

International study finds Canadian small and medium-sized businesses have strong rankings in leveraging e-business solutions to drive productivity

The Canadian e-Business Initiative releases part two of its Net Impact Study and explores how Canada compares with similar companies in the United States and abroad

OTTAWA, ON - May 1, 2003 – Small and medium-sized enterprises (SMEs) in Canada, the United States and leading European economies are realizing significant financial benefits from adoption and implementation of Internet business solutions (IBS), with Canadian SMEs faring well in e-business customer service and e-marketing solutions and world leaders in public sector adoption and practices, according to the latest Net Impact study, titled *Net Impact Study Canada: the International Experience*.

Sponsored and conducted by the Canadian e-Business Initiative's (CeBI) Benchmarking and Metrics team and conducted in collaboration with Industry Canada, Cisco Systems Canada Co., the Schulich School of Business at York University, Momentum Research Group and IDC Canada, *Net Impact Study Canada: the International Experience* is the second report exploring the state of e-business technology adoption in Canada.

“This report demonstrates that Canadian SMEs are continuing to build a strong e-business foundation which not only compares favourably with the United States and the EU, but also leads in significant areas” said Prof. Ron McClean of the Schulich School of Business and director of the study as deputy leader of CeBI's Benchmarking and Metrics team. Dr. Lorna Marsden, President of York University and leader of the team, added, “We now have solid evidence that IBS adoption within SMEs can lead to strong financial benefits. Canadian policy makers need to respond to these findings by encouraging more SMEs to adopt IBS to further Canada's e-business success in order to drive productivity at the national level.”

For example, McClean points to findings showing that those Canadian SMEs already leveraging Internet business solutions are achieving superior average decreases in cost of goods sold (10.7 per cent) versus the United States (6.9 per cent) and the EU (1.3 per cent). Further, a typical Canadian firm with \$10M in revenue, \$8M in cost of goods sold, and \$1M in general expenses could see profit increases of 158%, compared with 153% in the US and 114% in the EU, after planned IBS are implemented. As well, there is considerable public sector support for e-business, with Canada ranked number one in the world when it comes to Net readiness and Net usage.

Specifically, the key findings of *Net Impact Study Canada: the International Experience* are as follows:

How Canada Compares:

Adoption of Internet Business Solutions

- Smaller Canadian SMEs (50 – 100 employees) lead the United States and leading European economies in IBS adoptions, indicating that, in Canada, smaller firms are more advanced in leveraging IBSs than the larger SMEs (101 – 500 employees).

- There are no significant differences between Canada and the US in IBS adoption rates among industry categories, with one exception. The US lagged Canada in IBS adoption by public SMEs.
- Canadian SMEs had higher rates of IBS adoption than EU SMEs across all industry categories.

Financial Results

- Customer-focused IBS such as customer development, e-marketing and customer service solutions had a larger impact on financial results than internally-focused IBS such as accounting and supply chain management solutions.
- Canadian SMEs achieved superior average decreases in Costs of Goods Sold (COGS) of 10.7% when compared to the US (6.9%) and the EU (1.3%). Much of the Canadian advantage was concentrated among medium-sized SMEs (12.4% vs 8.8% for smaller Canadian firms).
- Revenue increases due to IBS adoption usually come from newly acquired customers.
- Comparisons of financial gains by region and industry sector highlight the strength of the Canadian public, communication and financial sectors.
- Organizations adopting IBS in Canada, the US and the EU experienced similar average increases in revenue of 7.2%, 9.0%, and 10% respectively.

Implementation Issues

- Cost is most frequently mentioned as the barrier to IBS adoption in Canada, the United States and the EU.
- First time IBS adoption was declining in all three regions. The initial IBS boom appears to be over.
- A majority of firms adopted multiple IBS. The number of IBS per firm was highest in the US, followed by Canada and then the EU.

Future Adoption of IBS

- Non-adopters in Canada and the US indicated a strong desire to adopt some form of IBS over the next two years.
- Current IBS adopters intend to continue adopting new forms of IBS but with increasing emphasis on internally-focused and supply chain solutions.

“Especially in the e-government and financial sector, Canadian SMEs are doing a fantastic job at adopting and implementing a range of IBSs, thus realizing financial benefits and comparing very favourably on the global playing field,” said Pierre-Paul Allard, Co-Chair of the Canadian e-Business Initiative and President of Cisco Systems Canada Co. “We believe that other, non-adapting SMEs should learn from this example and move to fully embrace IBSs to reach their full potential, or risk suffering from increased global e-business competition.”

As part of the study, the research group developed an analysis of SME e-business in Canada and called for the following actions:

1. The Canadian government should continue to lead the promotion and adoption of Internet Business Solutions;

2. Small and medium business in Canada need to be convinced of the benefits of IBS adoption, with particular emphasis in the retail, wholesale/distribution and manufacturing sectors which are lagging in both IBS adoption and financial gains;
3. SMEs in the public and financial sectors could be used as examples in underperforming sectors, such as retail and manufacturing, and
4. Continued efforts need to be made by Canadian policy makers to promote the adoption and use of IBS.

“Small and medium-sized businesses are a vital engine driving the Canadian economy,” said Allan Rock, Ministry of Industry. “The continued adoption and use of Internet Business Solutions is key not only to the success of individual businesses, but the Canadian economy as a whole.”

“Canada most certainly has the basics in place for strong performance in the digital economy,” said Michael O’Neil, country manager for IDC Canada. “Any gaps with other nations are surmountable. Canada has the opportunity and should use these solid foundations to improve and expand its use of IBS, particularly in the SME segment.”

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.

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.

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.

About Schulich School of Business

For more than 30 years, the Schulich School of Business at York University has focused on business education and research. Schulich is consistently ranked among the top 10 business schools outside the US and was ranked 1st in Canada and 17th 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>

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