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**Small Business and  
Electronic Commerce**

**by Supriya Singh and Claudia Slegers**



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**The Centre for International Research on Communication and Information Technologies** is a research centre at the Royal Melbourne Institute of Technology.

CIRCIT was set up in 1989 to provide independent research and education on information and communication services. The aim is to create new knowledge that is relevant to the community, industry and government so as to increase the social and economic wellbeing of people in Australia and other parts of the world.

The CIRCIT research program is structured around three main themes:

**1. Use and Users of Information and Communication Services**

The research focuses on the use of information and communication services by residential users, small businesses, corporations and government. It covers the broad area of communication in activities such as payments and finance, work, health, education, entertainment and government services.

**2. Policy and Regulation of Information and Communication Services**

Policy and Regulation of Information and Communication Services focuses on national strategies and objectives, competition, and issues of access and equity.

**3. Information and Communications Industries**

Information and Communications Industries research deals with developments in information technologies and services, industry policy and infrastructure issues.

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## Preface

This Policy Research Paper concludes a three-phased study lasting over 18 months. The first part was a qualitative study based on open-ended interviews. The second phase was conducting three industry workshops. This qualitative analysis was rigorous. It discovered the questions and fashioned the conceptual framework for the quantitative study. Analysis of the data from the first two phases resulted in CIRCIT Policy Research Paper 43 entitled *The Story of Small Business and Electronic Commerce*. The understandings from the qualitative study and industry workshops were tested through a survey of a random sample of 675 small businesses in Australia. The findings were reported in CIRCIT Research Report 22 entitled *Small Business and Electronic Commerce: An Australian Survey*.

This project has extended the emphasis of CIRCIT's research program places on understanding the users' perspective on information and communication services. Earlier work on residential consumers led to reports on *The Use of ICTs in the Home* (CIRCIT Policy Research Paper 40), *The Use of Electronic Money in the Home* (CIRCIT Policy Research Paper 41) and *Trust and Electronic Money* (CIRCIT Policy Research Paper 42). This work introduced frameworks for contrasting the users' and providers' perspectives, established an activities approach to considering usage, and elucidated the concept of "mix and match" of communications technologies to activities.

This study of small businesses has resulted in significant new insights into the process of "moving online" and the kinds of activities for which the use of online services is considered appropriate. It provides indications of the extent of use of online services for different activities.

It concludes that there is a considerable interest by small businesses in the use of online services, particularly in their relationships to government. However, the relatively limited use of these services at this time suggests there are issues of design and availability of services which need to be addressed.

The project presents matters for consideration by policy makers and industry strategists. Generated from a user perspective, these complement the objectives and approaches developed largely from a broad economic and supplier framework.

The support of the Department of Industry, Science and Tourism (DIST), Telstra, Nortel Australia, Ericsson Australia, National Australia Bank and the South Australian Government for this program of research is acknowledged with appreciation. We would also like to thank them for engaging in the research dialogue. We also acknowledge with great appreciation the reviews we have received from Professor Ron Johnston, Simpson Poon, Tony Trimarchi and David McGeachie and the consultative role played by John Hall of the Victorian University of Technology with the survey.

John Burke  
Director



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## Executive Summary

In this study we approach electronic commerce as a new way of business communication. We examine the way people in small business use the Internet, telephone, fax, mail and face-to-face interaction to communicate and do business with customers, other businesses and government for a range of activities.

### *Questions Addressed*

At its broadest level, we saw electronic commerce as including all business communication that used computer and telecommunication networks. Our particular focus however, was on the use of the Internet. We asked the following questions:

1. What factors influence the take-up of online communication services by small business?
2. How do people in small business mix online communication channels with traditional modes, such as face-to-face meetings, telephone, fax and mail, to communicate within their own firm, with customers, service providers, other businesses and government, across a range of business activities?
3. Why do small businesses choose one communication channel over another for particular activities and audiences?
4. How do these mix and match factors influence the use of electronic money?
5. How does the use of online channels change the nature of communication, activity and trust?
6. What are the implications of this study for policy and industry strategy?

### *Qualitative and Quantitative Study*

For this study we used a mix of qualitative and quantitative approaches. We interviewed people in 27 small businesses in Victoria and South Australia to understand the important communications issues for small businesses in their use of online services. These understandings were tested via three industry workshops in late 1997 and a random survey of 675 small businesses across Australia in May 1998.<sup>1</sup>

### *Connecting to the Internet*

Small businesses see the connection to the Internet as valuable because it helps them do better business. More than half the businesses with access to the Internet say the Internet has increased business efficiency. The Internet is also seen to help businesses reach new markets, improve the quality of the product or service and improve their responsiveness to suppliers, service providers and customers. The Internet however, is not seen as strongly connected to an increase in profitability.

- ◆ The instant communication of email, the ability to send or exchange files and documents were the most important factors influencing a small business to set up email. The greater customer reach of the home page was the most important trigger. A homepage also signalled that the business is modern and innovative.

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<sup>1</sup> Our sample is over-representative of small businesses connected to the Internet and businesses with 5-20 employees.

- ◆ The most important barriers to accessing Internet services were a lack of knowledge as to what these services would do for the business and insufficient Internet skills. Another important impediment was that most of the customers and providers of small business were not connected to the Internet.
- ◆ The lower transmission cost of email and the home page was important for more than half the businesses that had set up email and the home page. However, cost was not as important a barrier as the lack of perceived business value.

### ***Importance of Online Channels in the Mix of Communication Services***

Small businesses mix traditional and online channels of communication for different activities to communicate with customers, other businesses and government. Face-to-face interaction, the phone, fax and mail continue to be the dominant ways of communicating for marketing, providing and seeking information and ordering goods and services. Internet channels play a smaller but significant role. The use of Internet services for one activity does not mean that the business will use the Internet for every activity.

- ◆ Small businesses in our sample see the connection to the Internet as valuable because it helps them do better business.
- ◆ There is a dramatic increase in expectations of Internet sales. The CIRCIT survey shows that small businesses in our sample expect a hundred-fold increase in sales on the Internet between 1998 and 2000. The most common annual value of Internet sales in 1998 was between \$1,000 and \$4,999. In 2000, the most common annual value of the sales is expected to be between \$100,000 and \$499,999.
- ◆ Small businesses also recognise the value of dealing with government online. This is leading to an unmet demand from small businesses wanting to use the Internet for government services. At present 13 per cent use online services to get government information. However, 87 per cent of small businesses would like to use the Internet for government information. Most of the businesses surveyed also wanted to use the Internet for vehicle registration, business registration and WorkCover. At present, for many of these activities mail is the most important channel between the small business and the government.

### ***Matching Activities, Channels and Meaning***

A small business chooses a communication channel so that there is a fit between the characteristics of the channel, the requirements of the business activity, the communication choices of the audience; and the social and cultural meanings associated with ways of communication.

- ◆ Face-to-face interaction is usually the preferred medium at the beginning of a project or when there are ambiguities to clear. Face-to-face interaction is also the medium of choice when there are sensitive or private matters to be discussed. This is because face-to-face interaction is interactive and personal. It also allows people to gauge the unspoken elements of communication.
- ◆ When record and surety that the information has been received are uppermost, such as with a contract, a letter is sent by mail or handed over personally or by courier.

- ◆ Email is used when customers and/or providers have access to email. The directness and speed of the email is a disadvantage when it comes to matters of payment. An invoice is nearly always mailed so as to maintain a distance between issues of business relationship and payment. Businesses also do not inadvertently want to convey that payment is urgently demanded.

### ***Electronic Money***

Small businesses use electronic forms of payment, but the cheque continues to be the most important way of paying for goods and services, being paid and paying employees. This is because having an accessible record of payment that is secure and feels comfortable is the most important factor in the choice of payment.

- ◆ Electronic forms of payment outrank cash to pay for goods and services and payments to employees. Cash however, is the second most important way that small businesses receive payments from customers.
- ◆ When small businesses initiate payment, direct debit is now the second most important payments instrument.
- ◆ The most important factor preventing the greater use of online channels and electronic payments instruments is that present payments methods offer businesses greater control over their money and are seen to suit their business better.

### ***Internet Communication is More Explicit***

Communicating via the Internet needs to be more explicit than interpersonal communication in order to engender trust. This is because online communication lacks the implicit information communicated in face-to-face and telephone communication. Online communication lacks a sense of what is not being said.

