

online or die?

After the dotcom bubble burst many smaller firms found themselves loath to invest in the internet, but the government is keen to win the UK a reputation for online excellence. Andrew Charlesworth assesses its chances

Small businesses are turning their backs on e-commerce, but the government is sticking to its vision of making Britain the best country in the world in which to trade online by 2006.

According to the DTI's (Department of Trade & Industry) latest International Benchmarking Study – an annual report that assesses the uptake of IT in UK firms and compares with that of other countries – the number of businesses in Britain trading online fell by nine percent from 2001 to 2002.

Oftel's February 03 study of business online paints a much rosier picture. It shows 64 percent of businesses with between one and 10 employees is connected to the internet. Generally, the larger the company the greater the likelihood it will be online.

Of those connected, 16 percent are using broadband – either cable or DSL – and a whopping 34 percent say they plan to move to broadband soon.

The majority of those who don't plan to move to broadband say it's because their use of the internet isn't enough to justify it, or that broadband is too expensive.

Among those who say the cost is too high, however, about £19 a month seems to be the point at which they would switch to broadband.

But Oftel's figures merely show whether businesses have internet access, not what they use it for, which is critical to creating a healthy online business environment.

The DTI uses a model to describe stages of e-business starting with use of email, moving to the business posting its first website – usually rudimentary 'brochureware' – then progressing to online transactions with customers

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and suppliers. The penultimate e-business stage is an integrated online supply chain, ending in digital nirvana – a state where online systems are transparent to all business partners.

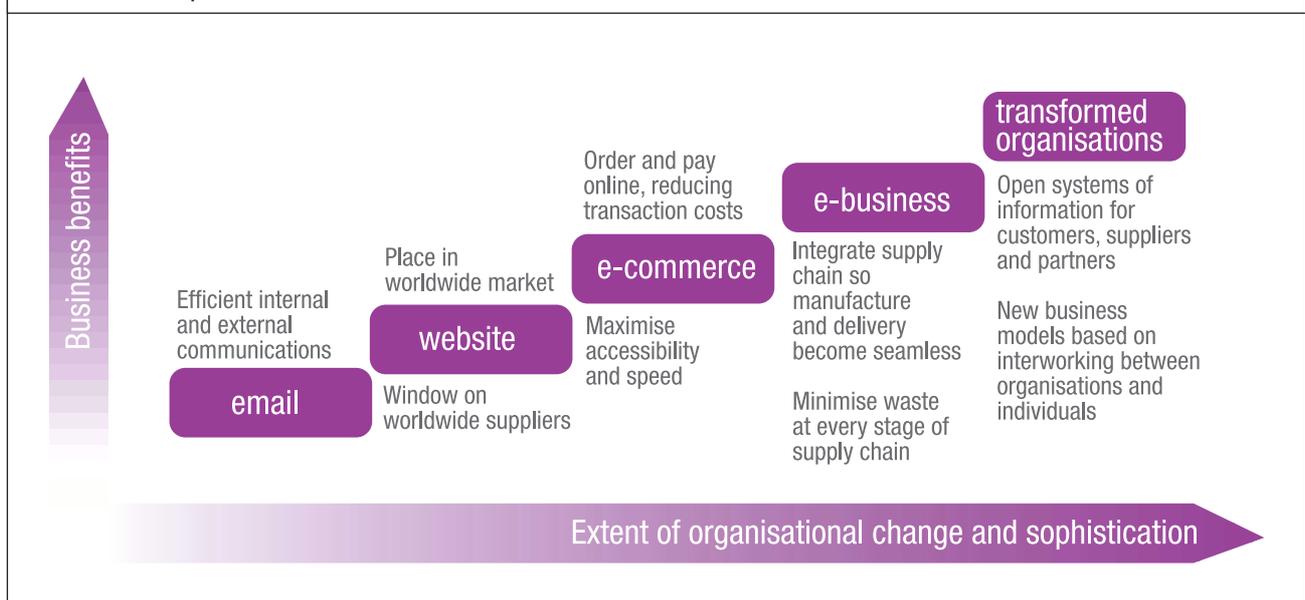
While a few large or tech-savvy companies have made a success of e-business, slashing costs and improving efficiency by implementing the latter stages of this model, the general picture among small and medium-sized firms is one of disillusionment with the internet.

From 2001 to 2002 the number of small and medium-sized businesses connected to the internet, let alone actually trading online, dropped from 1.9 million to just over 1.5 million – that's almost 20 percent.

