Actinic Ecommerce Report 2004

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1. Introduction

This document summarises the main conclusions from the annual research carried out amongst UK small businesses (less that 250 employees) in 2004.

The 2004 research is the most extensive ever carried out by Actinic, covering three specific groups. It is based on a telephone survey using the same core questionnaire:

1.1.1. Telephone survey by Actinic:

84 end users who bought direct from Actinic

1.1.2. Telephone survey by pfa Research:

A random sample of 351 retailers with and without a web presence

Plus 104 companies with web sites

2. Summary

2.1. Ecommerce profitability

2.1.1. Profitability among retail sites is up almost 20%.

- 72% of retail web sites are profitable compared with 53% last year. This significant rise indicates that continuing growth in online consumer spending is benefiting a wide range of retailers – not just the largest and best-known sites.

2.2. Ecommerce adoption

2.2.1. Ecommerce adoption has risen among companies that already have a web site, from 27% in 2003 to 42% in 2004, but remains low overall, with only 3% of all companies enabling orders to be placed on a web site

- The continuing low rate of ecommerce adoption among retailers, coupled with continued growth in online shopping, indicates a real risk of supplier shortage on the web – with consumer choice being limited because of vendor resistance to ecommerce adoption.
- With demand currently growing much faster than supply, the business opportunity for retailers is greater now than during the dot.com boom. Relatively few are cashing in – but those that do are seeing their profits rise.

2.2.2. Ecommerce is a popular choice among entrepreneurs and small businesses.

- 40% of ecommerce businesses are online-only startups.
- 75% of ecommerce sites are run by companies with 10 employees or less.

2.3. Future plans and intentions

2.3.1. Fewer companies than before have firm plans to adopt ecommerce in the future, but more are undecided. The number of companies committed to non-adoption has not changed.

2.3.2. More companies than before said that non-adoption of ecommerce was due to lack of resources, rather than for firm business reasons. Among those not planning ecommerce

- Fewer companies claimed this was due to lack of interest from customers (10% compared with 16% in 2003)
- Of those who have not actively decided against ecommerce, fewer attributed this to unsuitable products (32% compared with 46% in 2003), and more attributed it to lack of time (32% compared with 8% in 2003)

2.4. Sources of advice and construction

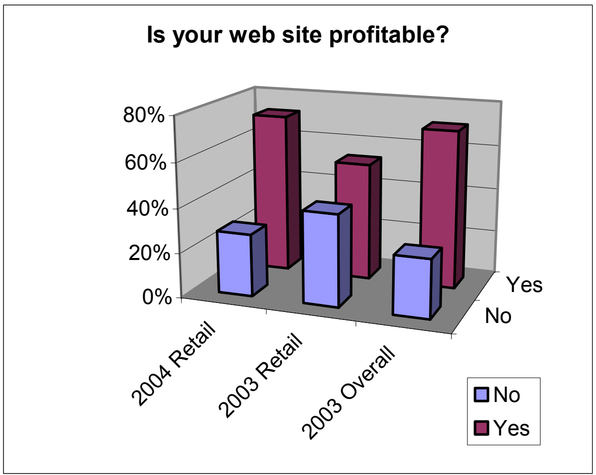
2.4.1. Web designers and consultants are increasingly seen as expert sources of information about ecommerce, with more users approaching consultants and trade advisers in preference to a net-savvy friend or colleague.

2.4.2. Among Actinic users, more than 25% went first to a consultant or advisor for information about ecommerce, and a further 20% went to a web designer

3. Ecommerce profitability

3.1.1. In 2004, profitability of ecommerce sites in the retail sector caught up with those in other sectors.

- 72% of retail web sites that responded to the question are profitable (compared with 53% last year). This increase shows that the continuing increase in online shopping by consumers is benefiting a wide range of retailers – not just the largest and best-known sites.