### ***The Internet Redefines Activities***

The Internet is redefining the nature and meaning of work, leisure and money. It is also redefining what we see as “real” in work, connection and money. It is this change in the nature of the activity and the “real” that changes the core activities of business.

- ◆ Selling on the Internet becomes an information activity, for it means giving information to enable a sale.
- ◆ The financial activity that needs to be addressed online is the management of money, rather than payment.
- The move from the physical to the virtual worlds of the Internet is changing our perception of what is *real* money, work, leisure and communication.

### **Implications for Policy and Industry Strategy**

The study confirms the importance of electronic commerce for small business. However, when the focus is on how small businesses use online channels for different audiences and activities, the questions and language change. The difficulty is to find a framework and language that will connect the perspectives of policy makers, industry strategists and users.

This study complements the policy thrust and industry strategies in the following ways:

- ◆ It brings an emphasis on the small business user and its activities and audiences;

- ◆ It complements the focus on access with the focus on effective use;
- ◆ The emphasis on online channels is replaced by a focus on the way people in small business mix and match new and old communication channels;
- ◆ These findings and research approaches can help devise performance indicators that monitor economic and social outcomes for the end user; and
- ◆ The study brings to the centre the issues of trust and design that connect the perspectives of policy makers, industry and users.

Electronic commerce, therefore, becomes an issue not just of business efficiency and global competitiveness, but also of government, industry and researchers working towards enhancing trust and meaning via new communication channels.

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## 1. The Context

We approached electronic commerce as a new way of business communication. At its broadest level, we saw electronic commerce as including all business communication that used computer and telecommunication networks. Our particular focus however, was on the use of the Internet. We asked the following questions:

1. What factors influence the take-up of online communication services by small business?
2. How do people in small business mix online communication channels with traditional modes, such as face-to-face meetings, telephone, fax and mail, to communicate within their own firm, with customers, service providers, other businesses and government, across a range of business activities?
3. Why do small businesses choose one communication channel over another for particular activities and audiences?
4. How do these mix and match factors influence the use of electronic money?
5. How does the use of online channels change the nature of communication, activity and trust?
6. What are the implications of this study for policy and industry strategy?

The effective use<sup>2</sup> of electronic commerce by small business in Australia is important as one million small businesses account for 97 per cent of all private sector businesses and 50 per cent of all private sector employment.<sup>3</sup>

The use of electronic commerce by small business is framed by the Internet access of residential consumers and other businesses and their readiness to use the Internet to buy and sell goods and services. It also needs to be seen in terms of the availability of government information and transactional services on the Internet.

In 1997, Australia ranked third in terms of household access to the Internet, behind the United States and Japan.<sup>4</sup> In May 1998, almost one million households had access to the Internet. The number of Australian adults who had bought goods and services over the Internet in the 12 months to May 1998 doubled between February and May 1998 to reach 409,000.<sup>5</sup>

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<sup>2</sup> The concept of *effective use* has been examined in detail for users, industry and government across a range of activities in Centre for International Research on Communication and Information Technologies at RMIT (1998). *Australia's Progress Towards Effective Use Of Online Services: Monitoring Policy Outcomes And Market Developments*. <http://www.circuit.rmit.edu.au/monausol/>

<sup>3</sup> Australian Bureau of Statistics (1998). *Small Business in Australia, 1997*. Catalogue No. 1321.0. Canberra: Australian Bureau of Statistics.

<sup>4</sup> Centre for International Research on Communication and Information Technologies at RMIT (1998). *Australia's Progress Towards Effective Use Of Online Services: Monitoring Policy Outcomes And Market Developments*. <http://www.circuit.rmit.edu.au/monausol/>

<sup>5</sup> Australian Bureau of Statistics (1998, August). *Use of the Internet by Householders: Australia*. Catalogue No. 8147.0. Canberra: Australian Bureau of Statistics.



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## 2. The Users' Perspective

This study of small business and electronic commerce built on previous qualitative CIRCIT research on the use of information and communication technologies and electronic money in the home.<sup>6</sup> We used the conceptual frameworks and methods of sociology, placing the user and his or her activities at the centre.

The users' perspective changed the story in three ways. First the idiom of discussion moved away from the technological and economic metaphors to those of use and meaning. The categories of the providers were replaced by the categories of the users. Second the questions changed. Instead of asking how people used the Internet or credit card, we asked how they communicated, paid their grocery bills, bought gifts, searched for information. The use of online services and electronic money were thus part of a mix of services and forms of payment. The third major change was that communication and payments activities were seen as social activities.

The research was "grounded", in that it did not set out to prove or disprove a specific hypothesis. Instead, it began with a few questions about a broad area of study – the use of information and communication technologies in the home. Data was collected via open-ended interviews. The interviews were transcribed and the data coded. The interviews were analysed with the help of NUD•IST (Non-Numerical Unstructured Data Indexing, Searching and Theorizing), a computer program for the analysis of qualitative data.<sup>7</sup>

Each of the studies led us to focus on questions we had not initially asked. Grounded qualitative research, rigorously analysed, thus revealed what we did not know. We began this study of small business and electronic commerce with questions about access and the use of a mix of communication channels and services. We also had questions about the relationship of trust and the use of electronic money. This trail had led to the question: Given access, skills and trust, what makes a person choose one communication channel over another for particular activities and audiences? It was in trying to answer this question that we discovered we had not overtly asked another important question: How does the use of online channels change the nature of communication, activity and trust?

### 2.1 Placing the Small Business and its Activities at the Centre

The shift from the residential consumer to the study of small business emphasised communication in the context of activity and audiences. It was important to distinguish not only how people in small business used electronic and non-electronic communication channels for different activities, but also how they did business with customers, other businesses and government. This approach complements the more usual story of electronic commerce that is told in terms of small business' ownership of enabling

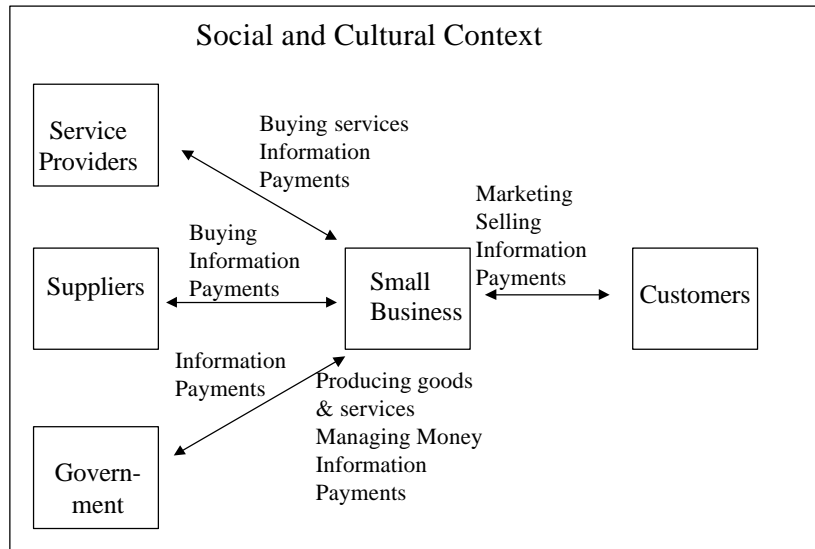
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<sup>6</sup> Singh, S., Bow, A., and Wale, K. (1996). *The Use of Information and Communication Technologies in the Home*. Policy Research Paper No. 40. Melbourne: Centre for International Research on Communication and Information Technologies; Singh, S. (1996). *The Use of Electronic Money in the Home*. Policy Research Paper No. 41. Melbourne: Centre for International Research on Communication and Information Technologies; Singh, S. and Slegers, C. (1997). *Trust and Electronic Money*. Policy Research Paper No. 42. Melbourne: Centre for International Research on Communication and Information Technologies; and Singh, S. (1997). *Marriage Money: The Social Shaping of Money in Marriage and Banking*. St. Leonards, NSW: Allen & Unwin.

<sup>7</sup> A detailed analysis of qualitative computing and the research process is in Singh, S. (1996). Money, Marriage and the Computer. *Marriage and Family Review*, 24(3/4), 369-398.

equipment such as personal computers (PCs) and modems, together with the use of software. We graphically depict our approach in Figure 1.

