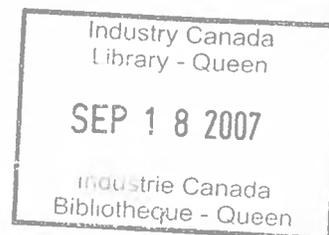


**REVIEW OF  
THE COMMUNITY STOREFRONTS  
PILOT PROJECT**

**ENTREPRENEURSHIP AND SMALL BUSINESS OFFICE  
INDUSTRY CANADA**

**DECEMBER 1999**



# **EXECUTIVE SUMMARY**

## **Background and Objective**

In support of the Government of Canada's objective of making Canada a leader in e-commerce, Industry Canada collaborated with four private sector sponsors to launch "Community Storefronts" in June 1998. This pilot project provided small businesses with a low-cost opportunity to use electronic commerce.

Community Storefronts was designed to identify the challenges and opportunities faced by small businesses in implementing e-commerce and contribute to the development of government policy in support of e-commerce. Other goals were to communicate best practices and lessons learned to the small business community and benefit Canadian commercial service providers through the creation of a larger market of e-business ready customers.

## **Project Description**

Participants were recruited by local coordinators, many of whom worked through the Community Access Program (CAP). A target of 310 participants was set, and ultimately approximately 150 small businesses and 30 non-profit organizations (NPOs) were recruited in a two-phase process. Recruitment was geared toward small companies - 83% of the participants had less than ten employees, and 67% had less than five employees. Of those originally recruited to the pilot, 96 have maintained their on-line presence in Community Storefronts. An additional 45 merchants have joined Community Storefronts since the end of the pilot phase.

Participants were provided with a package of services in support of their on-line "storefront." This package, provided by the private sector sponsors, amounted to approximately \$2M of in-kind support, and made a significant contribution to the success of the project. It included: use of a software package for on-line shopping (the Shopping Cart); real-time secure payment processing; firewall and network management; data storage facilities and datapac lines to the bank; five servers to manage web connectivity with the storefronts; and training and ongoing on-line support and advice. In addition, the sponsoring bank waived its normal requirements to establish a merchant account. The Community Storefronts web site served as a portal, with access to the individual web sites arranged by area and region. The cost of the project to Industry Canada was \$150,000.

## **Results**

In follow-up interviews, participants indicated that they had two main objectives in deciding to join the Community Storefronts pilot -- to learn first-hand about e-commerce, and to obtain financial results for their business or organization. A large majority of the participants felt that they achieved their goal of learning more about e-commerce, however, financial goals (sales for businesses and donations for NPOs) were met by only a modest percentage of the participants. For example, 63% of businesses reported no sales by September of 1999 (when the survey was conducted). Nonetheless, more than 2,000 on-line transactions were completed during the pilot, generating total sales of \$182,755.

No one reason was given for lack of sales. Suggestions included the need for more time to achieve results, a lack of awareness of e-commerce when the pilot was launched in 1998, and security concerns. Despite the lack of sales results, the majority of survey participants indicated that they intend to continue to sell on-line. Of those intending to continue with e-commerce, many indicated they would increase their efforts to achieve on-line sales. Strategies mentioned included improving their web-site, increasing their on-line marketing efforts, increasing their understanding of technology, and modifying their on-line product offering.

With regard to continuing education on e-commerce, participants indicated that they use a variety of sources to learn about e-commerce, with the most popular source of information being the Internet, followed by magazines. The government was not mentioned as a source of information.

When questioned about the ongoing role of government in promoting the use of e-commerce, there was strong support for ongoing assistance, but no clear support for any one activity. For example, 37% suggested the government should provide training, 26% said it should raise awareness, and 11% mentioned provision of leadership.

## **Lessons Learned**

One of the main lessons from the project is the complexity of the process involved in encouraging small businesses and NPOs to conduct business on-line. Electronic commerce requires a bundle of skills and interests that go beyond many aspects of running a traditional business. First, participants need some familiarity with computers and the Internet. Second, they

have to have an interest in developing an on-line business. Third, they need to develop marketing skills that are adapted to e-commerce, such as marketing their web-site.

In the view of those who worked on the Community Storefronts project, the most important barrier to the development of e-commerce is the time required from a manager of a small business. One respondent described this barrier as “the time famine.”

