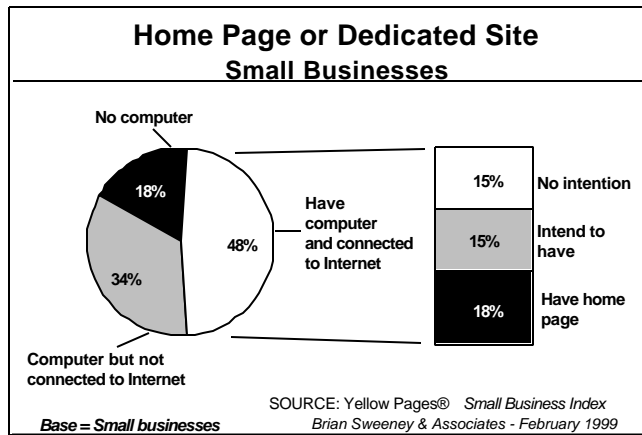
SOURCE: Yellow Pages® *Small Business Index*
Brian Sweeney & Associates - February 1999

Base = Medium businesses



HOME PAGES AND DEDICATED SITES

Businesses were asked: *Does your business have a home page or dedicated site on the Internet?* and *Do you intend to get one in the next 12 months?*



Eighteen per cent of small businesses now have a home page. This is well up on the 12% recorded in 1998 and 6% in 1997. Growth is expected to continue with a further 15% expecting to establish one in the next 12 months.

In February 1999, almost half (48%) of medium businesses have a home page with a further 19% intending to establish one in the next 12 months. In 1998, 34% of medium businesses had a home page.

Across the sectors, both small and medium Business Services businesses are more likely to have home pages though strongest growth is expected in Transport/Storage. Small and medium Building/Construction firms are least likely to have a home page and obtain one in the next 12 months.

**Home Page Use and Intention
By Business Sector - Small Businesses**

	Currently have	Intend to have
Small Businesses	19%	15%
Manufacturing	15%	15%
Building/Construction	4%	11%
Wholesale/Retail	14%	11%
Transport/Storage	23%	23%
Business Services	25%	19%
Personal Services	22%	13%

SOURCE: Yellow Pages® Small Business Index
Brian Sweeney & Associates - February 1999
Base = Small businesses

**Home Page Use and Intention
By Business Sector - Medium Businesses**

	Currently have	Intend to have
Medium Businesses	48%	19%
Manufacturing	40%	22%
Building/Construction	33%	17%
Wholesale/Retail	41%	21%
Transport/Storage	43%	29%
Business Services	58%	15%
Personal Services	51%	13%

SOURCE: Yellow Pages® Small Business Index
Brian Sweeney & Associates - February 1999
Base = Medium businesses



Across the states and territories, small and medium businesses in South Australia and Tasmania are least likely to have a home page. Strong growth in the establishing home pages is expected by both small and medium businesses in the Northern Territory.

Home Page Use and Intention By State or Territory - Small Businesses			Home Page Use and Intention By State or Territory - Medium Businesses		
	Currently have	Intend to have		Currently have	Intend to have
Small Businesses	19%	15%	Medium Businesses	48%	19%
New South Wales	23%	13%	New South Wales	46%	15%
Victoria	17%	21%	Victoria	57%	20%
Queensland	15%	12%	Queensland	45%	20%
South Australia	11%	10%	South Australia	32%	14%
Western Australia	15%	10%	Western Australia	45%	25%
Tasmania	12%	17%	Tasmania	25%	21%
Northern Territory	14%	25%	Northern Territory	47%	29%
ACT	21%	16%	ACT	56%	8%

Base = Small businesses SOURCE: Yellow Pages® *Small Business Index*
Brian Sweeney & Associates - February 1999

Base = Medium businesses SOURCE: Yellow Pages® *Small Business Index*
Brian Sweeney & Associates - February 1999

HOW THE INTERNET IS USED

Businesses connected to the Internet were asked to indicate for which of 12 specific activities they used the Internet.

How the Internet is Used - By Size			
<i>Which of these would your business regularly use the internet for?</i>			
	Total	Small Business	Medium Business
To communicate via e-mail	81%	80%	91%
To get reference info or research data	72%	71%	75%
To look for info about products or services	71%	71%	71%
To browse or surf for fun	63%	64%	59%
To access directories such as <i>Yellow Pages</i>	42%	42%	35%
To network with other businesses	39%	39%	41%
To advertise products or services	38%	37%	50%
To get updated info such as timetables, weather	36%	36%	32%
To monitor markets or competition	36%	35%	42%
To place orders for products or services	22%	22%	19%
To take orders for products or services	21%	22%	19%
To pay for products or services	15%	15%	8%

Base = All Businesses Connected to Internet SOURCE: Yellow Pages® *Small Business Index*
Brian Sweeney & Associates - February 1999

Communication via e-mail is the most common form of Internet usage – used by 81% of those connected. This suggests that the low usage of e-mail by small businesses reflects lack of access not lack of interest. Other frequently used functions of the Internet include:

- obtaining reference or research information;
- looking for information about products or services; and
- browsing or ‘surfing’ for fun.

Over one-third of businesses that are connected use the Internet to advertise. Around one-fifth of businesses that are connected use the Internet to transact business orders or pay for products or services.

Results for small and medium businesses are similar. Medium businesses are, however, more likely to use the Internet to advertise their products and monitor markets and competition.



Electronic Commerce

USE OF THE INTERNET FOR BUYING GOODS AND SERVICES

An important potential growth area for using the Internet is electronic commerce (e-commerce). In its most general sense, this includes searching for products, advertising as well as the actual buying, selling and paying for products/services.

Three of the Internet usage categories discussed above, relate to the e-commerce activity of **buying goods or services** over the Internet:

- 71% of those connected to the Internet – translating to 35% of all small/medium businesses – regularly use the Internet to “look for information or products or services” they may wish to buy;
- 22% of those connected (11% overall) use the Internet to “place orders for products or services”; but
- only 15% of those connected (7% of all businesses) actually **pay** for products or services through the Internet”.

In summary, just over one-third of small/medium businesses look for products on the Internet, but only 11% place orders and 7% pay over the Internet.

Predictably enough, medium-sized businesses are more likely to use the Internet for investigating products. However, even among these larger businesses, preparedness to pay for products over the Internet remains low. In fact, the same proportion of small and medium businesses pay for products over the Internet.

Regardless of size and computer ownership, there is a small core group of businesses that use e-commerce to pay for products or services.