**Figure 1: The User-Activity-Audience Approach**



## 2.2 Linking Qualitative and Quantitative research

In this study we interviewed people in 27 non-agricultural small businesses in Victoria and South Australia, in 1997. We followed the Australian Bureau of Statistics (ABS) definition of small business to include all manufacturing businesses with less than 100 employees, non-agricultural businesses with less than 20 employees.<sup>8</sup>

The 27 small businesses were from a snowball sample drawn from our personal, academic and organisational networks, the Victorian Government's small business data base and the EMERGE list of small enterprises. Our qualitative sample was intentionally over-representative of businesses with 5-20 employees (5-100 for manufacturing) and also over-representative of small businesses with PCs, modems, a home page and email. This focus on the micro businesses allowed us to study the majority of small businesses. We emphasised businesses that used online communication so as to better understand how online communication fitted into their communication choices. Our sample however, also included two businesses which did not have PCs. The analysis of the open-ended interviews was tested via three industry workshops in late 1997.<sup>9</sup>

The approach and findings of the qualitative study helped frame the questions in a national survey of small businesses and electronic commerce. The questions also

<sup>8</sup> Australian Bureau of Statistics (1998). *Small Business in Australia, 1997*. Catalogue No. 1321.0. Canberra: Australian Bureau of Statistics.

<sup>9</sup> For the analysis of the interviews and industry workshops, see Singh, S. and Slegers, C. (1998). *The Story of Small Business and Electronic Commerce*. CIRCIT Policy Research Paper No. 43. Melbourne: Centre for International Research on Communication and Information Technologies.

sought to address gaps in other surveys and issues of interest to policy makers. Data was collected in May 1998 via a mailed survey to a random, representative sample of 6,000 small businesses across Australia. We received responses from 675 businesses that fitted the ABS definition of small business, giving us a response rate of 11.25 per cent. The sample attained was over-representative of small businesses with access to the Internet.<sup>10</sup> In this report we link the findings of the qualitative and quantitative study.

The triangulation of data collection methods via the open-ended interviews, industry workshops and the survey allowed us to test our understanding of the use of electronic commerce from the perspective of people in small business. The qualitative study and the industry workshops honed the user-activity-audience approach and generated most of the survey questions, ensuring we were addressing the issues from the perspective of small business.

The survey tested the qualitative findings, translating them into quantifiable measures and the language of policy and industry. The survey was most successful on issues of access and quantifying the relative importance of electronic and non-electronic communication channels for different activities with customers, other businesses and the government. The survey also helped reveal some of the communication choices, such as mail or direct debit, that were so taken for granted for some activities, that they were not commented on in the qualitative study.

The survey was only partially successful in testing the reasons people in small business choose one communication channel over another for different audiences and activities. The survey was unable to cope with the complexity of the fit between the characteristics of communication channels, activities, access of the audiences to the Internet and cultural meanings. We were able to test elements of the answer. We had the mix of communication channels according to activity and audience. We were able to rate the importance of the characteristics of online communication channels. We were also able to depict the relative importance of factors that are relevant for marketing, seeking information and payments. These three sets of data were in tandem with the qualitative findings. But the survey was unable to relate these different factors to the meanings attached to communication choices in particular cultural and social contexts.

The survey was also unable to answer: How does the use of online channels change the nature of communication, activity and trust? This was partly because the question had not been fully explored in the qualitative study. It had emerged only as we analysed the data. A survey cannot explore ambiguities and discover answers to questions we have not asked. The qualitative research alerted us that some of the most important issues of electronic commerce are issues that cannot be adequately measured. These issues need to be explored through individual stories, and then rigorously tested by a comparison with other stories from a wide spectrum of experience. The limitations of the survey as a stand-alone method has important implications for policy, industry and research on payments and electronic commerce.

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<sup>10</sup> See Slegers, C., Singh, S., and Hall, J. (1998) *Small Business and Electronic Commerce: An Australian Survey*. Research Report No. 22. Melbourne: CIRCIT at RMIT



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### 3. Connecting Small Business to the Internet

The CIRCIT survey showed that more than half (55%) the 675 small businesses surveyed in Australia have Internet access, with 50 per cent having email and 21 per cent with a home page. If intentions to connect eventuate, 76 per cent of these small businesses will have email and 56 per cent have a home page by 2000.

The CIRCIT sample is over-representative of small businesses connected to the Internet. Yellow Pages Australia found 34 per cent connected to the Internet in February 1998.<sup>11</sup> The latest ABS figures pertain to 1997, when 19 per cent of small businesses had Internet access.<sup>12</sup>

The higher access figures in the CIRCIT survey are related partly to the fact that it is under-representative of businesses with less than five employees. In our sample, 56 per cent of the small businesses surveyed had less than five employees, compared to ABS figures of 83 per cent. The CIRCIT random sample is representative however, across industries and states, rural and remote businesses.

The bias in our sample is that the value of the Internet is likely to be over stated with a corresponding lack of emphasis on the barriers. However, questions in the survey were also particularly addressed to businesses that did not use online communication channels.<sup>13</sup>

Small businesses see the connection to the Internet as valuable because it helps them do better business. More than half the businesses with access to the Internet said the Internet had increased business efficiency. The Internet however, was not seen as strongly connected to an increase in profitability – 14 per cent of small businesses with Internet access said it increased business profitability.

The qualitative study and the survey reiterate that small businesses connect to the Internet because they see it as valuable for their business. If they do not perceive this value, they do not connect, despite claims that the Internet will reduce costs and increase profits. The qualitative study showed that it was often family members, friends and industry organisations that were most effective in demonstrating what the Internet could do for the business.

Carol's<sup>14</sup> story illustrates the power of aligning Internet connection to a business need, personal interests and networks. Carol is a retailer of clothes, craft and jewellery in an outer Melbourne suburb. She is one of the 40 per cent of small businesses that did not use computers in 1997.<sup>15</sup> Carol had resisted buying a PC for she felt she lacked computer skills. She also feared the PC would dilute the personal, intuitive side of the business. However, when her women friends talked of the ways their teenage children accessed the

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<sup>11</sup> Yellow Pages Australia. (April, 1998). *Survey of E-commerce in Australian Small and Medium Businesses*. Small Business Index. Melbourne: Telstra Corporation Limited.

<sup>12</sup> Australian Bureau of Statistics. (1998). *Small and Medium Enterprises: Australia, 1996-1997*. Canberra: Australian Bureau of Statistics.

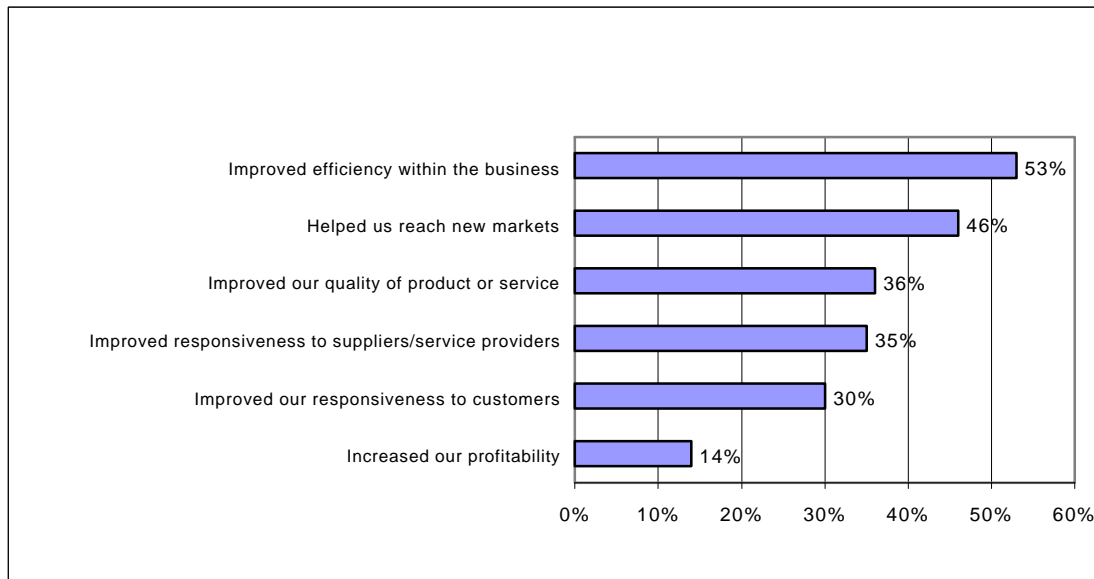
<sup>13</sup> For the questionnaire, see Slegers, C., Singh, S., and Hall, J. (1998) *Small Business and Electronic Commerce: An Australian Survey*. Research Report No. 22. Melbourne: CIRCIT at RMIT

<sup>14</sup> The names of the businesses and persons interviewed are pseudonyms.