Many participants were not satisfied with the one-day training sessions provided by Community Storefronts, due in large part to unexpectedly large variations in computer skill levels and knowledge, and the shortage of critical mass in the pilot, which necessitated more general sessions rather than training geared to different computer skills levels. In hindsight, it is clear that the training should have been offered over a longer period of time, with more graduated levels. Finally, expectations could have been better managed if the coordinators had received more training, and had a clearer statement of the results the small business could reasonably expect.

### **Conclusion**

The Community Storefronts pilot project was a low-cost and innovative response to the challenge of encouraging the use of e-commerce in small enterprises. While the development and implementation of the pilot project proceeded more slowly and with greater difficulty than anticipated, it can be viewed as a success. First, a large majority of the participants feel they met their primary objective, which was to learn more about e-commerce. Second, a majority of the participants intend to continue with e-commerce, and plan to take action to develop sales. Third, some valuable lessons were learned, including the complexity of the e-commerce process, the time commitment needed for successful implementation, and the need for ongoing training and support.

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## **1.0 INTRODUCTION**

This review of the Community Storefronts Pilot Project aims to aid all those involved in promoting the use of electronic commerce (e-commerce) by small and medium enterprises (SMEs). The review assesses the results of the pilot, and summarizes the lessons learned, which are important for government, private sector service providers, and SMEs themselves.

The Community Storefronts Pilot Project was a partnership initiative of Industry Canada and the private sector, designed to encourage the use of e-commerce by SMEs, and to identify barriers to e-commerce adoption. Program development and implementation occurred between February 1998 and August 1999. This review was carried out during the autumn of 1999.

A description of the background to the pilot project and its objectives are presented in Chapter 2. Chapter 3 describes how the project was delivered. The methods used in the review and results are discussed in Chapter 4. Conclusions and lessons learned from the initiative are presented in Chapter 5.

For purposes of this report, e-commerce is defined as monetary transactions on-line (sales and purchasing), whereas e-business encompasses a broader range of commercial transactions including research, marketing, and supplier/customer relations.

## **2.0 BACKGROUND AND OBJECTIVES**

### **2.1 Importance of E-Commerce to Canadian Small Businesses**

The Internet offers many opportunities to reduce costs and increase the efficiency with which enterprises conduct business - creating new business models, integrating functions such as marketing, selling, and purchasing, and streamlining logistics and inventories. The low cost and open standards of doing business on-line allow small businesses and start-ups to compete in areas that were traditionally open only to large players, but also opens up markets traditionally held by SMEs to wider competition. Market analysts suggest that SMEs entering the business-to-consumer e-commerce market face scale disadvantages which make it difficult (if not impossible) to compete on price alone. Little can be done about SMEs inability to compete on price. However, market analysts also indicate that SMEs *can* compete in service, in niche markets, and by networking. Businesses are learning that benefits may be “shared” by spreading

efficiency gains to the business systems of suppliers and customers. This ability to collaborate with others may be just as much of a competitive advantage as the ability to use the technology internally.

An increasing number of Canadian SMEs are taking advantage of the Internet for business purposes. According to recent studies by the Canadian Federation for Independent Business (CFIB) and SES Canada Research Inc., approximately 60% of small businesses use the Internet. The CFIB study reports that this is almost double the number measured two years ago. For the smallest firms (fewer than five employees), more than 50% are hooked up, and this number is expected to increase to 75% in 2000.

However, a number of issues have been identified from these and other studies. There is still a perception by a significant number of small businesses not yet connected that the Internet is not necessary. In addition, there is a low web-site presence among micro-businesses - 12% for businesses with fewer than five employees, to 26% for businesses with 20-49 employees. Furthermore, use of the Internet is concentrated in the connectivity and pre-commerce stage, which includes market research, customer feedback via e-mail, and basic web-site presence. While advancement to more sophisticated use of the Internet in support of business-to-consumer and business-to-business activities generally occurs in progressive stages, take-up in Canada is lagging in these stages, particularly amongst small businesses. For example, less than 40%, or fewer, depending on the study, of small business are engaged in e-commerce. Less than 20% of web-sites allow on-line payment, only 8% of small businesses bought office supplies on-line, and only 20% to 25% engage in basic e-banking activities.

If Canadian companies, including small businesses, are to remain competitive in the new globally connected marketplace, they need to move quickly to address this lag and take advantage of both business-to-consumer and business-to-business e-business.