Buying Over The Internet By Business Size				
	Connected to Internet	Look for Information on products or /services	Place orders	Pay for products or services
All Businesses	49%	35%	11%	7%
1-2 Employees	42%	31%	11%	6%
3-4 Employees	57%	38%	6%	7%
5-9 Employees	49%	36%	15%	10%
10-19 Employees	62%	42%	17%	10%
20-100 Employees	80%	58%	15%	6%
101-200 Employees	91%	60%	18%	10%
Total Small (1-19)	48%	34%	11%	7%
Total Medium (20+)	82%	58%	16%	7%

Base = All businesses

SOURCE: Yellow Pages® *Small Business Index*
Brian Sweeney & Associates - February 1999



Analysis by business sector suggests different patterns of use between small and medium businesses. While small Building/Construction firms are least likely to pay for products over the Internet, medium Building/Construction firms are most likely. Reflecting their high level of connection, small Business Services firms are more likely than other small businesses to use the Internet for investigating and placing orders.

Buying Over The Internet By Business Sector - Small Businesses					Buying Over The Internet By Business Sector - Medium Businesses				
	Connected to Internet	Look for Information on products or services	Place orders	Pay for products or services		Connected to Internet	Look for Information on products or services	Place orders	Pay for products or services
All Small Businesses	48%	34%	11%	7%	All Medium Businesses	82%	58%	16%	7%
Manufacturing	39%	29%	7%	5%	Manufacturing	77%	59%	10%	6%
Building/Construction	26%	21%	8%	2%	Building/Construction	76%	52%	14%	14%
Wholesale/Retail	37%	26%	10%	6%	Wholesale/Retail	79%	50%	19%	9%
Transport/Storage	53%	35%	11%	10%	Transport/Storage	83%	55%	7%	7%
Business Services	70%	46%	15%	11%	Business Services	92%	57%	19%	6%
Personal Services	49%	38%	9%	8%	Personal Services	80%	67%	15%	3%

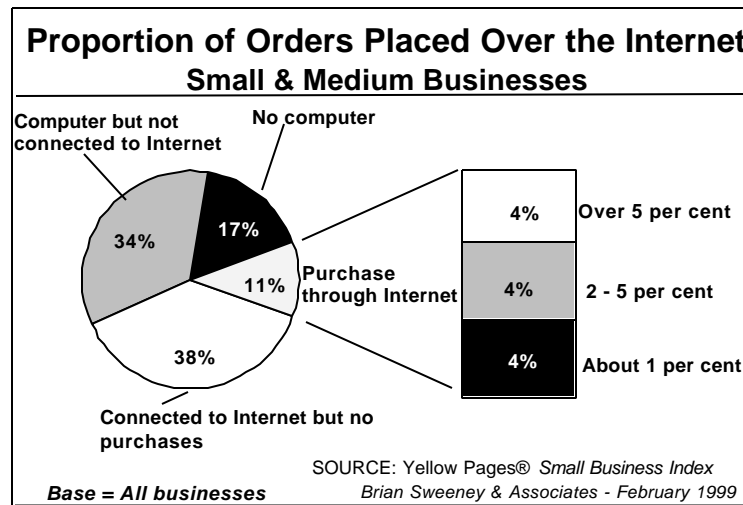
SOURCE: Yellow Pages® *Small Business Index*
Brian Sweeney & Associates - February 1999

Base = Small businesses

SOURCE: Yellow Pages® *Small Business Index*
Brian Sweeney & Associates - February 1999

Base = Medium businesses

While 11% of businesses place orders over the Internet, only one-third of these firms place more than 5% of their orders. On this basis, it appears that Internet purchases would represent around 1% of total purchases by small and medium businesses. This figure should be used with caution, however, as a small number of firms reported that they used the Internet for a large proportion of their purchases.¹



¹ As a matter of interest, the OECD reported that in 1996/97, estimated e-commerce sales represented 0.5% of total retail sales across seven countries. OECD (1999) *The Economic and Social Impacts of Electronic Commerce: Preliminary Findings and Research Agenda*, OECD, February, p. 30. Uses Canada, France, Germany, Japan, United Kingdom and United States.



WHAT IS BOUGHT?

What types of products are business proprietors buying over the Internet?

All respondents were asked whether they have **ever** bought over the Internet and, if so, whether they had bought for business or personal reasons. Overall, 17% of small and medium business proprietors have used the Internet for buying products or services – 10% for business purchases and 12% for personal reasons.

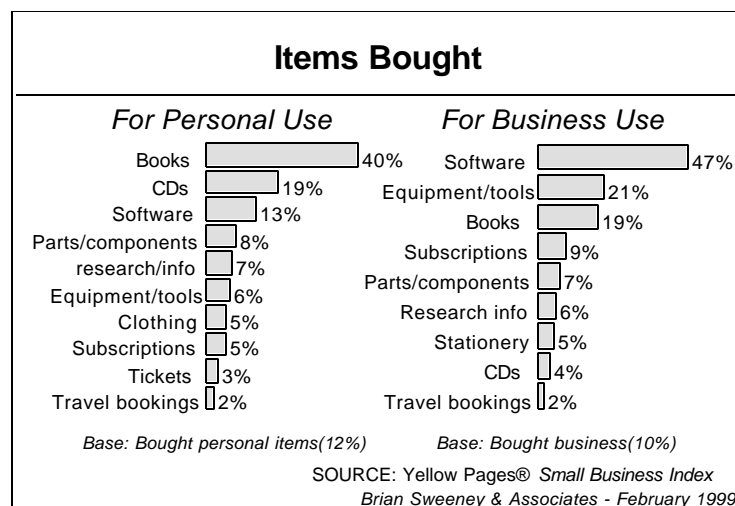
Experience With Buying Over The Internet			
<i>Some businesses are now using the Internet for promoting or selling their products or services. This means that customers of these businesses can see what is available and then order products or book services on-line. Have you ever used this type of electronic commerce to buy goods or services?</i>			
	Total	Small Business	Medium Business
Have used for business purchases	10%	10%	13%
Have used for personal purchases	12%	12%	17%
Total business or personal	17%	17%	24%

SOURCE: Yellow Pages® Small Business Index
Brian Sweeney & Associates - February 1999

Base = All businesses

Medium business proprietors are slightly more likely to use the Internet to purchase both business and personal products.

Items most often bought for **personal use** included books, CDs and software, while for **business use** software, equipment or tools and books were the main categories bought.



In the past 12 months, both small and medium businesses have increased their use of the Internet to purchase products. Small business proprietors have increased their use of this medium for both work and personal reasons. In contrast, the expansion in usage by medium business proprietors appears to be concentrated in personal usage.

Experience With Buying Over The Internet Small Businesses		
<i>Some businesses are now using the Internet for promoting or selling their products or services. This means that customers of these businesses can see what is available and then order products or book services on-line. Have you ever used this type of electronic commerce to buy goods or services?</i>		
	Feb 1998	Feb 1999
Have used for business purchases	5%	10%
Have used for personal purchases	5%	12%
Total business or personal	8%	17%
SOURCE: Yellow Pages® Small Business Index Brian Sweeney & Associates - February 1999		
Base = Small businesses		

Experience With Buying Over The Internet Medium Businesses		
<i>Some businesses are now using the Internet for promoting or selling their products or services. This means that customers of these businesses can see what is available and then order products or book services on-line. Have you ever used this type of electronic commerce to buy goods or services?</i>		
	Feb 1998	Feb 1999
Have used for business purchases	11%	13%
Have used for personal purchases	7%	17%
Total business or personal	15%	24%
SOURCE: Yellow Pages® Small Business Index Brian Sweeney & Associates - February 1999		
Base = Medium businesses		

USE OF THE INTERNET FOR SELLING GOODS OR SERVICES

The questions on Internet usage also covered two activities relating to **selling goods or services** over the Internet. Here we find that:

- 38% of those connected to the Internet (19% of all businesses) use the Internet to “advertise their products or services”; and
- 21% of those connected (10% overall) report using the Internet for taking orders.