<sup>15</sup> Australian Bureau of Statistics. (1998). *Small and Medium Enterprises: Australia, 1996-1997*. Canberra: Australian Bureau of Statistics.

Internet for information, she saw that the “Internet would be very useful for me to follow up information”.

**Figure 2: The value of the Internet connection to small business**



Carol went on to say:

*I handle many different products and interesting things and I'm not immediately close to a library. I'm not a great reader so finding information on goods is something I have often neglected to do over the years...*

*For instance, I handle things to do with mythology and folk history and even to do with political issues dealing with South America, Central America. There are always interesting issues arising from things that I sell. Customers are curious about the history of a particular product.*

As a first step she has filled out the forms for a listing on the Internet through *Age Search*. She is contemplating buying a PC and thinks she may use it for bookkeeping and inventory control. However, beyond its mere functionality, she says she “would benefit from the skills and the confidence that it would bring to be computer literate in this age”.

In the survey, the majority of the businesses with email or those intending to set it up said its characteristics as a communication channel were an important reason for take-up. Email as an instant way of communicating was seen as important by 72 per cent. The ability to send or exchange documents or files was valued by 68 per cent and 61 per cent said it was important for take-up that email was a low cost communication medium. Next in importance was email's effectiveness for reaching local (33%) and international customers (32%). A third said it was important that a significant number of their customers have email and that many of their present and potential customers are overseas.

The greater customer reach of the home page was the most important trigger for three-fourths (78%) of the businesses with a home page or those intending to set one up. For

two-thirds (68 %) of these businesses, a home page ensured business survival in an age of electronic commerce. A home page also signalled that the business is modern and innovative. Half the businesses said it was important that the home page reduced the cost of communication.

The lower cost of email and the home page was important for more than half the businesses that had set up email and the home page. However, cost was not as important a barrier. More important reasons were: a lack of knowledge as to what these services would do for the business, insufficient Internet skills, and that most of the customers and providers of small business were not connected to the Internet. This was also true for the rural/remote small businesses.

One of the interesting findings from the survey was that the home page was seen more as a way of improving the business, rather than a reaction to competitors having a home page, or fear that they would not have a business in the next five years if they did not have a home page. During our interviews in 1997, fear was much more of a motivator for having a home page. The difference in the qualitative and quantitative data substantiates there has been a change in the way businesses approach the idea of setting up a home page. Susan Polk of Mira Networking, Melbourne said that in mid-1998, "Far fewer are falling for the 'I've been told I have to go online because my business will fail otherwise' myth".<sup>16</sup>

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<sup>16</sup> Personal communication, 8 May 1998.



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## 4. Mix of Online and Traditional Communication Channels

Small businesses mix traditional and online channels of communication for different activities to communicate with customers, other businesses and government. Face-to-face interaction, the phone, fax and mail continue to be the dominant ways of communicating for marketing, providing and seeking information and ordering goods and services. Internet channels play a smaller but significant role.

Though 55 per cent of the CIRCIT survey sample have Internet access, the Internet is not the most important channel for business communication. Small businesses value the Internet connection. But having the option to use online communication does not translate to using online services for every business activity and group. Our qualitative and quantitative data show that a business may use email and modem-to-modem communication to communicate with suppliers, but meet face-to-face and talk on the telephone to market their services and talk with customers.

Black Consulting's<sup>17</sup> use of communication channels illustrates this mix. This is a business whose core activity is advising business on information strategy. It uses the full range of available communications options, from face-to-face interaction, telephone, mail, fax to the Internet. But the mix is different according to activities.

- ◆ Printed tenders and word of mouth references are important for getting clients;
- ◆ Face-to-face communication and the telephone remain critical in working with clients;
- ◆ The Internet and face-to-face communication are important for research;
- ◆ Their newsletter is faxed; and
- ◆ The invoice is mailed.

The survey substantiates the qualitative findings showing that the importance of communication channels differs according to activity and the group with whom the business is communicating. (see Table 1) The telephone, face-to-face, mail and the fax remain the most important channels when communicating with customers, with suppliers and service providers, and within the business. Table 1 also reveals that the email and the World Wide Web have become important communication channels for 4.5 per cent to 18.9 per cent of small businesses in our sample depending on the activity.

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<sup>17</sup> For more details of the case studies see Singh, S. and Slegers, C. (1998). *The Story of Small Business and Electronic Commerce*. CIRCIT Policy Research Paper No. 43. Melbourne: Centre for International Research on Communication and Information Technologies and Singh, S. and Slegers, C. (1998). *The Story of Online Communication: A small business perspective*. Melbourne: Centre for International Research on Communication and Information Technologies

Behind this macro picture lie differences according to the industry, the nature of the business, and the size and history of the small business. Much also depends on how comfortable a person feels with the new information and communication services. A strong conclusion from the qualitative study was that a person may use the latest technologies for one activity but may continue with older technology for another activity.

Brendan, 68, with a farm supplies business portrays himself as a traditionalist in some things, and an innovator in others. He has been one of the first to use PCs, the fax and mobile phones. Yet, he is satisfied with an older model of the PABX.

Brendan was also the only one of the 27 businesses we interviewed who banked online. But he uses cheques to pay for goods and services, transacts at the bank branch and thinks direct debit is not foolproof. He has yet to get email or have a home page. He says for him face-to-face interaction with his customers is critical. Though he realises that having a home page is going to be very important, but he is deferring it. However, he is waiting impatiently for satellite technology which will allow him to tell how much fertiliser and pesticide the farmers will be needing for their crops.

#### **4.1 A Rise in Expectations of Sales on the Internet**

The CIRCIT survey shows that small businesses in the sample expect a hundred-fold increase in sales on the Internet between 1998 and 2000. Though the value of sales and purchases was strung across a wide range, the most common annual value of Internet sales in 1998 was between \$1,000 and \$4,999. We defined "selling over Internet" in the questionnaire as "goods/services ordered and/or paid using the Internet". In 2000, the most common annual value of the sales is expected to be between \$100,000 and \$499,999.

Small businesses are more likely to purchase online than sell online. In 1998, nearly 10 per cent of small businesses surveyed purchased online, whereas 6.7 per cent sold goods and services on the Internet.

Small business expectations of an increase in the value of Internet sales needs to be interpreted within the context of the interest of residential consumers in Internet sales. In the 12 months to February 1998:

- ◆ 207,000 Australian adults (6.8% of Australian adults with Internet access) bought on the Internet;
- ◆ 1.1 million (37.7% of Australian adults with Internet access) used the Internet for activities relating to goods and services;<sup>18</sup> and
- ◆ 3.2 million Australian adults were interested in online shopping, 4.5 million in online banking and 6.2 million in accessing educational services online.<sup>19</sup>

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<sup>18</sup> Australian Bureau of Statistics. (February 1998). *Use of the Internet by Householders: Australia*. Catalogue No. 8147.0. Canberra: Australian Bureau of Statistics.

<sup>19</sup> Australian Bureau of Statistics. (February 1998). *Household Use of Information Technology: Australia*. Catalogue No. 8128.0. Canberra: Australian Bureau of Statistics.