## **2.2 Objectives of the Community Storefronts Pilot Project**

Community Storefronts was launched in June 1998 as part of the Government's Electronic Commerce Strategy. It was designed to contribute to the objective of strengthening the information infrastructure in Canada through awareness and skills development. Through the pilot, small businesses and volunteer organizations, particularly in small towns or rural areas, would be provided with a low-cost opportunity to test the application of electronic commerce Internet tools in their business environment. The business case for the pilot project stated that

“each business will place a sample of its products on the (web) site to find out how to present them and to learn what sells on the Internet. They will learn to integrate on-line vending with their existing business practices and gain experience in the new issues of serving a geographically wider market than they have immediately available to them.”<sup>1</sup> Small businesses and not-for-profit organizations (NPOs) would thus increase their confidence in the use of Internet tools, and gain practical experience from which they would, hopefully, broaden their e-business use.

Design of the pilot project was explicitly linked to an understanding of the steps involved in the adoption of new technologies. Initially a new technology is adopted by those described as “technological enthusiasts and visionaries.” A compelling business case needs to be developed before the technology will find wide acceptance in the mainstream. Part of the acceptance path depends on “endorsements and testimonials” from users with business concerns similar to those of the people considering the use of a new technology. The project was also expected to provide lessons and best practices which would be communicated to SMEs and others, for example through a sharing of the results of the pilot on *Strategis*.<sup>2</sup>

The information gained through the pilot would also contribute to the Government’s understanding of the issues particular to small business in the application of e-business. Specifically, the project would test the widely held notion that connectivity confers an advantage to small businesses, and would help to identify any barriers particular to small business in “getting connected.” Finally, it was expected that the pilot would contribute to the objective of increasing the market for Canadian e-business applications developers and on-line products.

### **2.3 Funding and Role of Sponsors**

Community Storefronts was, from conception to implementation, a partnership between the federal government and the private sector. Industry Canada, through the Entrepreneurship and Small Business Office (ESBO), collaborated with four private sector sponsors: Strategic Profits Inc., TouchNet Canada, GE Capital Information Technology Solutions, and the Royal Bank of Canada. Each member of the consortium brought a needed component to the pilot. Strategic Profits Inc. provided the e-commerce business model training and Shop Site Pro shopping cart

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<sup>1</sup> Business case for funding submitted to Industry Canada’s Information Management Committee in 1998.

<sup>2</sup> *Strategis* is the principal web-site of Industry Canada.

license through their partnership with I-central, GE Capital provided a central, secure hardware system, TouchNet, the accredited payment system, and the Royal Bank, the reconciliation of VISA merchant transactions and authorization of other major credit cards. Industry Canada provided the use of its Community Access Program sites (CAP) in participating communities, the services of a local coordinator, and overall project management. Industry Canada provided \$150,000 in funding to the pilot, and the private sector sponsors contributed approximately \$2M of in-kind support.

### **3.0 PROGRAM DELIVERY**

#### **3.1 Recruitment**

Initially the project was to run from June of 1998 to February of 1999, but was extended to August 1999. A target of 310 participants (60 non-profit organizations and 250 SMEs) was established. Participants in the pilot project were to pay a \$250 fee to be connected, to have a commercial account with an Internet Service Provider (ISP), and to participate in local training sessions.

Community Storefronts Coordinators were engaged by Industry Canada to help recruit participants, arrange training facilities, and provide some ongoing assistance to the participants. The original intent had been to run the project out of the Community Access Program (CAP) sites, however, not every community had a CAP site, so the Vancouver, Calgary and Toronto recruitment was done by Strategic Profits Inc. Non-profit organizations (NPOs) were recruited by Web Networks, a national non-profit Internet solutions provider. Recruitment was done in two waves. Original participation was limited to four centres (Lumby, B.C.; Lanark County, Ont.; Launaudiere Region, Que; and Cape Breton, NS). These communities were chosen for their excellence in managing the Community Access Program (CAP), and for their rural and regional representation. In an effort to increase participation, the pilot was expanded to all ten provinces in August 1998, with a continuing emphasis on smaller communities outside of larger metropolitan areas.<sup>3</sup> In the end, sixteen sites across Canada participated, ten of which were run from CAP sites.

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<sup>3</sup> The expansion sites were: Clarendville and Stephenville in Newfoundland; Summerside, Prince Edward Island; Moncton, New Brunswick; Brandon, Manitoba; Estevan, Saskatchewan; Calgary and Grande Prairie in Alberta; and Vancouver, BC.

A wide variety of means was used to recruit participants, ranging from personal contact and events organized by the local coordinator, to promotion in local newspapers and at community business forums. The Royal Bank assisted by sending letters to its Merchant Account clients in each region, and Industry Canada targeted existing operators of small business web-sites through its *Contact!* management information web-site.