Again, those in the larger businesses are more likely to sell over the Internet.

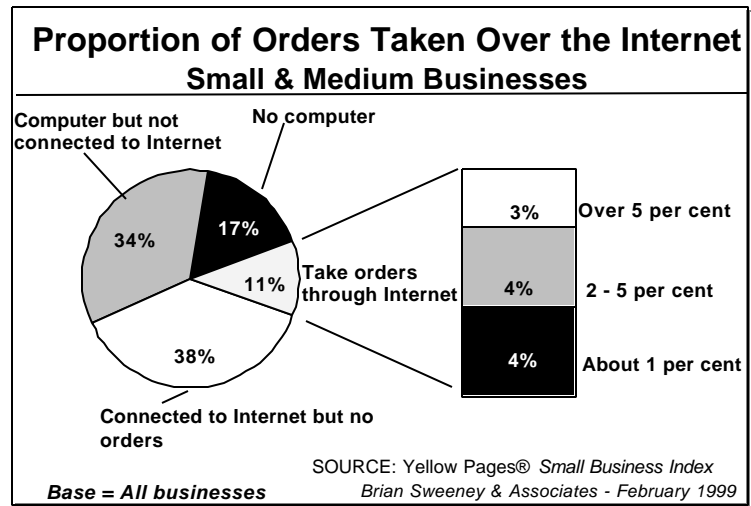
Selling Over The Internet By Business Size			
	Connected to Internet	Advertise	Take Orders
All Businesses	49%	19%	10%
1-2 Employees	42%	13%	8%
3-4 Employees	57%	25%	8%
5-9 Employees	49%	19%	14%
10-19 Employees	62%	32%	25%
20-100 Employees	80%	39%	15%
101-200 Employees	91%	50%	18%
Total Small (1-19)	48%	18%	11%
Total Medium (20+)	82%	41%	16%
SOURCE: Yellow Pages® Small Business Index Brian Sweeney & Associates - February 1999			
Base = All businesses			



For small businesses, those in Transport/Storage, Business Services and Personal Services are most heavily involved in taking orders. In contrast, for medium businesses, Wholesale/Retail and Transport/Storage are most likely to use the Internet to take orders.

Selling Over The Internet By Business Sector - Small Businesses				Selling Over The Internet By Business Sector - Medium Businesses			
	Connected to Internet	Advertise	Take Orders		Connected to Internet	Advertise	Take Orders
All Small Businesses	48%	18%	11%	All Medium Businesses	82%	41%	16%
Manufacturing	39%	12%	8%	Manufacturing	77%	41%	17%
Building/Construction	26%	4%	5%	Building/Construction	76%	30%	7%
Wholesale/Retail	37%	14%	7%	Wholesale/Retail	79%	36%	23%
Transport/Storage	53%	25%	14%	Transport/Storage	83%	36%	34%
Business Services	70%	26%	13%	Business Services	92%	45%	12%
Personal Services	49%	21%	14%	Personal Services	80%	46%	10%
SOURCE: Yellow Pages® Small Business Index Brian Sweeney & Associates - February 1999 Base = All businesses				SOURCE: Yellow Pages® Small Business Index Brian Sweeney & Associates - February 1999 Base = Medium businesses			

However, once again we need to be aware that even where orders are taken over the Internet, they usually represent a very small proportion of the total orders received.



POTENTIAL TO SELL THROUGH E-COMMERCE

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

Keeping in mind your product or service range, 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?

... and were also asked ...

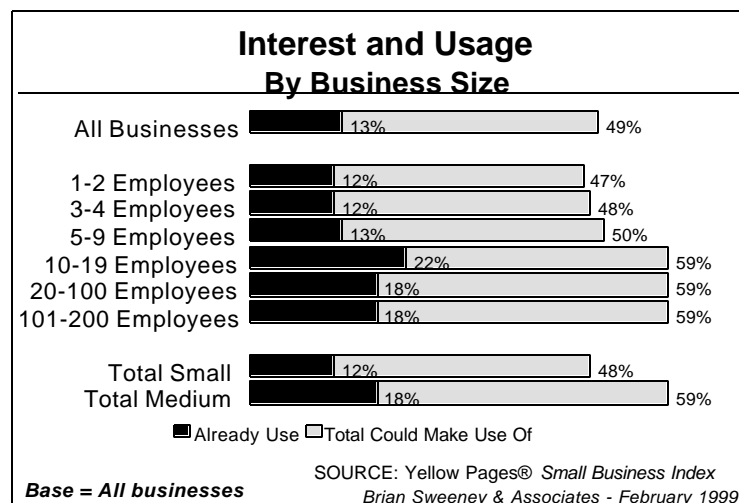
Do you already use e-commerce to sell or promote your products or services?

Thirteen per cent claim to be users of e-commerce in this way, with a further 36% believing that their businesses could make use of the facility.



In total, half already use or can potentially use e-commerce. Twelve per cent of small businesses already use e-commerce and a further 36% believe they can use it.

Among medium businesses, some 60% believe that potential for using e-commerce exists including close to one in five who are already using.

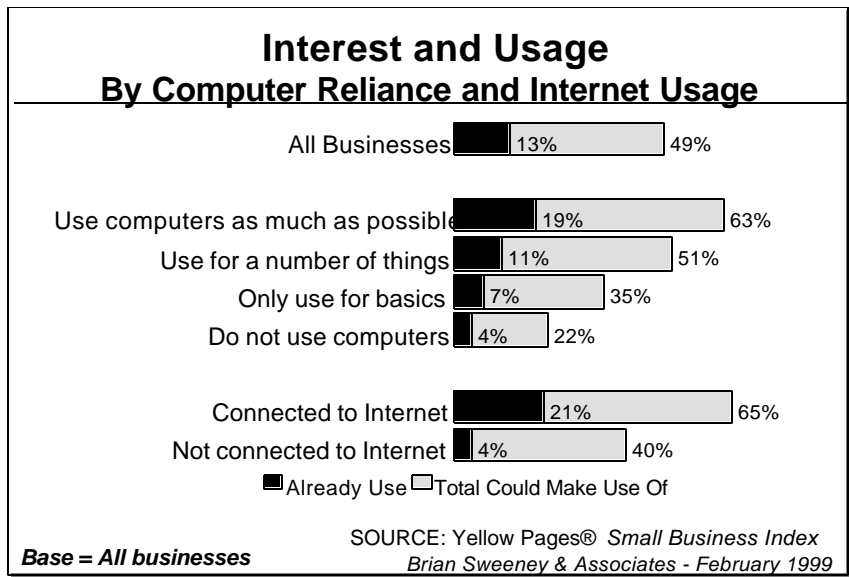


The proportion of small and medium businesses that believe they can use e-commerce is little changed from 1998. A large increase was recorded, however, for those businesses already using e-commerce.

