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Sandeep Purao
Georgia State University

Brant Campbell
Georgia State University

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Critical Concerns for Small Business Electronic Commerce: Some Reflections Based on Interviews of Small Business Owners

Sandeep Purao

Brant Campbell

Department of Computer Information Systems
Georgia State University

Introduction

The popularity and general awareness of Electronic Commerce has never been higher than its current levels [Baldwin et al 1997, Kalakota and Winston 1997, Scacchi 1994]. Entities ranging from large corporations to sole proprietorships are experimenting with this most recent business facilitating medium, the World Wide Web. This increased awareness of Electronic Commerce has created secondary markets for content and publishing, business services infrastructure, and defined the support pillars public policy and technical standards [Kalakota and Winston 1997].

As we forge ahead on making policy and economic decisions on these issues, we must be aware of the fact that a large number of businesses in the U.S. represent small business ventures. As much as eighty percent of businesses are sole proprietorships with only the remaining twenty percent being divided between partnerships and corporations [Brigham & Gapenski 1997]. Small business is and has been extremely vital to the American economy since its inception and now, it may be poised to play a critical role in electronic commerce. Most small businesses employ less than 250 employees and are key providers of employment and commercial innovation and significant contributors to national economies [Baldwin et al 1997].

Using information technology for accounting functions has traditionally been the extent of information technology use for many small businesses. Other than a few examples [Baldwin et al 1997] of successful integration of the web in the business, few small businesses appear to have taken on the challenge of electronic commerce. The key players in the electronic commerce area are the large corporations [Amazon 1998, Schwab 1998, Microsoft 1998].

The promise of EC to level the field for small business has yet to materialize. Although the implications and issues of small business adoption of electronic commerce is an interesting research area, it is an area that in some experts view has not received necessary attention by the research community.

The purpose of this research is to focus on this specific segment, small businesses, to gain insights into how electronic commerce is affecting this area. Closely related to this are the objectives of uncovering what they perceive to be (a) the key benefits from and (b) obstacles to electronic commerce. The results reported in this study represent early reflections based on interviews conducted with owners of small businesses that employ fewer than twenty-five employees. As the data analysis progresses, we expect that additional insights will emerge.

Prior Research

There has been little research on the role of small businesses in the electronic commerce revolution. In a recent study, Baldwin et al [1997] observe small and medium sized businesses to document the impact of the web on these businesses. They identify broad categories of impact by a web presence, which include: productivity, information retrieval, communication, and knowledge. Other than this study, we are not aware of any resesarch specifically aimed at understanding the interaction of small business and electronic commerce. We argue that both, macro as well as micro studies are required to better understand the role small businesses can and will play in electronic commerce. The current research is a start towards a micro study of concerns of small businesses intersted in engaging in electronic commerce.

Though academic research has been lacking in this area, considerable 'marketing' information is available on the web to assist 'wanna-be' small businesses towards web-based marketing. Some of these websites include Wilsonweb [1998] and Bellsouth [1998]. These websites contain articles on small business entrepreneurs conducting business via the web, and explain how the web can be used as a tool to compete effectively.

Research Setting

For our micro study, we decided to adopt an exploratory research strategy. This involved conducting interviews with owners of small businesses in a downtown metro area. The type of interviews conducted was of a semi-structured nature. This format was chosen due to the more relaxed atmosphere that typically exists in the small business environment. In formulating these questions we met with two small business agencies. The first was a small business agency associated with the authors' university. This agency aided primarily in the area of small business demographics locally. The second agency was a privately owned small business resource center dedicated to the promotion of local entrepreneurs. This agency helped define the content of some questions and offered ideas about how the sample of entrepreneurs might perceive such questions.

The eventual outline of questions evolved over a series of meetings. The questions explored five different areas. These were:

1. Familiarity with and knowledge of Internet
2. Perceived risks of an Internet presence.
3. Perceived benefits of engaging in EC.
4. Obstacles in engaging in EC.
5. Costs associated with an Internet presence.

We selected nine small businesses with no more than twenty-five employees for our interviews using convenience sampling. The sample represented a diverse mix of industries ranging from a free standing university bookstore to an importer of ethnic products, all located downtown in a major metropolitan city(See table one). On average, the duration of the interviews was forty-five minutes. Each interview, conducted by one of the co-authors, was initiated with prompts about potential obstacles to establishing a presence for the business on the web. The questions were asked in the same manner and setting with each individual interviewee.

Table 1. Businesses Interviewed

Business	Industry	Years in Business	Number of Employees
A	Ethnic Offerings	9	6
B	Natural	12	14
C	Non-profit	5	5
D	Framing	2	3
E	Ethnic Books	8	2
F	College Books	20	20-30
G	Ethnic Offerings	1	4
H	Full-line Music	34	8
I	College Books	11	15-25

We found it encouraging to note that every one of the ten small business owners had either previously contemplated the possibilities of a web presence for their business or were currently experimenting with the possibility of a web presence. All of the interviewees were extremely receptive to be interviewed about electronic commerce and expressed, throughout a busy interview (due to business-related interruptions), a strong desire to learn more about electronic commerce and web presence.