### **3.2 Training**

A one day training session, designed and delivered by Strategic Profits Inc., was offered to participants. The training session focused on practical aspects of e-commerce and setting up an on-line business. The training sessions were designed for three different levels of expertise. The local coordinators were expected to arrange separate sessions for each level of expertise. After the training sessions participants were expected to set up a web-site - an electronic "storefront" - available on a server provided by Strategic Profits Inc. Strategic Profits Inc. also provided additional training on-line during the course of the project, as well as one-on-one training to interested participants.

### **3.3 Getting On-line**

A Community Storefronts web-site was developed by Strategic Profits Inc., and the "stores" of participants were posted on the site as they were created. The Community Storefronts web site served as a portal, with access to the individual web sites arranged by area and region. Other contributions by the sponsors in support of the web-site included use of a software package for on-line shopping (the Shopping Cart), real-time secure payment processing, firewall and network management, data storage facilities and datapac lines to the bank. This included five servers to manage web connectivity with the storefronts. The Royal Bank waived its normal requirements to establish a merchant account.

Once on-line, Strategic Profits Inc. offered ongoing on-line support and strategic advice to participants. On-line tutorials were presented each week, and questions posted to a web-board were answered on a regular basis.

### **3.4 Value of Package**

Based on the 1998 cost of the hardware, software and services provided, the value of the total package to individual participants in the Storefronts project can be estimated at \$6,000 to

\$10,000 for each of the 130 participants that developed an e-commerce enabled web-site. The total project cost was approximately \$2.1M. For 180 participants the average cost is \$11,700. However, it is unlikely that the participants would have been willing to pay the full cost and thus the "value" to the participant is probably considerably less than the average cost (part of which represents the cost of a pilot project).

Estimating the exact value of the package to individual participants is complicated by the special arrangements made for merchant accounts. At the time the Community Storefronts Pilot Project started, a merchant account could require a security deposit of thousands of dollars. The fees to establish a merchant account typically included:

- A set-up fee (between \$100 and \$300);
- A percentage of the credit card sales (2% - 4%);
- A transaction fee (between 3 and 26 cents per transaction);
- A security deposit (often a minimum of \$5,000 or 3 months of on-line credit card sales, e.g., for \$10,000 a month in on-line sales the security deposit could be \$30,000).

Bank charges to establish a merchant account vary among the banks. In some cases the account manager has considerable discretion in determining the size of the security deposit. If the account manager knows the company well then the requirement for the security deposit could be significantly reduced.

Regardless of the exact value, participation in Community Storefronts could be considered an attractive package offered at a very low cost.

The pilot project took place over the period between June 1998 and August 1999. At the end of the pilot, 96 participants elected to remain in the project, which continues to be offered by a number of the original sponsors, on a commercial basis, without subsidies. An additional 45 merchants have joined Community Storefronts since the end of the pilot.

### **3.5 Project Implementation**

While there were 180 participants in the training sessions, 130 of these eventually built an e-commerce enabled web-site, and not all were fully functioning on-line when the project was launched in June 1998. At the time of the launch, there were some 90 companies recruited, less than one-third of the target of 310. As discussed in more detail in the evaluation section of this

report, there were a number of problems encountered pre- and post-launch. There were difficulties in setting up the server, and the site had to be rebuilt three days before the launch. Delays were experienced over the summer months in collecting and translating the necessary information on participating companies. According to one of the sponsors, the training program was poorly organized, and suffered from inadequate communications between key parties. In some cases the training did not take place until five months after the launch.

According to both the coordinators and the sponsors, the effort expended by participants varied. Some took full advantage of the on-line tutorials, and invested considerable time in marketing their products on-line. Others created their web-site, but did little to promote it. There was general consensus that the amount of effort expended had a direct correlation to results during the pilot.

## **4.0 EVALUATION**

### **4.1 Methodology**

This review is based on several different sources of information. The local coordinators were interviewed, as were the non-government sponsors of the project. A survey of participants was conducted, with a 43% response rate. The questionnaire for the survey of participants is included as Appendix A. Finally, background material on the project was reviewed, as well as the project web-site.

### **4.2 The Coordinators**

Interviews were conducted with ten of the local coordinators. The majority of coordinators joined the project to learn more about e-commerce, build their business outreach and add new services to their CAP site. In general, they felt they benefitted from their participation, although the amount of work involved in recruiting participants was greater than originally expected. Coordinators were expected to recruit 60 businesses in each centre, but in retrospect, they indicated that 25 would have been a more reasonable target.