Potential to Use E-Commerce to Sell Goods or Services - Trend				
	<u>Small Businesses</u>		<u>Medium Businesses</u>	
	1998	1999	1998	1999
Already use	5%	12%	12%	18%
Could use	32%	36%	42%	42%
Couldn't use	63%	52%	46%	40%

Base = All businesses SOURCE: Yellow Pages® *Small Business Index*
Brian Sweeney & Associates - February 1999

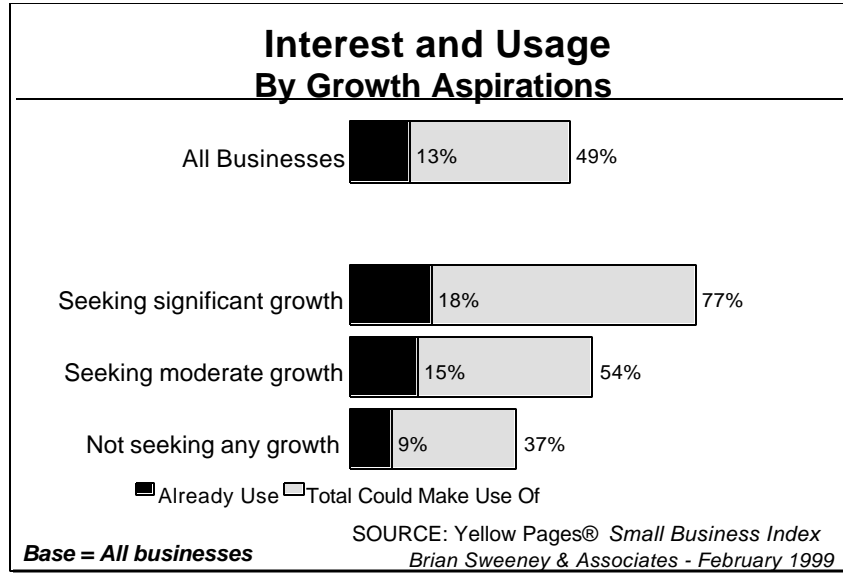
As we might expect, current and potential usage increases with the degree of computer reliance. Those connected to the Internet are also, predictably, more likely to view e-commerce in a positive light.



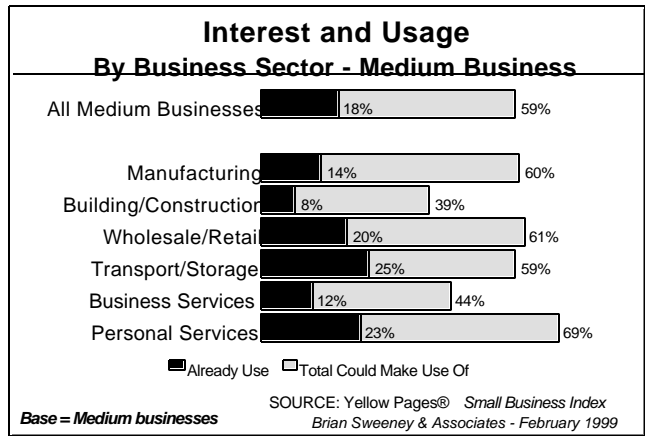
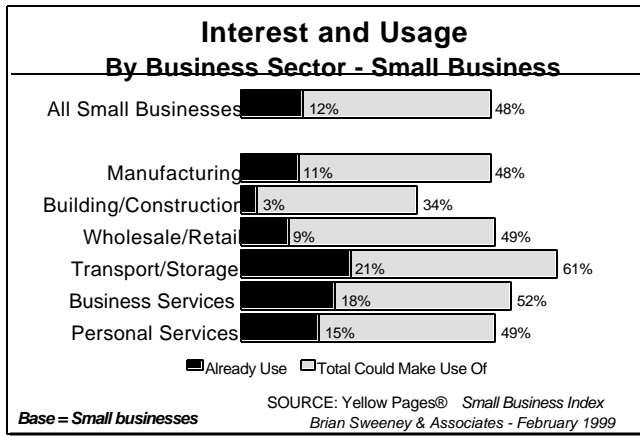
Interest in e-commerce is not limited to those firms with Internet connections or even those with computers. Among businesses without computers, a sizeable 22% still believe that they have some potential to use e-commerce in the future.



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



As noted, just under half of small businesses are likely to believe they can use e-commerce. Across the sectors, small firms in Building/Construction are least likely and those in Transport/Storage are most likely to believe they could make use of e-commerce. Medium firms are more likely to believe they can use e-commerce with firms in Wholesale/Retail and Personal Services most likely; businesses in Building/Construction are least likely. Despite high levels of computer reliance and Internet connection, medium firms in Business Services are both less likely to see e-commerce potential and have relatively fewer businesses already using e-commerce.



REASONS FOR REJECTING E-COMMERCE

Around half of small and medium businesses that see no potential for e-commerce consider that their business is not suited to it.

The main other reasons for rejecting the use of e-commerce include:

- “I need personal contact”;
- “just don’t need it”;
- “clients are local”; and
- “many customers don’t have the Internet”.

Reasons for Rejection (Unprompted)			
	Total	Small Business	Medium Business
Not suited to my business	47%	46%	62%
I need personal contact	18%	18%	17%
Don't need it	11%	11%	9%
Clients are local	11%	11%	2%
Many customers don't have Internet	10%	10%	11%
Not beneficial	8%	8%	5%
Word of mouth works better	7%	8%	3%
Customers need to see product	5%	5%	4%
Costs too much	3%	3%	0%
Lack of time	3%	3%	0%

Base = No potential to use e-commerce SOURCE: Yellow Pages® *Small Business Index*
Brian Sweeney & Associates - February 1999

When respondents were prompted with a series of possible reasons for not having an interest in e-commerce, the unsuitability of products or services again emerges as the number one issue. Lack of customer demand and a localised customer base are also key determinants of interest.