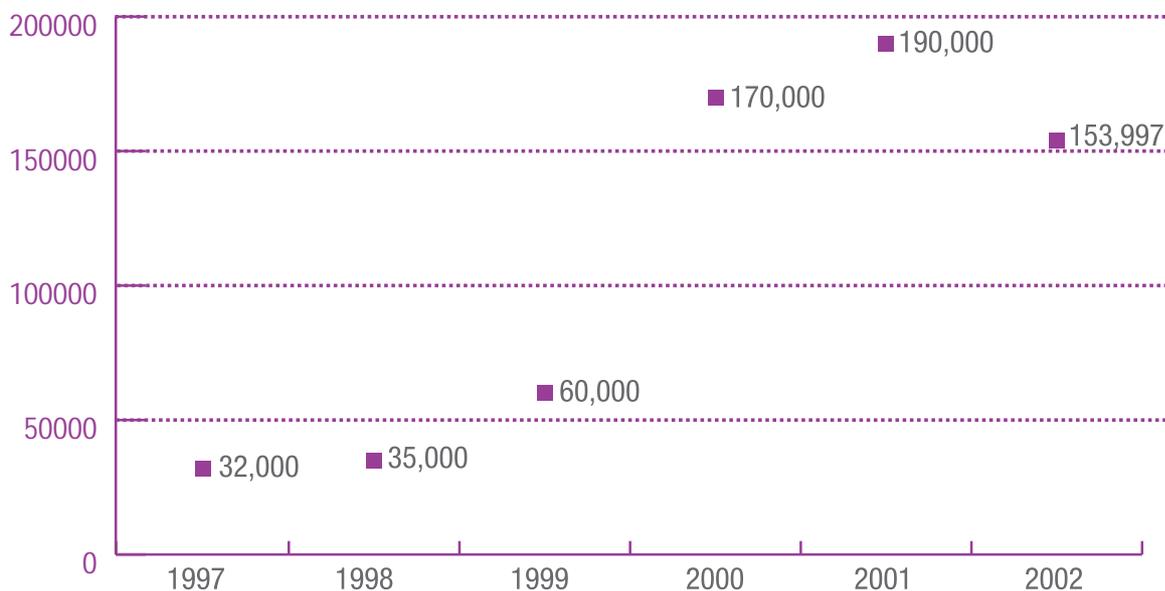
Falling off the wagon

The decline can be explained, in part, by businesses that fell off the internet bandwagon last year, having realised it wasn't heading to the land of megaprofits. But firms with less than 250 employees account for 98 percent of the UK's working population, so such a decline means British business is not being

The e-adoption ladder



UK SMEs that are online



slow to arrive at the government's 2006 online target – it is running in the wrong direction entirely.

Among micro businesses, defined as those with one to 25 employees, the picture is even bleaker – only 58 percent have access to external email.

So is the DTI's UK Online for Business campaign dead in the water? Not a bit of it, says Elizabeth Grant, a director of the campaign, seconded from IBM to the DTI.

The biggest challenge for UK Online for Business, says Grant, is to inspire business owners to form a vision of where their firm can go in an online environment and to give them the courage to change the way they work.

Internet imperatives

But why should they? While the technological wherewithal to switch the business world to digital has existed since the late 90s, the cultural impetus to change is glacial by comparison.

The long-term future of business undoubtedly lies in increasing online integration, but unlike a few years ago, no one is saying to businesses 'get online or die'.

Plenty of businesses are thriving, without an online supply chain and will continue to do so for years. So what is the

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incentive for the conservative self-made micro-business owner, 10 years from comfortable retirement at 50, to disrupt his business with risky technology?

"The conservative business owner will only change if he sees an opportunity or a threat," says Grant. "The opportunity is for the owner to sell the business for a much greater amount than he dreamed of before the advent of e-commerce, to retire earlier or to pass on a bigger inheritance to his children.

"The threat is that online trading is becoming the de facto standard. If he doesn't adopt new technologies his business could suddenly be jeopardised by a new competitor."

Attracting attention

But to communicate these carrots and sticks, the first hurdle UK Online for Business faces is attracting the attention of business owners.

Small businesses generally don't like interacting with government departments. After all, the departments any business knows best – Inland Revenue, Customs & Excise and the National Insurance Collection Agency – are only after one thing.

In the past the DTI has communicated through Business Links, but this provides contact with a maximum of only 20 percent of businesses in any region. It has also teamed up with IT vendors, such as HP and Cisco. But businesses are rightly suspicious of IT vendors.

So the campaign has widened its appeal to work with local Chambers of Commerce, e-business clubs and firms of accountants, many of whom act as business advisors to their annual returns customers. Even with this wider brief, though, UK Online for Business has its work cut out.

But if Britain's small businesses continue to reject the notion of online commerce they are in danger of throwing out the profitable internet baby with the dotcom bathwater. ■