Coordinators were generally surprised by the lack of uptake for the pilot, and offered a number of explanations for the lack of interest. There was a general consensus that the project was early in the e-commerce market development, and that local businesses simply did not see the relevance of e-commerce to their operations. It was suggested by a number of coordinators that a graduated

approach would have been more successful, focusing first on awareness of e-commerce and its benefits, before providing the tools to do it. In the view of coordinators a key barrier to successful participation was a lack of time, since participants were already very busy running a business. It was suggested that resource and staff limitations may have hampered recruiting, although this view was not strongly expressed.

Implementation of the pilot was made difficult by the wide range of computer skills of potential participants. In the initial round participants on average had little experience with computers. The second round recruited participants who already had a web-site and so a greater skill level with computers.

Views about training were strongly related to differences between recruits in the first and second round. In the first round of training an attempt was made to cover a comprehensive range of material. This included market statistics, promotion on the Internet, and how to use on-line order forms ("shopping carts") and customize them to a business.

Most coordinators felt that the training for the first round of participants was presented to the wrong audience. Assumptions about the skill levels were optimistic and this made it difficult to present so much material in one day. In the second round the training was reduced by eliminating information on the market for e-commerce and how to market on-line. The material focused on using the shopping cart, and the online tutorials and support line to be offered throughout the project. Skill levels were higher in the second round. Nevertheless, coordinators felt that most of the participants still needed additional help, and concluded that having a web-site did not mean the participant had a sophisticated understanding of the Internet or e-commerce.

In retrospect, coordinators were of the view that the training should have included more sessions, with less information at each session, and better selection of candidates to ensure an adequate level of computer literacy. One coordinator suggested the need for a training session for coordinators, so that they could have been in a better position to help participants.

Coordinators were of the view that the financial results of the project were modest. They offered several reasons for this. First of all, they suggested that the time on-line was perhaps too short to realize results. The second round participants in particular, who were only involved in the project for several months, may not have had time to generate sales. Coordinators also felt people were not as aware about the possibility of on-line shopping in 1998 as they are today, and for those who were, there were security concerns about using a credit card on-line.

Despite the poor financial results, there was general consensus amongst coordinators that their communities achieved a greater awareness of e-commerce and its benefits through the Community Storefronts pilot. In the words of one coordinator, the pilot was a “tease” that eventually piqued the interest of non-participants.

### **4.3 Participants**

Seventy-seven of 180 participants in the Community Storefronts project were interviewed. This represents 43% of the participants, and is a particularly large sample for a study of this type.

The survey questions covered three different topics: background information on the participants and their experience with e-commerce and computing, their experience with the Community Storefronts project, and their interest in continuing with e-commerce. A brief summary of the results of the survey follows.

#### *Background Information*

Participants in the Storefronts project were small companies. Eighty-three per cent of the participants had fewer than ten employees. Of these, 67% had fewer than five employees. Seven per cent had between 11 and 19 employees, and 10% had more than 20 employees. A large number of participants (73%) had between 1 and 5 part-time or seasonal employees.

Participants were for the most part involved in tourism, communications, sales and marketing (43%). Eleven per cent were non-profits. Relatively few were involved in manufacturing, shipping, warehousing or computer manufacturing (less than 10%).

More than half of the participants had been using computers during the period 1985 to 1994. Forty-three per cent of participants began using computers in the period 1995 to 1999. Ninety-seven per cent of the respondents now use the Internet for business purposes. The vast majority of respondents began using the Internet for business purposes before the Storefronts project began. Only 30% began using the Internet for business purposes during 1998 and 1999.<sup>4</sup>

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<sup>4</sup> It is difficult to know if the 30% who began using the Internet in 1998 or 1999 did so exclusively because of the Community Storefronts project. Even if the project introduced these individuals to the Internet it is not possible to say that they would not have begun using the Internet for other reasons.

Ninety per cent of respondents have a web-site (not all those who attended the training session went on to create web-sites.) Forty-nine per cent of the respondents established a web-site in 1998 or 1999. The web-sites tend to be managed by the respondent or staff of the company (61%). Seventeen per cent of the sites were managed by an outside service provider, and 6% by volunteers.

The Internet is used for E-mail (99%), research (86%), marketing (83%), invoicing (27%), and accounts payable (10%). Forty-one percent of respondents use on-line government services.