**Table 1: Importance of communication channels across activities**

Activities	Percentage of businesses who saw these channels as "important" and "very important"						
Marketing, promotion	Phone (85.3%)	Face-face (84.3%)	Mail (49.2%)	Fax (29.8%)	Homepage (16.5%)	Other Internet channels (7.7%)	TV advertising (7.1%)
Receive orders	Phone (83.6%)	Face-face (69.4%)	Fax (67.1%)	Mail (44.9%)	Email (14.6%)	Online ordering via homepage (4.5%)	
Order goods/services	Fax (81.5%)	Phone (80.3%)	Face-face (43.7%)	Mail (29.2%)	Email (13.4%)	Modem to modem (4.9%)	Online ordering via homepage (3%)
Communicate within business	Face-face (89.1%)	Phone (70.6%)	Fax (31.5%)	Mail (18.7%)	Email (16.2%)		
Get information on goods and services	Phone (71.9%)	Mail (66.4%)	Face-face (63%)	Fax (61.8%)	WWW searching (18.9%)	Email (18.8%)	

Reliable figures about the value of consumer purchases over the Internet in Australia are difficult to obtain.<sup>20</sup> There is also a range of figures cited for the value of Internet sales in Australia. One estimate is that in 1997, \$55 million was spent on online retail shopping.<sup>21</sup> Another estimate is that in 2000, total Internet commerce is projected to reach about \$4.6 billion and about \$500 million in sales.<sup>22</sup> The CIRCIT survey does not lead to a reliable generalised dollar value of Internet commerce in Australia because of the sample size and because the sample is over-representative of small businesses connected to the Internet.

## 4.2 Willingness to Transact with Government Online

There is an unmet demand from small businesses wanting to use the Internet for government services. This gap between desire to use and actual use stretches across all the services about which we asked (see Table 2). Most of the businesses surveyed wanted to use the Internet for obtaining government information, vehicle registration, business registration and WorkCover. At present, for many of these activities mail is the most important channel between the small business and the government.

This gap between the demand and use of online Government services suggests a lack of supply and/or services that are badly designed to suit the needs of small business.

**Table 2: Small businesses using and wanting to use the Internet for Government services**

Government services	Presently use %	Want to use %
Obtaining information e.g. regulations, services available	12.7	87
Vehicle registration	0.7	70
Business registration	2.7	63
WorkCover	0.9	59
Sales tax	2.1	42

<sup>20</sup> The ABS in their February 1998 survey on *The Household Use of Information Technology* asked "Approximately how much have you paid for goods and services via the Internet in the last 12 months?" Of the 170,244 persons paying online via the Internet, 22.9% spent between \$nil and \$50; 27.9% spent between \$51 and \$100; 17.9% spent between \$101 and 250; 19.7% spent between \$251 and \$500; and 11.6% spent more than \$500. Some of these statistics have a relative standard error of more than 25%. (ABS, 1998. Unpublished data)

<sup>21</sup> Department of Industry, Science and Tourism (1998, May). *Getting Business Online*. Canberra: DIST.

<sup>22</sup> Australian Taxation Office. (1997, August). *Tax and the Internet*. Discussion report of the ATO Electronic Commerce Project, p. 20

## 5. Fitting Channels to Activity, Audiences and Meaning

In order to understand the mix of communication channels in small business, we asked: Why does a small business choose one channel to communicate over one activity and another channel for another activity? The answer from our qualitative study was that the choice of communication channel is influenced by the fit between:

- ◆ The characteristics of the channel;
- ◆ The requirements of the business activity;
- ◆ The communication choices of the audience; and
- ◆ The social and cultural meanings associated with the activities and channels of communication.

We placed business activities and communication channels – face-to-face interaction, telephone calls, fax, email, the Web page and mail – along the dimensions charted in Figure 3.

At the beginning of a relationship, when a person needs to be sure that understandings have been reached and a measure of comfort has been achieved, face-to-face interaction is the chosen medium. The lack of a record also makes this the medium of choice when there are sensitive or private matters to be discussed.

**Figure 3: Characteristics of Communication Channels and Activities for Small Business**

Characteristics of Communication channel and activity	Most appropriate -----Least appropriate					
	Mail	Fax	Email	Face-to-face	Telephone	Web page
Record						
Establishing relationship	Face-to-face	Telephone	Email	Fax	Mail	Web page
Reducing ambiguity	Face-to-face	Telephone	Email	Mail	Fax	Web page
Personal communication	Face-to-face	Telephone	Email	Fax	Mail	Web page
Speed (Written communication)	Email/fax/ Web page	Mail				
Cost (Overseas communication)	Web page	Email	Fax	Mail	Telephone	Face-to-face
Accessibility – one to many (Over time and distance)	Web page	Email	Fax	Phone	Face-to-face	Letter
Manipulability (Data)	Email	Web page	Computer diskette by mail			

Face-to-face communication allows for immediate interaction. It is personal communication with the ability to gauge the non-verbal elements of communication. One

of its most important advantages is that communication is placed in a personal, cultural and situational context. Within this context, it becomes easier to assess the importance of what is said and what is not said. Communication by silence is done most effectively face to face. These non-verbal, unspoken elements of communication cannot be replicated by email or the World Wide Web.

Email, however, can seldom be matched when there is a need to work together on the same digital data, for files can be digitally exchanged instantly. Email is unobtrusive, appears transient because it can so easily be changed, yet like a letter or a fax, it also persists as archived text. Communicating by email is cheaper than by telephone and the Web page is cheaper than individual transmission of information. These characteristics of communication channels contribute in different ways to engendering trust by giving the user control, comfort and a feeling of being cared for and attended to in an interaction. However, it is the fit between the social and cultural meanings of the communication channels and the characteristics of these channels and business activities which contribute in different ways to engendering trust.

The importance of meaning is most clearly demonstrated in the choice of small business to mail rather than email or fax an invoice. The immediacy of the email, which is its main advantage in certain activities, is a disadvantage when it comes to the invoice. The email may indicate that the small business wants immediate payment. When this is indeed the case, one of the persons interviewed said it would be more effective to send the invoice by mail, because "Most people are still used to the traditional ways of getting an invoice that says 'Overdue' and a little man standing there with his hands in the air".

Martin, the chief executive of Black Consulting says an important reason for not using the email for invoicing is that often there needs to be a sense of distance between payment issues and the consultant-client relationship. He says:

*We often divorce the payment, the chasing up of the payment from the relationship with ...the purchaser in the client organisation. So if there's a delay in payment, it may not be the person who's been doing the interfacing on the project. It may be someone else who rings them up and basically acts as a person in the accounts payable department saying we haven't received our cheque for our invoice number whatever, rather than the person who has done the job.*

The distancing of the client relationship from the payment issues is like the doctor-patient relationship says Martin.

*What would the patient think of the doctor if the doctor was ringing her up and saying 'Look, I noticed you haven't paid for that examination I gave you two months ago'.*

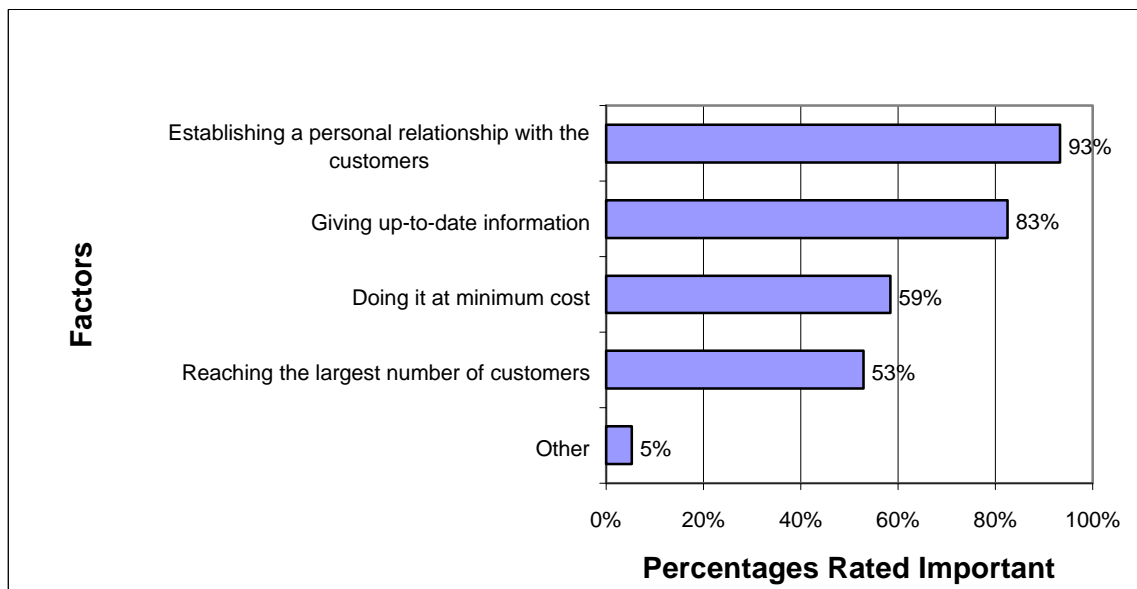
The importance of cultural contexts stands out in Naomi's case. She is a wholesale trader dealing in food and manufactured goods. Naomi visits Taiwan regularly to promote her wholesale trade. These personal visits remain essential because in Taiwan, that is the way business is done. The face-to-face interaction is crucial to establish trust. Once a relationship is established she makes 20 to 30 minute telephone calls to discuss the business in hand. Though an email would be cheaper, the first telephone call is essential. It is only the second telephone call that can be substituted by email, if the desired meanings are to be communicated.