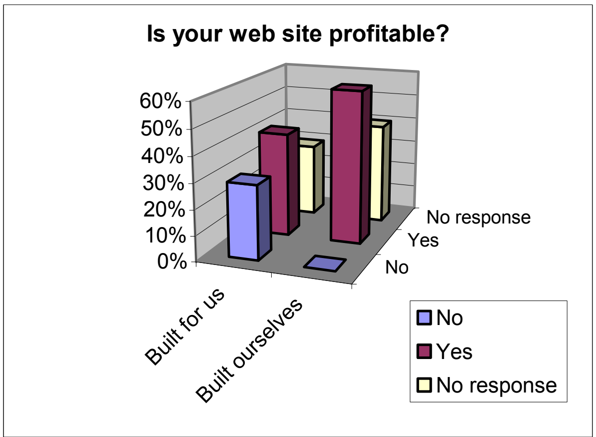
	2004	2003	
	Retail	Retail	Wholesale, Retail & Manufacturing
Yes	72%	53%	71%
No	28%	41%	26%

3.1.2. Companies are not currently maximising the benefit of professional help with their web presence. Although more of them than before are looking to web designers and consultants to build their sites (see section 6), they do not necessarily reap benefits in terms of increased profitability. In fact, more self-built sites have reached profitability (60%) than those built by web professionals (41%). This may be because:

- Although professionally-built sites may deliver better results in the long term, they take longer to clear the cost of development and enter profit because of the larger investment required.

- Companies who outsource design may pay less attention to site marketing and promotion – which is essential for attracting customers; whereas self-builders take responsibility for all aspects of their web presence, and gain expertise through their involvement.

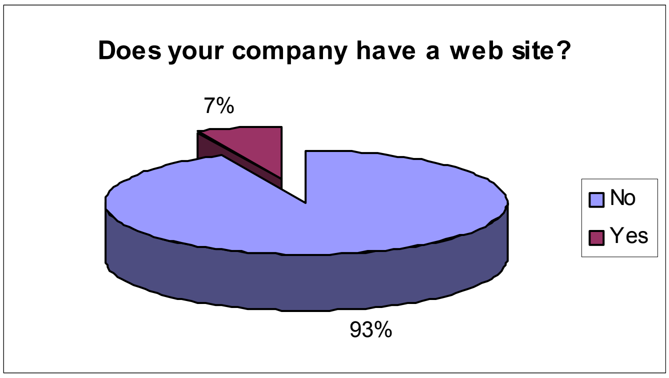
- Packaged ecommerce solutions have become more mature, making it easier for merchants to build good quality DIY sites that attract both customers and orders.

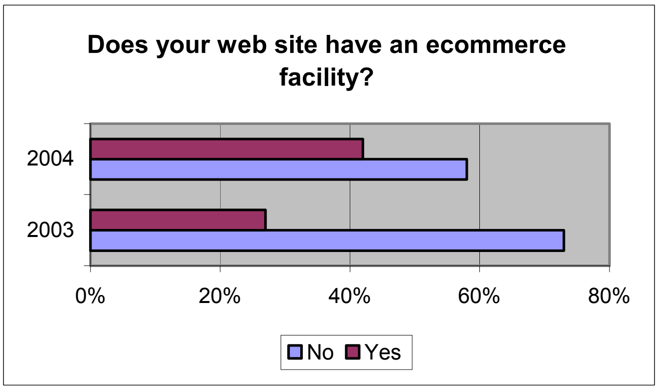


	Built ourselves	Built for us
Yes	60%	41%
No	0%	29%
No response	40%	29%

4. Ecommerce adoption

4.1.1. Ecommerce adoption has risen among companies that already have a web site, from 27% in 2003 to 42% in 2004. However ecommerce adoption remains low overall, with only 3% of companies enabling orders to be placed on the web site.





	2004	2003
No	58%	73%
Yes	42%	27%

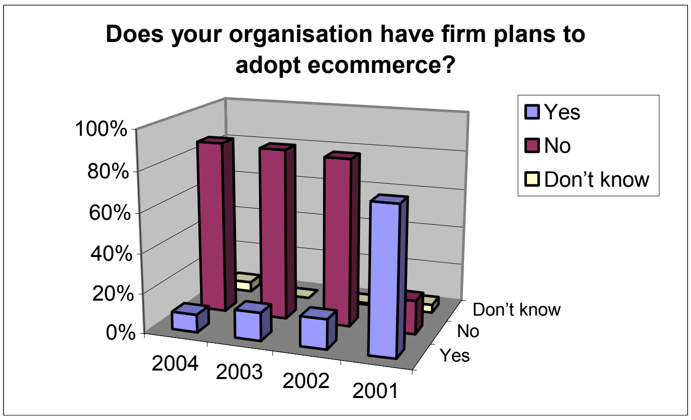
- Companies that already have a web presence are increasingly using it to conduct transactions.
- Spiralling growth in consumer demand online represents a huge opportunity for retailers. But the majority are missing out because of their reluctance to adopt ecommerce.
  - If customer demand continues to grow more rapidly than the number of suppliers, Consumer choice on the web will be increasingly limited
  - Traditional retailers who fail to adopt ecommerce will be overtaken by those who are less technophobic, as offline shopping is increasingly cannibalised by online.