### *Community Storefronts Experience*

Respondents had a variety of reasons for joining the project. The two main reasons were to learn about e-commerce, and to increase sales (39% of respondents gave each as a reason). Interestingly only 1% joined to respond to customer demand for on-line service. Only 9% suggested obtaining a free merchant account was the reason for joining the project.

Respondents reported that the local coordinator was important to their participation. Fifty-seven per cent of respondents said the coordinator was either "important, somewhat important or very important" to their participation. Thirty per cent said the coordinator was not important, and 13% had no opinion.

Participants had a less than enthusiastic response to the value of the one day training session. Forty-five per cent said the session was "not at all useful or not useful." Since 21% of respondents did not venture an opinion, only 33% of respondents described the training session as "somewhat useful, useful or very useful." Only 6% of respondents said the training was very useful.

Fifty-seven per cent of respondents developed a web-site after the one-day training session. This needs to be interpreted with caution since a large number of respondents had a web-site before the project. The 57% probably includes people who had a web-site modified to participate in the Community Storefronts project.

Respondents' views about the ongoing technical support are similar to their views about the training provided. Forty-two per cent of respondents found the on-line support less than useful (1 or 2 on a five point scale). Less than a majority (46%) gave the on-line support a 3, 4 or 5 on a five point scale. The remaining 12% did not have an opinion.

Regardless of their views about the training and on-line support, many respondents spent a considerable amount of time promoting their Community Storefronts presence after the initial training session. Forty-four per cent spent between 11 and 50 hours, 12% spent between 51 and 100 hours, and 15% spent over 100 hours promoting their Storefronts presence.

Despite these efforts, 63% of respondents said they achieved no sales. Seventeen per cent had on-line sales of less than 10% of their sales. In a small percentage of cases (14%) on-line sales were more than 30% of sales. In total, more than 2,000 on-line transactions were completed during the pilot, generating total sales of \$182,755.

It was evident that participants had higher expectations going into the pilot. Seventy-nine per cent said they did not achieve their sales objectives, 6% they did, and 15% did not venture an opinion.

Of the not-for-profit organizations involved, 57% felt they met their objectives, and 43% felt they did not. These results may reflect the fact that an organized web-presence for information on charities and NPOs had been managed by Web Networks for some time prior to the Community Storefronts pilot, and the e-commerce capabilities were simply an added feature to this presence.

No single reason was given for the lack of on-line sales, suggesting it was a combination of factors. For example:

- 10% said they did not have adequate time to maintain their web-site;
- 10% cited inadequate on-line technical support;
- 8% suggested that e-commerce use was low amongst their customers;
- 8% said they did not have the skills to run a web-site;
- 5% suggested they did not spend sufficient time marketing their web-site;
- 3% suggested that their product was not suitable for the e-commerce market.

No one suggested that customers did not trust on-line purchasing.

### *Continuing Interest in E-Commerce*

Respondents use a variety of sources to continue to learn about e-commerce, and spend several hours a month learning. The Internet is the main source of information (53%), with magazines

the second most mentioned source (35%). Advisors (paid and unpaid) were mentioned by 18% of respondents. Interestingly, no respondent mentioned government publications.

Respondents spend between 1 and 10 hours a month learning about e-commerce. Twenty-five per cent spent more than 10 hours a month, while 20% of respondents admitted to spending no time.

When asked about their continuing interest in selling on-line, only 70% of respondents ventured an answer. Of those who answered, 93% intend to continue selling on-line. Only 7% did not know or responded no. Thus at least 50% of the total sample intend to continue to sell on-line. As of December 1999, 96 of those originally recruited to the pilot have maintained their on-line presence in Community Storefronts. An additional 45 merchants have joined Community Storefronts since the end of the pilot phase.

Of those respondents interested in continuing to sell on-line:

- 82% intend to improve their web-site;
- 82% intend to increase their on-line marketing efforts;
- 74% intend to increase their understanding of technology, and;
- 61% intend to modify their product offering.

A question about reasons for not continuing to sell on-line elicited only three responses. Of those who responded, one mentioned the difficulty of delivering the product after the sale, and the other two did not give a reason. No one mentioned the cost of a merchant account or the cost of computers and technology.

Respondents were asked if governments should help organizations in their use of the Internet and e-commerce. Eighty-seven percent of the not-for-profit organizations and 89% of companies agreed. Responding to the question "What should governments do?", support was strongest for training (37%), raising awareness (26%), and leadership (11%). Taxation, policy development and infrastructure were mentioned less frequently. Almost 10% of respondents suggested governments should not be involved.