The critical importance of face-to-face communication in business limits the global expansion of small businesses in areas where doing business is wholly dependent on customer relationships. In the industry workshops, when an Australian consulting business was given the opportunity to expand to South East Asia, there was a visible drawing back. The success of the business depended on an intimate knowledge of local needs and continuing face-to-face communication. If the business did not have the needed cultural and social knowledge, it would be difficult to satisfy customers.

The survey data fell in three groupings – the mix of communication channels for an activity, the important aspects of the activity and characteristics of email and the home page. For instance, the survey showed that most businesses saw the phone and face-to-face interaction as the most important communication channels for marketing. (see Table 1) For marketing, nearly all the businesses surveyed said it was important to establish a personal relationship with the customer. Giving up-to-date information was next in importance (see Figure 4). Lower costs and the widest customer reach are not as important. The characteristics of email and the home page which allow reaching the largest numbers of customers at a lower cost were lower down in the scale of importance. Hence their lower importance in the mix of communication channels for marketing.

The survey bore out the conclusions of the qualitative research that there needs to be a fit between the mix of channels, characteristics of activities and communication channels. It was the qualitative research however, that was able to connect the choice of communication channel to customer and provider access and to cultural meanings around the use of communication channels for particular activities.

**Figure 4: Marketing the Business : factors influencing choice**





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## 6. Electronic Money

The importance of the fit between the characteristics of the channel and activity, the communication choices of the audience and meanings ascribed to the channel of communication is demonstrated in the choice of forms of payment. The concept of a *form of payment* combines the payments instrument and transaction mode.

When choosing a form of payment, small businesses look for an accessible record of payment that is secure (see Table 3). Comfort, low cost, certainty and speed are important, but less so. If we start from the factors that influence the choice of a form of payment, it is clear why the cheque by mail remains the dominant form of paying and being paid in small business. The cheque is also the most important way employees of small business are paid. Though small businesses use a mix of forms of payment, the importance of the cheque far outshines cash or electronic forms of payment (see Table 4).

**Table 3: Factors Influencing the Choice of a Form of Payment**

<b>Factors</b>	<b>Rated Importance</b>
Accessible record of payment	89%
Security of payment	83%
Comfort with the mode of payment	76%
Low cost of the payment transaction	76%
Being sure that the payment has been received	72%
Speed of payment	59%
Others	1%

The cheque is dominant because it provides an accessible record. It is secure. It has the comfort of familiarity. The payment can be tracked. There are electronic forms of payment that are cheaper, but those forms of payment are not seen to offer the same measure of record, security, comfort and certainty. As the interviews in the qualitative study show, the comforting aspect of the cheque is the cheque butt. It is the cheque butt which is central to the way small businesses account for and prove expenditure.

The survey shows that in our sample electronic forms of payment outrank cash to pay for goods and services and payments to employees. Cash however, is the second most important way that small businesses receive payments from customers.

The survey showed that when small businesses initiate payment, direct debit is now the second most important payments instrument. The importance of direct debit for small business is a significant finding, for in the overall picture of Australian payments

transactions, direct debit has languished. In 1997, the volume of direct debit payments was 5 per cent of non-cash payments, compared to 2 per cent in 1980.<sup>23</sup>

Quantifying the importance of direct debit was a useful reminder of its importance in the mix of payments. In the qualitative study, the importance of direct debit for regular, periodic payments was taken for granted. Most of the stories were about the hesitation of small business to pay for goods and services by direct debit instead of cheque. We heard how direct debit did not allow them control over the management of their money. Direct debit was also not accompanied by the requisite invoicing detail that was required by providers of goods and services. Moreover direct debit was seen as too cumbersome to deal with fluctuations of payments as required with casual staff.

These reasons were echoed in the survey when we asked about barriers to the use of online payments. The most important factor preventing the greater use of online channels and electronic payments instruments is that present payments methods offer businesses greater control over their money and are seen to suit their business better. Direct debit did not offer more control or better ways of tracking money, compared with present forms of payment. When things went wrong with direct debit, trying to rectify them was too much trouble. Fears of security were particularly important in Internet credit card payments, while for PC banking, there were doubts about possible efficiency gains.

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<sup>23</sup> Australian Payments System Council, 1998. Annual Report 1997-98. Sydney: APSC.

**Table 4: Importance of forms of payment for different activities**

Percentages for "important" and "very important"											
Payments for goods/services	Cheque by mail (93.9%)	Cheque over counter (27.5%)	Direct debit (22.7%)	Credit card no. over phone (21.5%)	Credit card over counter (17.9%)	Phone payments from bank account (10.4%)	Credit card no. by fax (9.9%)	Cash (9.2%)	EFTPOS (7.3%)	Credit card no. over Internet (encrypted) (2.8%)	Credit card no. over Internet (unencrypted) (1.5%)
Payment from customers	Cheque by mail (84.4%)	Cheque over counter (39.4%)	Cash (36.3%)	Direct credit (36.1%)	Credit card over counter (26.7%)	EFTPOS (18.6%)	Credit card no. over phone (15.5%)	Credit card no. by fax (7.8%)	Credit card no. over Internet (2.5%)		
Pay employees	Cheque (61.3%)	Direct debit (39.7%)	Cash (31.8%)								



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## 7. Internet Communication is More Explicit

Internet communication needs to be more explicit than interpersonal communication in order to engender the comfort, control and caring essential for engendering trust.<sup>24</sup> This is because Internet communication lacks the implicit information conveyed through body language, voice quality, tone and actions in face-to-face interaction. Internet communication also lacks a sense of what is not being said.

The need for greater explicitness in Internet communication became clear as we analysed the communication processes involved in Alan's physical and online retail boots business (see Figure 5). Alan sells R.M. Williams footwear, moleskins, all-weather coats and belts from his retail store in Melbourne and from his Web site. The selling and buying process – physically and on the Net - hinges on giving appropriate information to the customer in a way that he or she can understand and trust that information.

In a physical store, a customer walks in, browses, absorbs the information about the goods on sale from the layout, the variety and the price tags. A salesperson may ask if the customer needs assistance and the customer might take up or decline the offer. If the customer buys something at the store, there may be some information sought and given. It is then a matter most often of paying the money, the money being received, a receipt issued and the customer taking delivery of the goods bought. This face-to-face purchase has been rich in information, but not all of it was consciously sought or overtly given. Much of the information is received, without the questions being asked, from the physical surroundings, the behaviour of the staff, and the prices on display.

Meaningful interpersonal communication rests on an understanding of what is being said and what is not being said. Face-to-face interaction and telephone conversations are able to give a greater sense of what has been left out. With online textual and graphic communication, the context needs to be spelt out, rather than taken for granted.

When the shopping experience is translated online, at each point Alan must knowingly give the information that the customer has not asked for, but information that would help the customer trust the online provider. This information needs to be complete in itself, because the Internet allows the customer to navigate the site through hypertext, and thus the linear pattern of printed and spoken communication is broken (Newhagen and Rafaeli, 1997)<sup>25</sup>.

The changes seen in online communication are similar to those that occur with the computerisation of work processes. As Soshana Zuboff<sup>26</sup> has argued, the first effect of computerisation is the automation of tasks that were previously performed physically. The more far-reaching impact is that of *informating*, that is giving information about the discrete work processes, which in turn changes the way work is done.

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<sup>24</sup> The issue of trust was explored in greater detail in Singh, S. and Slegers, C. (1997). *Trust and Electronic Money*. Policy Research Paper No. 42. Melbourne: Centre for International Research on Communication and Information Technologies.

