

## **Internet Solutions make SMEs more productive and more profitable: Canadian Net Impact Study**

*The Canadian e-Business Initiative launches first study of its kind demonstrating potential of Internet to drive productivity in small and medium enterprises nationwide.*

TORONTO, Ont., November 1, 2002 – Canadian businesses that adopt Internet Business Solutions (IBS) can realize financial benefits that include increasing revenues and reducing costs, which can lead to profit increases of as much as 150%, according to the Canadian Net Impact Study. Sponsored by the Canadian e-Business Initiative's Benchmarking and Metrics team and conducted in collaboration with Cisco Systems Canada Co., the Schulich School of Business at York University and IDC Canada, *Net Impact Study Canada: The SME Experience* is the first of two reports exploring the state of e-Business technology adoption in Canada. The second report *Net Impact Study Canada: Global Competitiveness* will explore how Canada compares globally upon its release early in 2003.

“We believe the findings point to a real need to drive awareness of the potential financial benefits of e-business solutions and to educate Canada's SME population on the tools to implement a successful internet-based strategy” says Schulich School of Business Prof. Ron McClean, who is directing the study as deputy leader of CeBI's Benchmarking and Metrics team. York University President Lorna Marsden is team leader.

“Net Impact clearly demonstrates the power of the Internet to drive productivity in Canadian businesses, and provides data that should reduce the resistance to technology adoption,” said Pierre-Paul Allard, Co-Chair of the Canadian e-Business Initiative and President of Cisco Systems Canada Co. “Net Impact findings provide clear evidence that more widespread adoption of Internet Solutions in small and medium businesses nationwide can have a significant impact on our national productivity and overall economic strength.”

Specifically, the key findings of *Net Impact Study Canada: The SME Experience* is as follows:

### **Internet Use:**

- 50.2 per cent of Canadian SMEs are currently using or implementing Internet Business Solutions (IBS).
- A further 20.3 per cent intend to adopt IBSs within the next three years.
- Customer-focused solutions are the most widely adopted:
  - Customer Service and Support, at 56.9%
  - Customer Development and e-Marketing at 55%
  - E-Commerce at 48.7%
- By contrast, IBSs focusing on “back office” operations such as e-procurement are less common:
  - Human Resources: 23.5%
  - Supply Chain Management 21.2%

## **Financial Gain**

- On average, firms currently using IBSs increased their revenues by 7 per cent
- The average savings were represented by a decrease in costs by 9.5 per cent (costs of goods sold) and 7.5 per cent (sales, general, administrative).
- Of the various IBSs examined\*, those related to the acquisition and management of customers delivered both the highest revenue increases and the biggest cost savings.

## **Vertical Market Differentiation**

- The impact of IBS adoption varied significantly by industry sector. For example, the small and medium-sized enterprises in the Financial Services industry realized an increase of revenue of 12.7 per cent, while firms in the Retail/Wholesaling and distribution industry showed a gain of 4.4 per cent.

### *Cost-Savings: An Illustrative Example*

- Based on the data researchers modeled a simple company to illustrate how these savings might occur. A firm with \$10M in revenues, with a 20 per cent gross margin and 10 per cent net margin, can achieve increases in net profit of up to 154 per cent in a “best case” scenario i.e. if these average changes in revenues and costs were realized together.

## **Resistance to Adoption:**

- While 50.2 per cent of Canadian companies are presently using or implementing IBS, Internet adoption for SMEs in Canada lags significantly behind the US with an adoption rate of approximately 61 per cent.
- 28.4% of firms have no plans to implement an IBS, or at least not in the next three years.
- Net Impact Canada identified a number of barriers to adoption including: the cost of technology, the time required to implement, uncertainty over investment payback and management attitudes.

“While many Canadian organizations are realizing the significant benefits of e-Business adoption, the remainder must ask themselves whether they are missing opportunities for business growth and increased profitability,” said Dr. McClean.

“Canada’s SME population is the engine of our economy. It represents some 80 per cent of all jobs.” Says Allan Rock, Minister of Industry, “I believe it is critical that we put increased focus around successful e-business adoption among SMEs in order for Canada to heighten its innovative capacity and global competitiveness.”

“Clearly, e-business solutions are becoming both ubiquitous within forward-looking Canadian businesses, and essential to their ongoing success”, adds Michael O’Neil, Country Manager for IDC Canada. “As the supply chains linking businesses to suppliers, customers, and partners become more dependent on Internet business solutions, Canadian organizations will need to be even more proactive in embracing these systems, to ensure that they aren’t excluded from current or expansion markets.”

This study defined small and medium-sized enterprises (SMEs) as firms with 500 employees or fewer. Stratified samples were taken from five industry sectors: Manufacturing, Financial Services, Retail/Wholesale and Distribution, Communications and Internet Service Providers (ISP), and the Public Sector.

The Canadian Net Impact Study is an extension of the Net Impact Studies sponsored by Cisco Systems, and conducted by various partners in countries including the United States, United Kingdom, France, Germany and Italy. Based on 398 small-medium businesses nationwide, Net Impact Canada focused on assessing the impact of IBSs on small and medium business to provide evidence that Internet technology has and will continue to impact the corporate bottom line in a positive manner.

In a separate news release issued today, the Canadian e-Business Initiative Branding Committee launched *Innovation Nation*, a book that documents the vast number of Canadian success stories and e-Entrepreneurs, celebrating Canada's global leadership in technology innovation. Net proceeds from the book will go to establish a prize at Ryerson for the best business plan in the e-commerce course in the IT Department. (Editors, please contact media contacts for more information.)

#### About CEBI

The Canadian e-Business Initiative is a private sector-led initiative that aims to further Canada's e-business success by focusing on productivity, leadership and innovation. Find out more at [www.cebi.ca](http://www.cebi.ca).

#### About Cisco Systems

Cisco Systems (NASDAQ: CSCO) is the worldwide leader in networking for the Internet. Cisco news and information are available at [www.cisco.com](http://www.cisco.com).

#### About Schulich School of Business

For more than 30 years, the Schulich School of Business at York University has focussed on business education and research. Schulich is consistently ranked among the top 10 business schools outside the US and was ranked 1<sup>st</sup> in Canada and 17<sup>th</sup> in the world in the first ever global survey conducted by the Economist Intelligence Unit (EIU), a division of *The Economist* magazine. *Canadian Business* Magazine ranked Schulich #1 in Canada in its 2001 MBA Rankings and *Forbes* ranked Schulich among the world's best business schools for return on investment. Schulich has also been awarded "cutting edge MBA program" distinction in the *Beyond Grey Pinstripes 2001* survey and is ranked among the world's top three MBA programs in sustainability and social impact management. URL <http://www.schulich.yorku.ca>

#### About IDC

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