Of the nine businesses we interviewed, three had recently (within the last six months) decided to venture into web marketing and were at various stages of learning more about business on the web. The remainder of the interviewees had previously entertained the

notion of a Web presence but for one reason or another had decided not to pursue this, and mentioned numerous reasons for suspending their plans. In the discussion below, we focus on these aspects as well as other issues, which the business owners viewed as benefits of and obstacles to electronic commerce. The discussion below is based on some early impressions formed on the basis of cognitive maps created from the transcribed interviews [Ackerman 1996].

Discussion

The first issue visited by most interviewees was that of cost. The only businesses that they know of who are on the web are large corporations. Many small business owners expressed that they did not feel that the web is easily accessible to them as a small business. Six out of ten of the small business owners had previously been contacted in person or by phone by a representative of a web-design company proposing to 'put there business on the web.' They had decided against a web presence because they perceived these representatives as 'here today gone tomorrow' and were somewhat skeptical about the consulting and service fees they are soliciting.

The second issue was unfamiliarity with the internet. A few businesses did not even have computers and were therefore far less capable of understanding how they might position themselves to take advantage of EC. Although Eight out of the nine businesses we visited did have computers, they were not net literate and did not fully grasp the possibilities of having a web presence. The aversion to electronic commerce, in this case, appeared to be a result of unfamiliarity of the internet rather than an unwillingness to test the new medium.

A related concern voiced by most businesses was their lack of knowledge about how to initiate the process of establishing a web presence. Though most were solicited by hosting service providers, the business owners expressed that they did not understand information packets and pricing that were left behind by these service providers. Several owners expressed that they would like for someone to 'explain the internet' to them. Many expressed that they felt they were 'missing out on a business opportunity but they cannot identify their role in it.'

Businesses who had recently established a web presence expressed some concerns as well. One of the most common was security hazards. Interestingly, some expressed concerns about having their inventory accessible via the internet. They felt that their competitors may be able to use the internet and obtain confidential information - primarily information on inventory levels that might be linked to the website through a database. They were also concerned about the receipt of payments via the Internet. One of the business owners stated that his ISProvider allowed him to make credit card transactions on-line although he still expressed concern about the security of such transactions. Most of the businesses felt that 'the credit card companies would bear the cost in the case of fraud,' yet they still appeared to be concerned about the validity of Internet payment transactions.

Another mistaken impression involved a small business owner who had the impression that if her business was to be on-line, her telephone would be tied up 'twenty-four/seven.' Although she had done some research about electronic commerce, she had failed to uncover pertinent information about the role of the ISP. She voiced this concern as the primary deterrent from having

her business on the Web. On assuring her that the business phone line would not be tied up due to a web presence, the reaction was one of excitement and relief.

The benefit identified by all small business owners was the ability to 'present their products' to prospective customers twenty four hours a day, seven days a week all around the world. Although order taking and payment on-line may be an issue for these individuals they were very excited about the possibility of an efficient ordering processes. No mention, however, was made about the ability to fill the order. One business owner stated that he sees the internet as his only hope in surviving at his current location because of 'low walk-in traffic' in his store.

Finally, one business owner with more than one location was interested in the possibility of using the internet as a mode of communication and data transfer. For example, a bookstore with a sister store in another city and all communication and exchange of data is currently facilitated via telephone, fax, or courier. The owner identified the internet as a means of lowering expenses in this area in order to increase profits.

Conclusions

The primary deterrents for small businesses in establishing a web presence appear to be start up costs, unfamiliarity with the web and lack of guidance about how to start the process. For those who are on the web already, the primary concern appears to be security hazards. The interviews have allowed us to better understand why many successful small businesses have not yet entered the growing area electronic commerce arena. Though they have expressed many concerns about the use of the Internet to conduct business, some of their fears appear to be unfounded. Our early impressions from these interviews has provided us with the following issues as obstacles to small business owners contemplating a Web presence.

While start-up cost is an issue with most small business owners, web sites can be designed by professionals at a minimal cost. Many Web design firms offer complete design packages for around five hundred dollars. The only recurring cost being that of monthly maintenance and webpage hosting. The idea that small businesses are susceptible to increased levels of security risk on the Internet has some validity but for the most part seems to be unfounded as well. Many companies have developed state-of-the-art encryption software which can facilitate the secure delivery of private information from one location to another. Finally, most discussions of these business owners appeared to revolve around technology issues. The changes that may be required to the business model or practices appeared to be of less concern to them. How EC may require changes to the business strategy also appeared to be only a distant concern.

This paper has examined the perceptions of small business owners about EC. We have concentrated on the section of business entities that comprise the eighty percent of "physical" businesses in the United States known as sole proprietorships/small businesses. It is clear that small business owners have the desire to participate in electronic commerce. We need to focus on educating these business owners about the accessibility of the World Wide Web to assure them that small businesses too can compete as key players in electronic commerce.

References

References are available at http://cis.gsu.edu/~spurao/research/AIS98/Purao_Campbell_refs.html.