Reasons for Rejection (Prompted)			
	Total	Small Business	Medium Business
Products or services not suitable	84%	84%	92%
Customers haven't asked for it	61%	61%	53%
All customers are local	54%	55%	30%
Customers don't use the Internet	47%	48%	35%
Don't have credit card or EFTPOS	32%	32%	19%
Don't know enough about computers	28%	29%	7%
Concerned about our customers' privacy	22%	21%	29%
Concerned about how to deliver products	18%	18%	12%
Couldn't afford investment	13%	13%	5%
Concerned that competitors could access	11%	11%	14%
Worried about year 2000 problem	10%	10%	9%

Base = No potential to use e-commerce SOURCE: Yellow Pages® *Small Business Index*
Brian Sweeney & Associates - February 1999

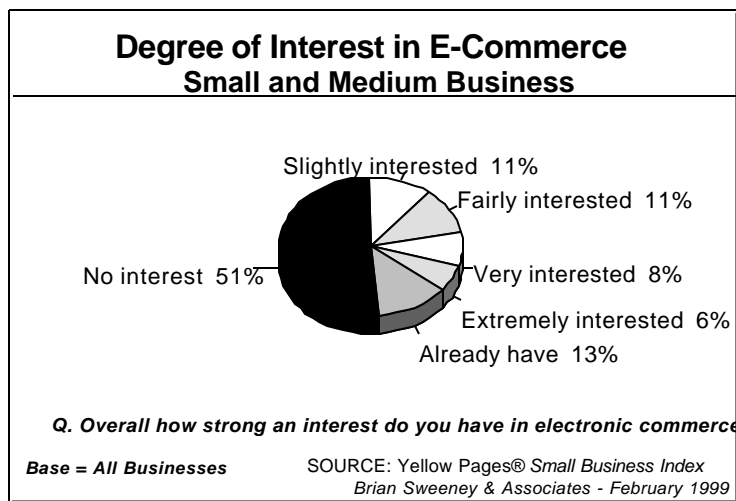


DEGREES OF INTEREST AND TIMEFRAME

The 36% of all small and medium 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?”

In total, some 14% of all small and medium businesses reported that they are extremely or very interested and a further 11% reported being fairly interested in the idea.



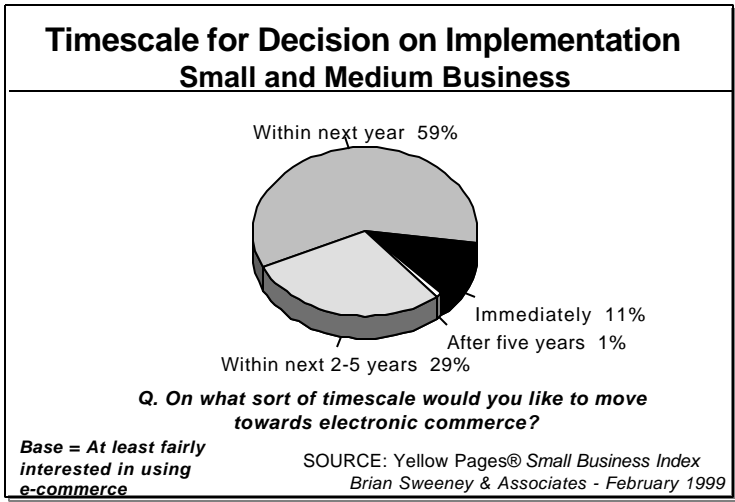
Interest is slightly higher for medium businesses.

**Degree of Interest in E-Commerce
By Business Size**

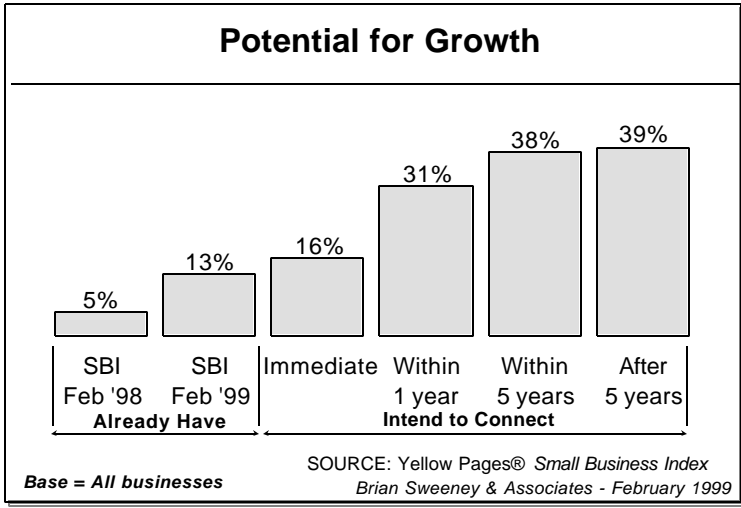
	Total	Small Business	Medium Business
No interest	51%	51%	41%
Already have	13%	12%	18%
Extremely interested	6%	6%	9%
Very interested	8%	8%	11%
Fairly interested	11%	10%	12%
Slightly interested	11%	12%	7%

Base = All Businesses SOURCE: Yellow Pages® Small Business Index
Brian Sweeney & Associates - February 1999

Just over one-tenth of those at least fairly interested would like to move to e-commerce immediately with a further 59% expecting to move within the next year.



Converting these to the total business base, 12% of small businesses and 18% of medium businesses said they already used e-commerce to sell their products. A further 17% of small businesses and 20% of medium businesses expect to establish these facilities during the next year and seven per cent and 12%, respectively, in the next two to five years.



While these figures suggest that medium businesses are taking up e-commerce more rapidly, the actual take-up rate for medium businesses was low in the past year.

In February 1998, 5% of small businesses said they already used e-commerce. At that time, a further 15% expected to establish e-commerce facilities “in the next 12 months”. This 15% translated into 8% growth during the year. Applying the same rate as occurred between February 1998 and February 1999 to the current figures, this suggests that another 70,000 small businesses (or nine per cent of small businesses) will establish e-commerce in the coming year bringing total usage to around 160,000 small businesses (or 22%).

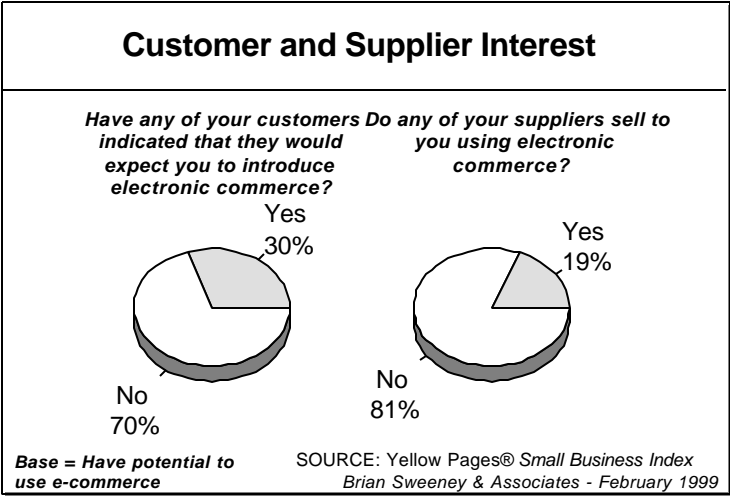
In contrast in February 1998, 12% of medium businesses already used e-commerce to sell and a further 15% intended to establish facilities in the next 12 months. However, over the past 12 months, only an extra 6% of medium businesses used e-commerce to sell. Assuming a similar low realisation rate in the coming year, only a further 8% of medium businesses will have established e-commerce facilities by February 2000, or around 3,000 businesses.