#### 4.4 Sponsors

Three of the private sector sponsors of the Community Storefronts pilot were also interviewed. They were asked to provide their views on the following:

- barriers to e-commerce for SMEs;
- training and information needs of SMEs;
- the appropriate role for government.

##### *Barriers*

In the view of the sponsors, there are three main barriers to e-commerce - time, education and training. Time is the most important barrier, as it relates to the process of learning about e-commerce, as well as to managing an on-line presence. All three sponsors interviewed mentioned training and/or education as important barriers as well. None of the sponsors suggested that there was a technological gap (e.g., that certain software was not available), or a lack of technical support.

##### *Training and Information Needs for SMEs*

Although in agreement about the importance of education and training, the sponsors are of the view that needs vary greatly. They point out that some business owners use a computer regularly and have a good understanding of what is involved in e-commerce. Other business owners do not use a computer regularly and need much more coaching and support to enter the world of e-commerce. There was agreement however that success in e-commerce relies on SMEs making a commitment to their on-line presence. Sales will not happen just because a SME has a web-site.

##### *Role for Government*

A main role for government in the view of sponsors is to facilitate the education/training needed for SMEs to enter into e-commerce. All three sponsors think the training requirements are more complex and demanding than originally envisioned for the Storefronts project. Training should have been provided in manageable units, developed for the specific user needs, and delivered over a longer period of time. Two of the three sponsors also suggested that the coordinators should have received more training. A number of the coordinators were of the same opinion.

Sponsors emphasized the importance of government as an ongoing source of education and training. They also suggested that new initiatives should be in the form of partnerships with the private sector and that lessons from the Storefronts project should be applied to any new initiatives.

One sponsor suggested two additional initiatives that government could encourage. The first initiative involves the creation of a “yellow pages for e-commerce.” He pointed to the existence of separate lists by various institutions, such as a bank’s list of its e-commerce merchants, and the fact that the absence of a comprehensive list for Canada made it difficult for consumers to find e-commerce merchants.

The second initiative suggested with which government could help is the development of a set of guidelines or best practices for merchants who offer services on-line. The guidelines could cover such topics as security, privacy and best practices. These guidelines do not have to be a set of legislated regulations, and could be developed in a partnership between government and the private sector.

## 5.0 LESSONS LEARNED

Our assessment of the lessons learned from the Storefronts pilot is as follows:

### *Complexity*

The process involved in encouraging SMEs and non-profit organizations (NPOs) to conduct business on-line is complex, with no single approach for all businesses. E-commerce requires a bundle of skills and interests that go beyond many aspects of running a traditional business. First, participants need some familiarity with computers and the Internet. Second, they have to have an interest in developing an on-line business. Third, they need to develop marketing skills that are adapted to e-commerce (e.g., marketing their web-site). Fourth, generating results requires active and ongoing participation on the part of the owner/manager. Efforts to increase the speed with which SMEs adopt e-commerce should therefore address these different aspects of the adoption process. Simply helping SMEs create a web-site is no guarantee that on-line sales will result.

### *Scope of Project*

In retrospect, expanding the pilot to 16 from the originally planned four sites was ill-advised. This was largely done in an effort to increase the number of participants in the pilot, after poor preliminary recruitment results. Managing the large number of sites became problematic however, particularly the delivery of the training sessions. More emphasis should have been placed on recruitment in the original sites, with more focused marketing of the pilot.

### *Training*

In hindsight, effectively meeting the training needs of a diverse group was one of the most difficult aspects of the Community Storefronts pilot. The training needs of the participants varied greatly, but the training program was not able to accommodate the various levels of experience. The number of sites, and the small number of participants in each site, contributed to the problem. While three levels of training were prepared, it was not always realistic to hold three sessions in each community, as there were often only a few participants.

It also became evident that a one day or half day session was not sufficient for most participants, particularly those at a more basic level of computer skills. Training should have been offered

over a longer period of time, with more manageable “chunks” of information to digest. While the on-line tutorials and web-board were intended for supplementary training, it was clear that most participants were not comfortable with this approach, and would have preferred a local trainer to help them one-on-one. A package of tools and supporting materials for the coordinators may have also helped them better meet the needs and expectations of participants during the pilot.

It was also suggested that more preparatory time was required to set the stage for the pilot, starting with general awareness of the benefits of e-commerce, then basic training on computer and Internet skills, then ultimately training for participation in the actual e-commerce pilot.