4.1.2. Ecommerce is a popular choice among entrepreneurs and small businesses.

- 40% of ecommerce businesses are online-only startups.
- 75% of ecommerce sites are run by companies with 10 employees or less.

5. Future plans and intentions

5.1.1. Fewer companies with web sites have firm plans to adopt ecommerce in the future, but more are undecided. There has been no change in the number of companies committed to non-adoption.

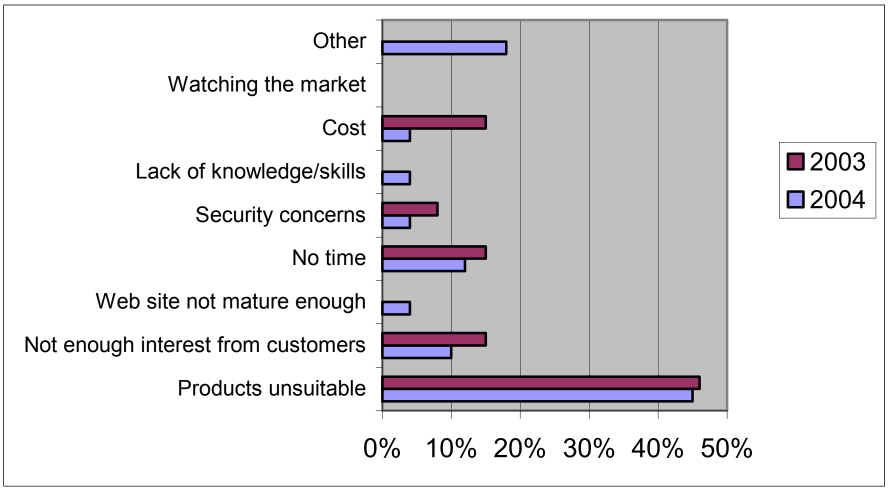


5% fewer companies than in 2003 have firm plans to adopt ecommerce, but the corresponding rise is in the number of waverers - not in the number of confirmed non-adopters.

	2004	2003	2002	2001
Yes	9%	14%	15%	73%
No	87%	86%	84%	17%
Don't know	5%	0%	1%	4%

5.1.2. More companies than before said that non-adoption of ecommerce was due to lack of resources, rather than for firm business reasons. Among those not planning ecommerce

- Fewer companies claimed this was due to lack of interest from customers (10% compared with 16% in 2003)



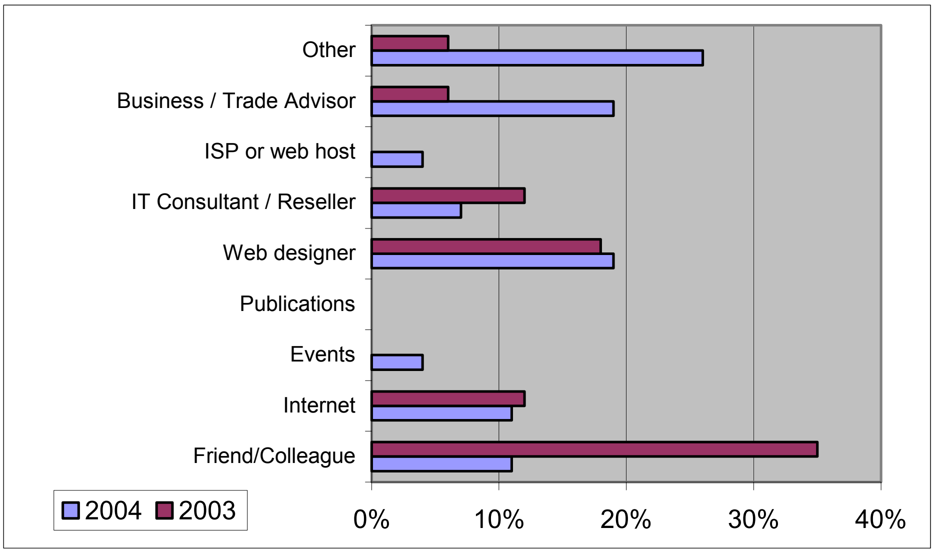
	2004	2003
Products unsuitable	45%	46%
Not enough interest from customers	10%	15%
Web site not mature enough	4%	0%
No time	12%	15%
Security concerns	4%	8%
Lack of knowledge/skills	4%	0%
Cost	4%	15%
Watching the market	0%	0%
Other	18%	0%