CUSTOMER AND SUPPLIER INTEREST

Only one-third of businesses that believed they had the potential to use e-commerce are being pressured by customers to do so. Only 19% reported that any of their suppliers sold to them using e-commerce methods.

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 business seeking access to new market.

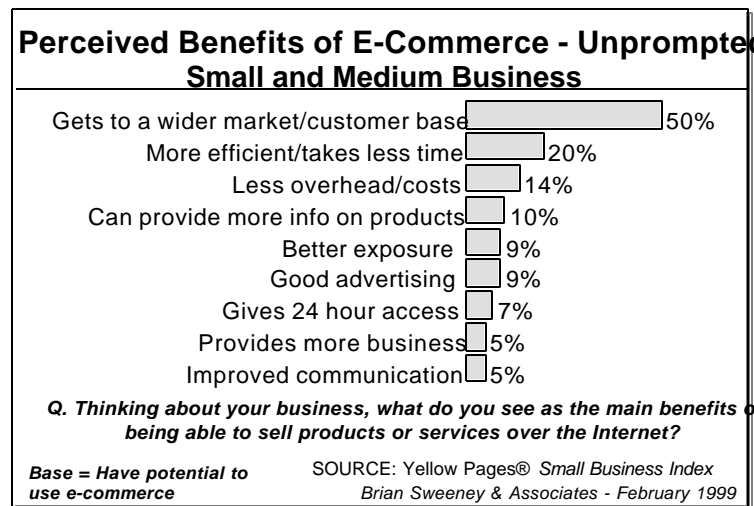


PERCEIVED BENEFITS, DRAWBACKS AND DIFFICULTIES

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

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

The overwhelming top-of-mind benefit to be gained from e-commerce is the access to a wider market or customer base. Other benefits include a perception of greater efficiency, reduced costs and the ability to provide more information on the product offerings.



Those who currently use e-commerce are more likely than those who have aspirations to use it to single out efficiency and cost savings as benefits.

Perceived Benefits of E-Commerce - Unprompted By User/Non User

	Total	Currently Use	Do Not Use
Gets to a wider market/customer base	50%	48%	44%
More efficient/takes less time	20%	24%	18%
Less overhead/costs	14%	24%	11%
Can provide more info on products	10%	8%	11%
Better exposure	9%	10%	9%
Good advertising	9%	10%	8%
Gives 24 hour access	7%	9%	6%
Provides more business	5%	5%	5%
Improved communication	5%	2%	6%

Base = Have potential to use e-commerce SOURCE: Yellow Pages® Small Business Index
Brian Sweeney & Associates - February 1999

Proprietors were also asked to **rate** the degree to which a series of specific attributes were seen to be benefits of e-commerce.



Here, the expanded geographical coverage is clearly most likely to be seen as a major plus.

Perceived Benefits of E-Commerce (Prompted)			
	Major Benefit	Minor Benefit	Not a Benefit
Allow expanded geographical coverage	55%	27%	18%
Provide competitive advantage	30%	41%	28%
Please our customers	27%	47%	25%
Reduce selling costs	24%	26%	48%
Allow to sell direct to end user	17%	13%	69%

Base = Have potential to use e-commerce SOURCE: Yellow Pages® Small Business Index
Brian Sweeney & Associates - February 1999

In general, medium businesses were slightly more positive in their assessment of the benefits of e-commerce.

Perceived Benefits of E-Commerce Prompted By Business Size			
Rate as Major Benefit	Total	Small Business	Medium Business
Allow expanded geographical coverage	55%	55%	61%
Provide competitive advantage	30%	29%	46%
Please our customers	27%	26%	44%
Reduce selling costs	24%	23%	36%
Allow to sell direct to end user	17%	17%	25%

Base = Have potential to use e-commerce SOURCE: Yellow Pages® Small Business Index
Brian Sweeney & Associates - February 1999

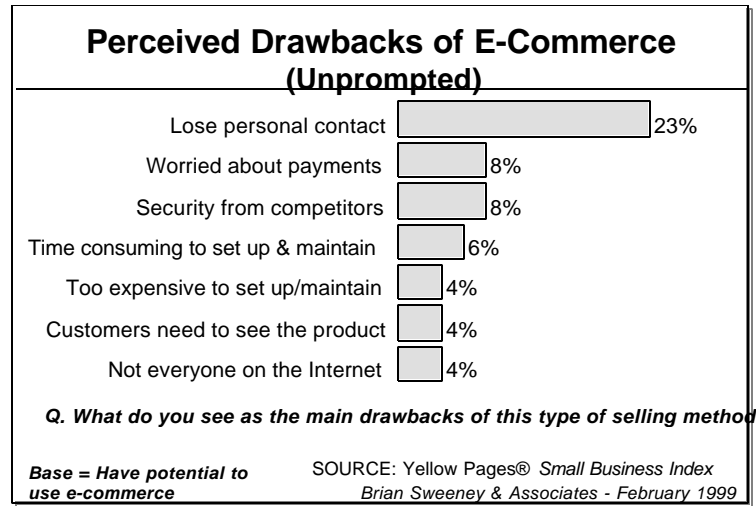
Users are more likely than non-users to perceive the benefits of expanded coverage and the ensuing competitive advantage.

Perceived Benefits of E-Commerce Prompted By User/Non User			
Rate as Major Benefit	Total	Currently Use	Do Not Use
Allow expanded geographical coverage	55%	63%	53%
Provide competitive advantage	30%	37%	28%
Please our customers	27%	39%	23%
Reduce selling costs	24%	26%	23%
Allow to sell direct to end user	17%	19%	17%

Base = Have potential to use e-commerce SOURCE: Yellow Pages® Small Business Index
Brian Sweeney & Associates - February 1999



The loss of personal contact emerged as the main drawback to e-commerce in the unprompted question in this area.



Users are more likely than non-users to be worried about payment issues but were less concerned about security from competition.

**Perceived Drawbacks of E-Commerce -Unprompted
By User/Non User**

	Total	Currently Use	Do Not Use
Lose personal contact	23%	25%	23%
Worried about payments	8%	13%	7%
Security from competitors	8%	4%	10%
Time consuming to set up and maintain	6%	3%	7%
Too expensive to set up/maintain	4%	2%	6%
Customers need to see the product	4%	7%	3%
Not everyone on the Internet	4%	3%	4%

Base = Have potential to use e-commerce SOURCE: Yellow Pages® Small Business Index
Brian Sweeney & Associates - February 1999



When respondents were prompted with a number of potential drawbacks, the issue of loss of personal contact again merged as the number one major concern.

Lack of computer expertise, lack of customer readiness, concern about financial transaction security, and fear of hackers were also cited as concerns by sizeable proportions.