<sup>25</sup> See Newhagen, John E. and Rafaeli, Sheizaf . Why communication researchers should study the Internet: A dialogue, <http://jcmc.huji.ac.il/vol1/issue4/rafaeli.html>, as at 3 September 1997.

<sup>26</sup> Zuboff, S. (1988). *In the Age of the Smart Machine: The future of work and power*. New York: Basic Books.

In Figure 5, we track the differences in the way Alan communicates with his customers in the physical boot store and the online boot business. In order to retain control of his own business and engender trust in the online context, he has to go through discrete *informating* actions to retain authority while also giving the customer sufficient control, comfort and caring with the communication and the transaction.

Alan's experience is similar to Nigel's, who operates a Shareware business. Nigel is conscious that his email communication with his customers must be very explicit. He says:

*..the language [customers] use might not be immediately obvious to you, you might have to sit down and think about what they're saying or what they're trying to say in what to them might be a foreign language and being prepared to deal with people in their second language ....You've really got to put yourself in the user's shoes and say this is what I think they mean....I went into a lengthy explanation of something and the user said, 'no I know all that but this is what I wanted'. So you've got to cut through to that straight away.*

The greater explicitness of Internet information is often arrived at through a trial and error process, rather than it being something for which the business consciously strives. We did not ask Alan or Nigel about the explicitness of Internet communication. They also did not articulate what was happening in these terms. However, Alan's success on the Web is in no small way, due to his spelling out in clear terms what he was selling, the myth around the product and its connection to a style of life, how people could find out what suited them, and how they could get in touch with him for more information.

Alan uses the email to answer their questions. Upon receipt of an order, Alan telephones the customer to authenticate his or her identity. This reassures him that the credit card owner does in fact live at the address provided. It also adds a personal touch appreciated particularly by his American customers, reassuring them that the merchant is genuine and caring. Alan says:

*I just got an order this morning and I'll probably ring them up and thank them for the order and say that I'm just calling really to check that you placed the order, and it will be a thirty second phone call. But they're always delighted to hear from another country.*

**Figure 5: Online Selling and Physical Selling: Retailing boots online**

<b>Selling boots</b>	<b>Physical store</b>	<b>Online store</b>	<b>Engendering Trust</b>
Attracting the customer	Designing the store Advertising	Designing the web site. Listing with search engines Advertising online and other media	
Information about boots	Interpersonal information Visual and aural information Price tags Brochures	Giving information on the web site and/or email about: History of the boots Descriptions of boots sold Information about assessing size Information about experience of other customers Price information Photograph of provider Email as to particular questions and concerns of individual customers	Comfort  Control Comfort Control Comfort  Caring
Ordering boots	Interpersonal	Email order Provider telephones to authenticate order and ensure payment	Control Comfort
Payment Receipt	Interpersonal	Give credit card number by email, fax or telephone. Notify customer that payment has been received	Control
Delivery	Interpersonal	Notify that goods have been sent Customers can track their goods on the Web Customers at times use email to respond to goods received Place those comments back on the Web to develop a community of customers	Control Control Comfort Comfort/Caring
Servicing customers	Interpersonal Flyers/Brochures	Individual queries by email Web-page for upgrades or further developments with the product Information about new products	Caring/Control Control Control
Selling to existing customers	Interpersonal	Giving information on the web site or email... Entertaining correspondence	Comfort Caring



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## 8. Redefining activities

It is often said that the Internet changes the way we work, play and pay. The changes however, are even more far-reaching, for the Internet is redefining the nature and meaning of work, leisure and money. The Internet is redefining activities. It is also redefining what we see as “real” in work, connection and money. It is this change in the nature of the activity and the “real” that makes online communication such a fundamental change in the way business is done in an online world.

The qualitative study alerted us to this change, but is only the beginning of the exploration. Alan’s case gave us a comparative case study to demonstrate how the conscious spelling out of what is being said (and not said) enlarges the information dimension of activities to the extent that selling is redefined as giving information about the goods and services. As with Alan’s online business, the focus shifts from selling to giving the information to enable a sale. Hence the component actions are actions taken to inform the client – such as giving the history of the product, describing the range, showing how the customer can assess which is the right product for his or her needs, giving references to other customers’ experience, price information, and information about the provider. Added to this is the particular information that the customer requests.

The same kind of shift to a broader level of abstraction happens in the field of payments. When a person pays by cheque or cash, or even a credit card over the counter, the focus is on the physical act of payment. However, this physical act of payment is connected to the way the business manages money. This was revealed in the importance of the cheque butt as a way to physically trail money coming in and out of the business. The barriers to the use of online payments methods and payments instruments are those that appear to lessen a person’s control over the management of money. Electronic forms of payment fulfil the payments function. They are failing to displace cheques because they are not linking to the way a business manages money. Thus the activity that needs to be addressed online is the management of money, rather than payment.

This lesson has been well learnt by Intuit that markets the world’s leading financial management program *Quicken*. The program started out as a convenient way to pay bills. It has succeeded because it set bill payment within a framework that allowed small business and residential consumers to manage their money. Hence when you visit their web site, their home page begins with the line “Revolutionizing how people manage their financial lives”.

This redefinition of activities can be seen in the way writing on a PC is a different experience from writing by pen or on a typewriter. Instead of having easily separable activities such as drafting, writing and editing, writing on a word processor is more seamless. What we get is multiple drafts, rather than separate staged activities.

The challenge of new technologies is to deal with this redefinition of activities. The redefinition of activities redefines the business. When banks discovered in the 1980s they were actually in the business of transmitting information rather than moving money, their strategies changed. Banks now need to discover they are financial institutions in the business of helping people manage their money. The move from the physical to the virtual world of the Internet suggests the same kind of transforming leap for residential consumers and small businesses.

An important question as we move from the physical to the virtual world of the Internet is: Will the Internet redefine the *real*? Will the Internet make us think differently about ourselves? Sherry Turkle explored some of these questions in her work on computers and the Internet. She says the larger cultural context in which the Internet figures is “the story of the eroding boundaries between the real and the virtual... both in advanced scientific fields of research and in the patterns of everyday life”.<sup>27</sup>

Turkle notes how the move towards virtuality has redefined what is real. Just as “MUDs seem real compared to Nintendo; the phone seems real compared to the Internet”.<sup>28</sup> Similarly, the credit card over the counter seems real when compared to the credit card over the Internet or digital cash. But it was not so long ago however, that people spoke of credit cards as *pretend money*. The changed form of money altered the way they thought about money, and how they managed it. Similarly, people who remember being paid in cash and then received their payment by cheque spoke of the way the cheque was not *real* in the way cash was real. The same kind of responses were heard when payments moved from cheque to direct debit. The move changed the way people perceived money, and the way they spent and saved.<sup>29</sup>

The change in the nature of activities is one of the most important questions that needs to be explored by policymakers, business persons and researchers.

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<sup>27</sup> Turkle, Sherry, 1995. *Life on the Screen: Identity in the Age of the Internet*. New York: Simon and Schuster, p. 10

<sup>28</sup> *Ibid.*, pp 236-237.

<sup>29</sup> See Singh, S. (1997). . *Marriage Money: The Social Shaping of Money in Marriage and Banking*. St. Leonards, NSW: Allen & Unwin.

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## 9. Implications for Policy and Industry Strategy

Policy makers see the increased use of electronic commerce by Australian business as a strategic priority to prepare Australians for the information economy.<sup>30</sup> The context of the emphasis on economic commerce is the expectation that the information society will bring with it a major shift in the medium of communication and the way we live, work and learn. Hence it is important for Australians and Australian business to take up the new medium so as to remain competitive in a global market place.<sup>31</sup>

Thus the priorities are to raise awareness of online services and instil the skills to be able to use these services. The Department of Industry, Science and Tourism has set two targets relating to awareness and access. It hopes by the year 2000 that every small business will know about online business systems. By 2003, it also aims that 90 per cent of firms which could benefit from electronic commerce, will be online.<sup>32</sup>

The goals of industry are also in tandem with those of policy makers. Increased awareness and access to online communication will increase the business and residential market for the enabling equipment, online goods and services.

