

## Chapter 5

# E-Commerce and Small and Medium-Sized Enterprises in S.E. Wales

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### ABSTRACT

*One region where e-commerce will have a particular impact for small and medium-sized enterprises (SMEs) over the next few years is South East Wales (SEW). In response to this a survey was undertaken by the Welsh Enterprise Institute (WEI) in collaboration with the Open University Business School and Rennes ESC in Brittany to assess the e-commerce activity of firms within the SEW area. The survey was conducted using a database of 3,000 members provided by the Cardiff Chamber of Commerce, Trade and Industry and a survey form was sent to the sample as a postal questionnaire. Results from the survey demonstrated that nearly all firms used some form of Information Communication Technologies (ICT). The results also highlighted that a significant proportion of the sample (77%) were currently using a Web site to increase trade or improve opportunities for e-commerce. Furthermore, it was observed that firms in the personal services, distribution and transport industries were less likely to utilise a Web site than firms in the manufacturing, business services and hospitality industries. Despite the large proportion of firms that had a Web site, only 11% of businesses reported that their site enabled customers to order and pay for products online although 42% of respondents considered e-commerce to be important for their business' future. This chapter therefore argues that these results clearly underpin the necessity for an e-commerce policy in SEW for the future competitiveness of the area. There are real opportunities to develop and diversify the SEW economy through e-commerce.*

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## INTRODUCTION

It has already been recognised that e-commerce is revolutionising business transactions. In fact, e-commerce is changing the way businesses of all sizes operate in terms of their interaction with customers and suppliers. In addition, it is contended that the rapid adoption of e-commerce by many firms is also providing the catalyst for societal change. Through e-commerce it is possible to market products and services to customers around the World. It continues however, to present a significant challenge to regional and central governments alike in terms of policies and programmes. In this sense, it is argued that businesses will need to adopt a proactive approach if they are to benefit from this new medium. Moreover, it is submitted that unless firms develop their own procedures and systems to keep pace with electronic developments, they are likely to be left behind and fall by the wayside as the 'e-economy' gathers momentum.

Due to there being no internationally accepted definition of e-commerce, according to MacGregor and Hodgkinson (2007), there are nearly as many e-commerce definitions as contributions to the literature and they highlight the following:

*Any 'net' business activity that transforms internal and external relationships to create value and exploit market opportunities driven by new rules of the connected economy.* (Damanpour, 2001, p. 18)

*Functions of information exchange and commercial transaction support that operate on telemcommunications networks linking business partners (typically customers and suppliers).* (Raymond, 2001, p. 411)

*An emerging concept that describes the process of buying, selling or exchanging services and information via computer networks.* (Turban et al, 2002, p.4)

Small and medium-sized enterprises (SMEs) have exhibited considerable evolutionary change. From the perspective of SMEs, global challenges and opportunities are being intertwined with the increasing business potency of the Internet. The contemporary small business landscape is presenting SMEs with tantalising and testing possibilities within the Internet context (Fillis & Wagner, 2005; Matlay & Westhead, 2005; Bengtsson et al., 2007). Despite the widespread acceptance of Internet use in corporate environments, the extent of Internet use continues to vary widely among small businesses (Sadowski et al., 2002). The opportunities presented by e-commerce participation for SMEs, relate to the leveraging of inherent strengths to create competitive advantage. The size of SMEs enables them to be more adaptable and responsive to changing conditions than larger organizations and to further benefit from the speed and flexibility that the electronic environment offers (Stockdale & Standing, 2004). However, for SMEs the Internet is also viewed by other researchers as posing significant challenges. For most SMEs Internet based e-commerce is manifested through Website adoption (Simmons et al., 2007; Simmons et al., 2008). Many small businesses initially adopt the Internet for business use as a tool for email and surfing the World Wide Web. However, Website adoption takes this Internet adoption to a higher level by requiring the SME to register a URL and develop a Website, which can be accessed by visitors globally (Simmons et al., 2008). Within this context, the proliferation of Websites is making it more difficult for SMEs, compared to their larger counterparts, to attract visitors and convert them to customers. Auger (2005) states that this can be due to factors such as a lack of brand recognition, lack of advertising resources, and limited Website development and maintenance budgets.

## BACKGROUND

SMEs are adopting e-commerce for marketing, promoting, buying and selling of goods and ser-

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