Perceived Concerns About E-Commerce (Prompted)			
	Major concern	Minor concern	Not a concern
Lack of personal contact with customer	46%	28%	26%
Lack of computer expertise	39%	38%	23%
Most customers not ready for E-Commerce.	36%	40%	23%
Customers not prepared to carry out financial transactions over net	34%	36%	29%
People being able to hack into system	34%	33%	33%
Problems with not getting paid	29%	36%	34%
Cost of hardware and software	29%	42%	28%
Could be greatly affected by Y2K problem	14%	29%	56%
Customers go directly to suppliers	10%	22%	67%
Technology too new to be relied on	8%	36%	54%

Base = Have potential to use e-commerce SOURCE: Yellow Pages® *Small Business Index*
Brian Sweeney & Associates - February 1999

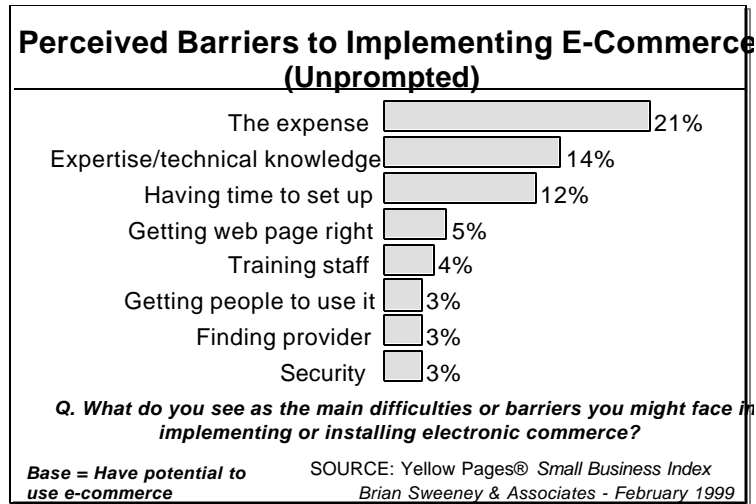
While users were a little more concerned about customers not being prepared to carry out financial transactions, non-users are a little worried about problems with getting paid and the cost of hardware and software.

Perceived Drawbacks of E-Commerce - Prompted By User/Non User			
Rate as Major Concern	Total	Currently Use	Do Not Use
Lack of personal contact with customer	46%	45%	46%
Lack of computer expertise	39%	41%	38%
Most customers not ready for E-Commerce	36%	34%	37%
Customers not prepared to carry out financial transactions over net	34%	39%	33%
People being able to hack into system	34%	33%	34%
Problems with not getting paid	29%	25%	31%
Cost of hardware and software	29%	23%	32%
Could be greatly affected by Y2K problem	14%	15%	14%
Customers go directly to suppliers	10%	12%	10%
Technology too new to be relied on	8%	9%	8%

Base = Have potential to use e-commerce SOURCE: Yellow Pages® *Small Business Index*
Brian Sweeney & Associates - February 1999



Finally, those with potential to use e-commerce were asked to nominate the main difficulties or barriers they believed they might face in implementing e-commerce.



Cost emerges as the number one issue although this is much more a concern for non-users than for users.

**Perceived Barriers to Implementation Unprompted
By User/Non User**

	Total	Currently Use	Do Not Use
The expense	21%	13%	23%
Expertise/technical knowledge	14%	6%	16%
Having time to set up	12%	7%	13%
Getting web page right	5%	4%	5%
Training staff	4%	4%	4%
Getting people to use it	3%	6%	2%
Finding provider	3%	2%	3%
Security	3%	8%	1%

Base = Have potential to use e-commerce SOURCE: Yellow Pages® Small Business Index
Brian Sweeney & Associates - February 1999



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 Systems**, “*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.*”

All three packages generated significant levels of interest, although the **electronic brochure only** (44% extremely or very interested) was a little stronger than the **brochure plus order facility** (34%) and the **brochure plus order plus payment facility** (28%).

Interest in Alternative Levels of E- Commerce Small and Medium Business			
	Electronic Brochure Only	Electronic Brochure plus Order Facility	Electronic Brochure plus Order and Payment Facility
Extremely interested	20%	14%	13%
Very interested	24%	20%	15%
Fairly interested	24%	23%	19%
Slightly interested	20%	15%	16%
Not at all interested	12%	28%	37%

Base = Have potential to use e-commerce SOURCE: Yellow Pages® Small Business Index
Brian Sweeney & Associates - February 1999

There was little difference between the level interest for small and medium businesses.

Interest in Alternative Levels of E- Commerce Small Business			
	Electronic Brochure Only	Electronic Brochure plus Order Facility	Electronic Brochure plus Order and Payment Facility
Extremely interested	20%	13%	13%
Very interested	24%	20%	15%
Fairly interested	24%	23%	19%
Slightly interested	20%	15%	16%
Not at all interested	12%	29%	37%

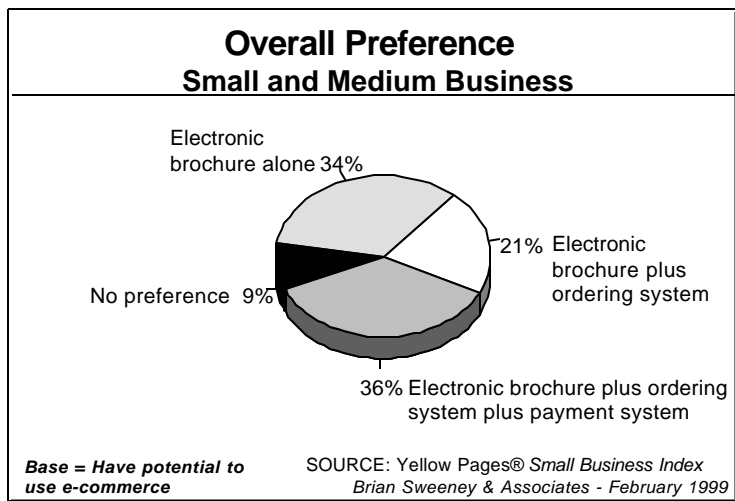
Base = Have potential to use e-commerce SOURCE: Yellow Pages® Small Business Index
Brian Sweeney & Associates - February 1999

Interest in Alternative Levels of E- Commerce Medium Business			
	Electronic Brochure Only	Electronic Brochure plus Order Facility	Electronic Brochure plus Order and Payment Facility
Extremely interested	24%	16%	18%
Very interested	21%	29%	20%
Fairly interested	31%	29%	18%
Slightly interested	16%	11%	15%
Not at all interested	8%	16%	28%

Base = Have potential to use e-commerce SOURCE: Yellow Pages® Small Business Index
Brian Sweeney & Associates - February 1999



Respondents were also asked which of the three packages they would prefer.



Here, views tend to be polarised towards the two extremes with over a third opting for the brochure only and a similar proportion the full, three-part package. Only a fifth or so prefer the middle ground.

More detailed analysis suggests that the smaller businesses are more likely to opt for the brochure only with medium sized businesses keen on the full system. This is also particularly popular in the wholesale/retail sector.