- ***Of those who have not actively decided against ecommerce***, fewer attributed this to unsuitable products (32% compared with 46% in 2003), and more attributed it to lack of time (32% compared with 8% in 2003)

	2004	2003
Products unsuitable	32%	46%
Not enough interest from customers	11%	17%
Web site not mature enough	7%	4%
No time	32%	8%
Security concerns	0%	4%
Lack of knowledge/skills	0%	8%
Cost	4%	
Watching the market	7%	8%
Other	7%	4%

6. Sources of advice and construction

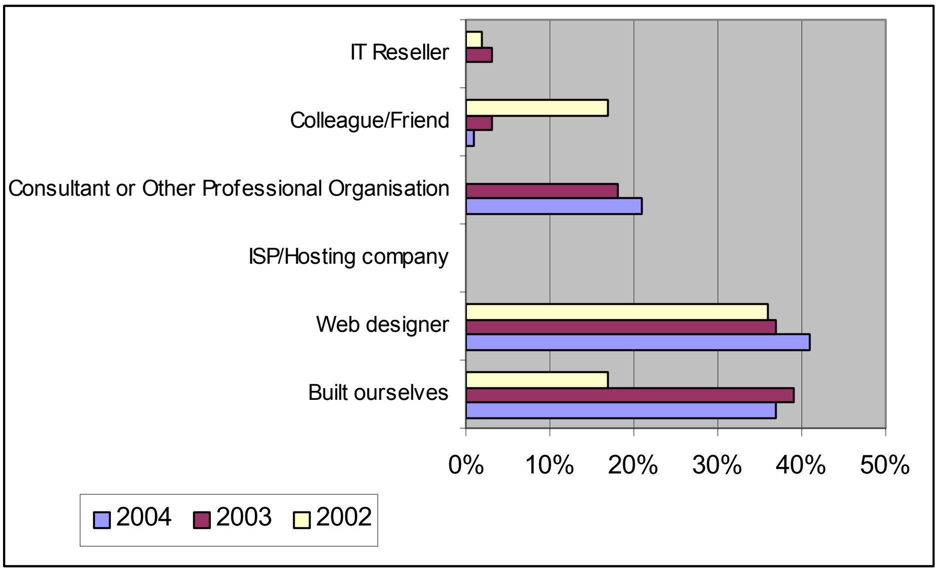
6.1.1. Fewer people than in 2003 went to friends or colleagues for their first source of information about ecommerce, and more went to business or trade advisors



Who or where did you go to FIRST for advice/information to help you sell over the net/use the Internet for your business?		
	2004	**2003**
Friend/Colleague	11%	35%
Internet	11%	12%
Events (exhibitions/seminars)	4%	0%
Journals/press/publications	0%	0%
Web designer	19%	18%
IT Consultant/IT Reseller	7%	12%
Internet service provider or web host	4%	0%
Business / Trade Advisor – (e.g. Federation Small Business, Business Link, Chamber Commerce, Institute of Directors)	19%	6%
Other (specify):	26%	6%

6.1.2. Among Actinic users, more than ¼ went to the channel first for advice about ecommerce, and a further 20% went to a web designer

6.1.3. More companies are looking to web designers and consultants for the construction of their sites



Who built your web store?			
	2004	**2003**	**2002**
Built ourselves	37%	39%	17%
Web designer	41%	37%	36%
ISP/Hosting company	0%	0%	0%
Consultant or Other Professional Organisation	21%	18%	---
Colleague/Friend	1%	3%	17%
IT Reseller	0%	3%	2%