### *Time Requirements*

The time required from an owner/ manager of a SME was identified as an important barrier to adopting e-commerce. However, there also appeared to be a direct correlation between results and time spent on improving and promoting on-line presence. This suggests that a stronger message on return on time invested needs to be sent to SMEs. Also, continued provision of information on e-commerce, and sources of training and assistance would help reduce the time requirement.

### *Merchant Account*

As a result of its experience with the Community Storefronts Pilot Project, the Royal Bank has made it easier to obtain a merchant account. The bank has also developed an on-line application for a merchant account, and a section on its web-site where a business can create a “storefront” while on-line. These types of tools make it easier for SMEs to develop their “storefront” without direct assistance.

## **6.0 CONCLUSIONS**

The Community Storefronts initiative was designed as pilot project to encourage SMEs and non-profit enterprises to learn about e-commerce, and to identify barriers to e-commerce adoption. As a pilot project it was hoped that the experience of participants could be shared with other SMEs who would also be encouraged to use e-commerce. An additional goal was to increase the market for Canadian e-business applications developers and on-line products. In addition, lessons learned could contribute to the development of future policy development and programming in support of e-commerce.

While the Community Storefronts Pilot Project did not produce the financial goals anticipated, a large majority of the participants feel they met their objective of learning more about e-commerce -- lessons they will be able to apply in their continuing e-commerce activities.

It also contributed to the Government's objective of learning more about the challenges and opportunities SMEs face in using e-commerce, especially the fact that the barriers to simply setting up an e-commerce enabled web-site on the Internet are not large for SMEs. However, marketing and ongoing support and training are essential for effective SME use of e-commerce. There was general agreement that the support and training needs of SMEs are more complex than originally envisaged. Whereas many participants indicated that there is a role for government in training, none of the participants indicated that they actually look to government as a source of information – creating some ambiguity about what government could actually do.

Community Storefronts was also a learning experience for the sponsors, and led to a change in policy by one of the sponsors (the Royal Bank).

## APPENDIX A: PARTICIPANTS SURVEY QUESTIONNAIRE

### Community Storefronts Pilot Project Evaluation Questionnaire Survey of Participants

Name: \_\_\_\_\_

Business Name: \_\_\_\_\_

Business Type: \_\_\_\_\_

Storefront: \_\_\_\_\_

Date and Time of Interview: \_\_\_\_\_

#### Screening Questions

I am calling on behalf of Industry Canada to follow-up on your participation in the recent Community Storefront electronic commerce pilot project.

a) Did you receive the letter from John Manley, Minister of Industry notifying you of this survey?

1. Yes \_\_\_\_\_

2. No \_\_\_\_\_ **Read Brief Description of Letter**

b) Do you recall participating in the Community Storefronts pilot?

1. Yes \_\_\_\_\_ **Continue with Q.1**

2. No \_\_\_\_\_ **Terminate Interview; answer any questions and be ready to provide contact info. for IC rep.**

#### Introduction:

I am going to ask you a series of questions relating to the Community Storefront pilot in which you were involved, to help us understand your experience in using electronic commerce. Your participation is voluntary. Should you agree to participate, your response information will be kept confidential, and only

aggregate results will be made public. This information may be used to develop federal policies and programs to help small business and non-profit organizations.

**(Note to Interviewers : Distinguish between business and non-profit organizations. If non-profit use the word organization or non-profit organization as appropriate).**

**1. I would like to start off with learning about your specific business ( organization). Could you give me a brief description of your business with regards to the following aspects:**

1) When did you start your company/organization? \_\_\_\_\_

2) How many full-time employees do you have? \_\_\_\_\_

3) How many part-time or seasonal employees? \_\_\_\_\_

4) Where is your primary location? \_\_\_\_\_

5) Do you have offices in other locations?

1. Yes \_\_\_\_\_ Where? \_\_\_\_\_

2. No \_\_\_\_\_

6) What are your primary products or services?

1. \_\_\_\_\_ Industrial products/ manufacturing

2. \_\_\_\_\_ Shipping and warehousing

3. \_\_\_\_\_ Computers and electronics manufacturing

4. \_\_\_\_\_ Computer software and systems

5. \_\_\_\_\_ Financial services

6. \_\_\_\_\_ Tourism

7. \_\_\_\_\_ Communications (including advertising)

8. \_\_\_\_\_ Sales and marketing

9. \_\_\_\_\_ Consulting

10. \_\_\_\_\_ Food and agriculture

11. \_\_\_\_\_ Non-profit

7) Who are your client gro