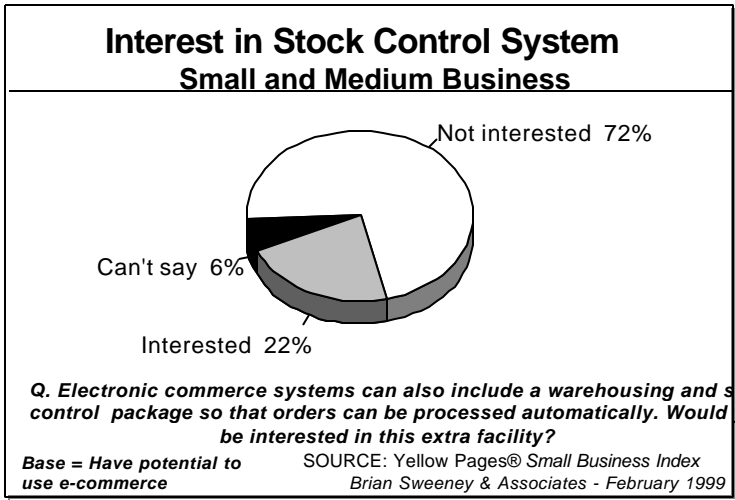
Preferred E-Commerce Package in Detail

	Brochure alone	Brochure with order	Brochure with order and payment
All business	36%	21%	34%
Small business	37%	21%	33%
Medium business	21%	26%	42%
Manufacturing	31%	29%	32%
Building/Construction	37%	21%	24%
Wholesale/Retail	29%	19%	46%
Transport/Storage	40%	27%	29%
Business Services	47%	19%	24%
Personal Services	31%	22%	37%

Base = Have potential to use e-commerce SOURCE: Yellow Pages® *Small Business Index*
Brian Sweeney & Associates - February 1999



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



Medium businesses were more likely to be interested in this option.

Interest in Stock Control System By Business Size

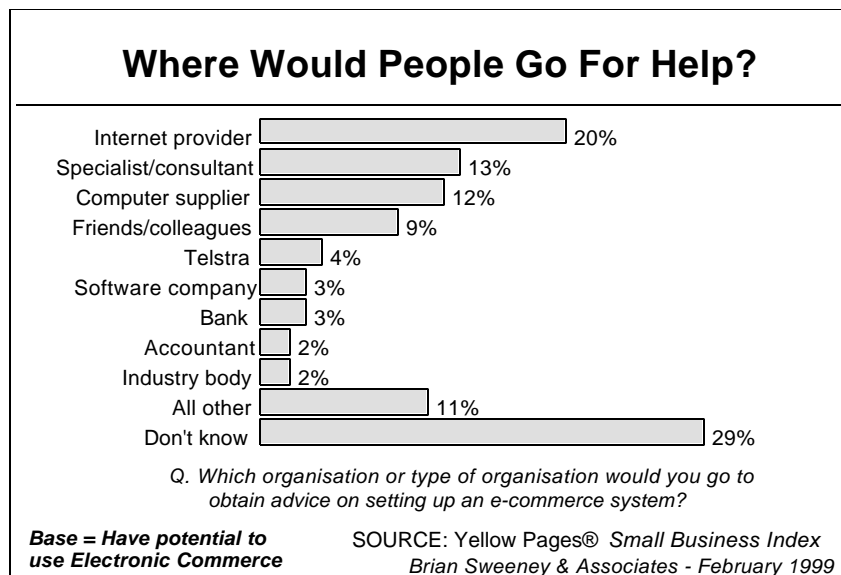
	Total	Small Business	Medium Business
Interested	22%	20%	42%
Not interested	72%	74%	50%
Can't say	6%	6%	8%

Base = Have potential to use e-commerce SOURCE: Yellow Pages® Small Business Index
Brian Sweeney & Associates - February 1999



WHERE WOULD PEOPLE GO FOR HELP ON SETTING UP AN E-COMMERCE SYSTEM?

Those who had potential to use an e-commerce system were asked which organisations or types of organisations they would go to for help in setting up the system.



Internet providers, followed by specialists in the field and computer suppliers, were the main bodies mentioned by small businesses. While medium businesses would also go to their ISP or a specialist, 16% with the potential to use e-commerce believed that their own staff would be able to set the system up. Interestingly, as many as 30% of small and medium businesses were unable to nominate any type of organisation to assist in this area.



Since the inception of the *Small Business Index*, a range of Special Reports has been produced. Major reports include:

SOCIAL ISSUES – NOVEMBER 1993

THE IMPACT OF DROUGHT ON RURAL SMALL BUSINESS – NOVEMBER 1994

SMALL BUSINESS GROWTH ASPIRATIONS AND THE ROLE OF EXPORTS – FEBRUARY 1995

FINANCE AND BANKING ISSUES – AUGUST 1995

ATTITUDES TO GOVERNMENT – OCTOBER 1994 & NOVEMBER 1994

WOMEN IN BUSINESS – JULY 1994 & FEBRUARY 1996

THE PAPERWORK BURDEN ON SMALL BUSINESS – OCTOBER 1996

TECHNOLOGY IN THE SMALL BUSINESS SECTOR – JULY 1995, JULY 1996, AUGUST 1997

ELECTRONIC COMMERCE – APRIL 1998

WORKERS' COMPENSATION AND WORKPLACE SAFETY – NOVEMBER 1998

Other special topics investigated include NSW Bushfires, the Sydney Olympics, Exports, Industrial Relations, Australian-made and other Credential Advertising, and Employment Skills and Training.

For further information on these reports, please contact: Pacific Access

Corporate Communications Department

PH: (03) 9246 4767

FAX: (03) 9246 4876

The regular Yellow Pages[®] *Small Business Index* reports are updated each quarter (February, May, August and November). The latest report can be accessed on the Pacific Access corporate Internet site:

<http://www.pacificaccess.com.au/sbi>

Pacific Access Pty Ltd was established in Melbourne, Australia in 1991. The company brings together Australian expertise in directories advertising with the experience of its partners in international markets. Pacific Access continues to invest in skills and resources to extend its reach into the Pacific Rim region.

In Australia, Pacific Access had traded as Yellow Pages Australia with commercial responsibility for the sales, marketing, billing, compilation and customer service operations to produce 70 Yellow Pages[®] directories nationally.

In July 1997, Pacific Access also assumed commercial responsibility as Telstra's agent for the management and production of printed and electronic White Pages[™] directories, *White Pages* and *Yellow Pages* directory production and distribution, and geo-mapping services. Pacific Access is now a full services directory company, which will enable it to provide tangible benefits to customers and users.

More than 80% of Pacific Access's *Yellow Pages* directory customers are small businesses. The company is committed to supporting this vital sector of the business community through a number of initiatives such as the Small Business Index[™], AUSbiz Small Business Development Program and the Yellow Pages[®] *Business Idea Grants*.

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