The policy relating to electronic commerce is embedded in wider social and economic objectives. The mission statement currently being considered by the Ministerial Council for the Information Economy says the government seeks “To ensure that the lives and work of Australians are enriched, jobs are created, and the national wealth is enhanced, through the participation of all Australians in the growing information economy”.<sup>33</sup>

This study shows these are all acceptable aims and objectives for small business in relation to electronic commerce. It is clear that small business sees the Internet connection as valuable. The Internet has generally become the idiom of business survival. However, when the small business is at the centre of policy, and the focus is on how small businesses use online channels for different audiences and activities, the questions and language changes. In Figure 6 we summarise some of the differences in the approach taken by policy makers and the perspectives of small business.

The main findings of this user-focused study are that the challenge of electronic commerce goes beyond using new technologies, or finding a more cost effective and competitive way of doing business. The challenge is learning to fit a new way of business communication with existing ways of dealing with customers, other businesses and government. Small businesses mix and match traditional and online communication channels. They use the channels so that there is a fit between the characteristics of the channel, activity, audience and meaning. This fit has to happen in a way that helps the business provide better value to its customers and engender trust. Small businesses also have to cope with the way the Internet is making communication more explicit and redefining the nature of activities.

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<sup>30</sup> Ministerial Council for the Information Economy. (July 1998). *Towards an Australian Strategy for the Information Economy: A Preliminary Statement of the Government's Policy Approach and a Basis for Business and Community Consultation*. Canberra: National Office for the Information Economy.

<sup>31</sup> Ibid.

<sup>32</sup> Department of Industry, Science and Tourism. (May 1998). *Getting Business Online*. Canberra: Department of Industry, Science and Tourism.

<sup>33</sup> Ministerial Council for the Information Economy. (July 1998). *Towards an Australian Strategy for the Information Economy: A Preliminary Statement of the Government's Policy Approach and a Basis for Business and Community Consultation*. Canberra: National Office for the Information Economy, p.8

**Figure 6: The Story of Small Business and Electronic Commerce – Policy, Industry and User Perspectives**

<b>Policy and Industry</b>	<b>Users</b>
Electronic commerce is a way of making Australian business more competitive and increasing national wealth.	Electronic commerce is a new way of business communication which redefines the nature of activities.
Getting business online is the first priority. The targets are increased awareness and online access.	The focus is on the effective use of online services so as to do better business.
The emphasis is on increasing the take-up of online communication channels.	Online channels are adding to the mix, not always supplanting traditional ways of communicating. Hence the emphasis has to be on business managing multiple channels of communication.
Businesses will use electronic commerce to reduce costs, increase efficiency, profitability and competitiveness.	The use of electronic commerce depends on the fit between channel, activity, audience and meaning.
The emphasis is on competition policy and issues of regulation.	The interests of the end-users are central to the evaluation of policy and industry strategy.
The government should be an innovative user.	The government is also an important provider of content services.
The focus is most often on the technology, law and infrastructure.	The focus is on economic and social objectives.
The language is that of economics, engineering and law.	The language is also that of sociology and anthropology.
Monitoring of policy concentrates on economic outcomes, rather than the social objectives of the mission statement.	The questions and solutions are different when they start with the social objectives.
Impact of strategies is assessed primarily by quantitative analysis.	The linking of qualitative and quantitative research ensures we monitor the economic outcomes and the social shaping and impact of technology.

What are the implications of this study of electronic commerce from the perspective of small business for policy and industry? This is a difficult question. The difficulty is to find a framework and language that will connect the providers' and users'

perspectives. The challenge is also to find a language that can connect the economic analysis of supply and demand, cost and price with the sociological study of access and use, trust and meaning. The language and frameworks need to link the macro outcomes of policy and industry strategy with the micro worlds of individual business experience. The necessary measurement and monitoring of outcomes need to go together with the exploration of ambiguities and change. Hence the challenge is not only to bring together two partial stories – from the users’ and providers’ perspectives but to straddle different dimensions of knowing.

This study can however, add to the policy and industry debate in the following ways:

- ◆ It brings an emphasis on the small business user and its activities and audiences;
- ◆ It complements the focus on access and supply with the focus on use;
- ◆ The emphasis on online channels is replaced by an emphasis on the way people in small business mix and match new and old communication channels;
- ◆ The study brings to the centre the issue of the design of electronic services so as to fit the requirements of small business;
- ◆ These findings can help devise performance indicators that monitor economic and social outcomes for the end user through qualitative and quantitative research to capture the essence of effective use, trust, comfort, quality and design<sup>34</sup>;
- ◆ The language and rhetoric of economics and engineering is supplemented with the language of sociology and meaning.

The implications of this study go beyond highlighting the dichotomies between the perspectives of policy makers and industry strategists on the one hand and users on the other. The study also suggests there are two important conceptual bridges – those of trust and design. Policy makers, industry strategists and users agree that trust is central to the use of online communication channels and services. The difference in perspectives and language however, have policy makers and industry strategists talk of security, digital certificates and authentication, while users talk of control, comfort and security. The issue then is of finding ways of connecting these perspectives so that the issues of hard trust and soft trust can be addressed.<sup>35</sup>

Design is also a potential way of connecting the insights from the use of online services to the production of these services. Designers are conscious of the need to understand the users’ perspectives in order to achieve effective design. But in order to connect design and use, the designer has to first discover the users’ perspective. Then he or she has to find a way of incorporating the understanding of use into the design so as to engender trust. Designing is thus a creative act which has to have meaning in the worlds of use and supply, and in the worlds of cultural meaning, technology and markets. This intersection of design and use is an exciting issue for further research.<sup>36</sup>

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<sup>34</sup> See Centre for International Research on Communication and Information Technologies at RMIT (1998). *Australia's Progress Towards Effective Use Of Online Services: Monitoring Policy Outcomes And Market Developments*. <http://www.circit.rmit.edu.au/monausol/>

<sup>35</sup> We have examined the issue of trust in greater detail in Singh, S. and Slegers, C. (1997). *Trust and Electronic Money*. Policy Research Paper No. 42. Melbourne: Centre for International Research on Communication and Information Technologies.

<sup>36</sup> Also see Singh, S. (forthcoming). *Gender, Design and Internet Commerce: A Reflection on the Australian Experience*. Paper presented at the PRICAI 98 Workshop on Issues of Cross Cultural Communication, Singapore, 24 November 1998.

Electronic commerce, therefore, becomes an issue not just of business efficiency and global competitiveness, but also of government and industry working with each other and with researchers towards enhancing trust and meaning via new communication channels. In a fast changing environment, it is important for policy makers to continually monitor what they know and try and discover what it is they do not know. The challenges for policy makers and users are just as likely to come from the social and cultural domains as from the economic and technological areas.

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## About the Authors

**Dr Supriya Singh** is a Senior Research Fellow at CIRCIT at RMIT. She holds a Ph.D in Sociology and Anthropology from La Trobe University. She was awarded the Jean Martin Award by the Australian Sociological Association for the best Social Science thesis in Australia for 1993-95. The thesis was published by Allen and Unwin in 1997 as *Marriage Money: The Social Shaping of Money in Marriage and Banking*. This follows her previous books on banking history in Malaysia and Australia, *Bank Negara Malaysia: The First 25 Years, 1959-1984* (Bank Negara Malaysia: 1984) and *The Bankers* (Allen and Unwin: 1991) and a study of Simunul Bajaus in Borneo, *On the Sulu Sea* (Angsana Publications: 1984).

Dr Singh's work at CIRCIT has focused on studying the use of information and communication technologies, with a special emphasis on electronic money and electronic commerce. Dr Singh has presented her research at the Telecommunications Policy Research Conference in Maryland, USA; Princeton University's Department of Sociology Workshop on Economic Sociology; the Center for International Affairs, Harvard University; the Pacific Telecommunications Conference, Hawaii, and the Delhi School of Economics, University of Delhi.

From 1993 - 1998, Dr Singh represented consumers on the Australian Payments System Council which advised the Federal Treasurer about developments in the payments system.

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Claudia's publications include: *Trust and Electronic Money*, CIRCIT Policy Research Paper No. 42 (with Supriya Singh); *The Story of Small Business and Electronic Commerce*, CIRCIT Policy Research Paper No. 43 (with Supriya Singh); *Evaluation for Chronic Illness Alliance On-line Project* (with Sarah Miller); and *Passing First Year University: Perceptions of Key Stake-holders* (with John Glass, Patricia McLean, and Judy Maxwell) for the Department of Access and Preparatory Learning, Royal Melbourne Institute of Technology and University of Melbourne.

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