

## The Internet and SME Exporting: Canadian Success Stories

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“Despite all the attention that Internet companies get these days, it’s just a transitory phase, because in five years time there won’t be any Internet companies—they’ll all be Internet companies.”—Andy Groves, Intel Chairman.

“While every ecommerce Website can make its offerings globally accessible, very few sites know how to serve foreign customers well. In a recent study, Forrester Research found that 46 percent of all orders placed by people living outside the United States went unfilled due to process failures.”—Business 2.0.

These two quotes provide the logic for this report. Although the Internet has become accepted as a tool of business, relatively few companies have thought carefully about it might be used to capture export business. The report focuses on this matter and describes how 10 small and medium-sized businesses (SMEs) in Canada have successfully employed Internet technology to expand their international reach. Company profiles are provided as well as a summary of the lessons drawn from their experiences. First, however, we present background material on Internet usage by SMEs, and the Internet and exporting.

### Introduction

The Internet has experienced extraordinary growth in a few short years. A measure of such growth is that the number of computer hosts increased from 4.9 million in January 1995 to over 43 million, four years later. Forecasts about Internet growth continue to be bullish. Forrester Research estimates that business-to-business (B2B) trade in goods on the Internet will double annually, with sales growing from US \$43 billion in 1999 to US \$1.3 trillion in 2003. Sales and booking of services would add to these figures. Business-to-consumer (B2C) Internet sales will also boom, with 1999 sales of US \$8 billion growing to US \$108 billion in 2003. Although much of the media coverage of business on the Internet has centred on stories from the world of B2C, these figures show that B2B is a substantially larger part of the economy.

Much of the early development and growth of Internet-based business took place in the United States. Other nations are poised to experience fast growth in e-commerce: Canada lags the US by about 18 months, with the UK and Germany (24 months), and Japan, France and Italy (48 months) further behind. In the same way that certain nations have made early headway in e-commerce, the same is true for industries. Computing and electronics were the first to embrace the potential offered by the Internet. Other industries with high Internet penetration levels are aerospace, telecommunications and automobiles.<sup>1</sup> The extent to which companies are Internet-enabled varies within as well as across industries. Much depends on the competitive situation facing each company but as the above quote suggests, no company can afford to ignore the Internet.

A majority of business owners and managers recognize that e-commerce is not a passing fad. A survey of 250 large and medium-sized US companies, for example, revealed that 58% of corporate decision-makers considered the World Wide Web (WWW) to be important or very important to their business strategy. A large majority reported that marketing and the generation of sales were key objectives for their web sites, with somewhat fewer endorsing the goal of cost

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<sup>1</sup> *The Economist*, “A Survey of Business and the Internet,” June 26, 1999, pp. 5–6.

cutting. However, a revealing statistic is that the web sites of three-quarters of those surveyed did not support on-line transactions or tie-in to customer or supplier databases.<sup>2</sup> Clearly, most companies have some way to go before they will be able to exploit e-commerce opportunities fully. In many companies, investments are planned in people and systems so as to move in this direction. A similar situation exists for SMEs—the focus of this report.

## The Internet and SMEs

The Internet is seen as creating significant opportunities for SMEs but at the same time, laying down a set of fresh challenges. E-commerce represents a chance for SMEs to compensate for their traditional weaknesses in areas such as accessing new markets, undertaking research and promoting themselves internationally. At the same time, the fixed cost of adopting new technologies is a bigger burden for SMEs than for others. Further, SMEs are probably more susceptible to security and liability problems that might arise out of e-commerce.<sup>3</sup> A number of research studies provide a snap shot of where SMEs presently stand in relation to e-commerce.

In the US, a useful review of adoption and use of the Internet by SMEs is found in a 1999 report of the Office of Advocacy, US Small Business Administration. Although the statistics vary across the studies cited, the overall picture is clear. The number of SMEs with access to the Internet is growing quite rapidly, with e-mail, research and the provision of company/product/service information dominant. When SMEs operate a web site (20–35% of cases), the overwhelming reason for this is the ability to reach new and potential customers.<sup>4</sup> A recent report forecasts that 80% of SMEs in the US will have access to the Internet by the end of 2000. At present, only 13% are able to conduct business transactions from their web sites. This results from uncertainty, limited resources and a general lack of information technology expertise among smaller firms. The emergence of a new category of company—e-business service providers—will help overcome these problems, and push SME e-commerce involvement to 50% by 2004.<sup>5</sup>

Canadian Federation of Independent Business research shows that SMEs in Canada have keenly embraced the Internet as a business tool. In the first half of 1999, 61% of business owners were connected to the Internet, almost double the number of two years before. SMEs principally use the Internet for e-mail and obtaining business information (more than 80% each). More sophisticated usage of the Internet is at a lower level: 18% of SMEs report employing a web site for outbound marketing and communications, whereas financial transactions are conducted via the Internet by 24 to 31% of SMEs, with larger companies more active.<sup>6</sup> A second Canadian study reports higher levels of web site operation (52%) among SMEs. However, consistent with other research, web sites were found primarily to be informational in nature, with product and service information, product/service catalogues, and search engines the most common features. The level of e-commerce activity reported by companies parallels that elsewhere. In the prior six months, 28% of SMEs had purchased, and 15% sold products or services over the Internet.<sup>7</sup>

<sup>2</sup> Yankee Group study cited in reference at footnote 1.

<sup>3</sup> OECD, Small and Medium-Sized Enterprises and Electronic Commerce, Background Report for the Ottawa Conference, September 1998.

<sup>4</sup> Small Business Administration, E-commerce: Small Businesses Venture Online, Washington: Office of Advocacy, US SBA, July 1999.

<sup>5</sup> "2000 Kicks Off Small Business Internet Commerce," Cahners In-Stat Group [www.instst.com/pr/2000/cc0001ms\_pr.htm]

<sup>6</sup> Virtually a Reality: Results of the 1999 CFIB Survey on Internet Use Among Small- and Medium-sized Firms, Canadian Federation of Independent Business, August 1999. [www.cfib.ca]. Industry Canada reports higher levels of usage by SMEs. See "Canadian Internet Commerce Statistics: Summary Sheet," SES Canada Research, Web Entrepreneurship Survey, Spring 1999. [http://e-com.ic.gc.ca/using/en/e-comstats.pdf]

<sup>7</sup> International Data Corporation, The Internet and Its Impact on Small Business Functions: First Quarter 1999, Toronto: IDC, July 1999.

Research conducted into SME adoption and usage of the Internet in the UK and in Asia-Pacific nations, both confirms and extends other studies. In the UK, for example, SMEs state that the largest current and planned use of the Internet is for communicating with customers, followed by marketing, market research, communicating with suppliers, and sourcing products/services. Security continues to be a concern for SMEs in the UK, as is potential competition from new entrants, price visibility and transparency. Emerging concerns for some companies include tax and legal issues, and the use of multiple trading currencies.<sup>8</sup>

An Asia Pacific Economic Cooperation (APEC) study is based on fieldwork conducted in the 21 member nations of that organization and so provides a broader sense of e-commerce and SMEs. The most significant potential benefits of e-commerce arising out of the research were:

- Improved customer service and information exchange is of greatest importance for SMEs;
- Enhancing the company image and improving its competitive position is very important;
- Using e-commerce to reach international markets is important for some, but not all firms; and
- Increasing revenue and reducing costs through e-commerce channels is of moderate overall importance.

The most significant barriers to the adoption of e-commerce by SMEs in APEC nations were:

- Low use of e-commerce by customers and suppliers;
- Concerns about security aspects of e-commerce;
- Concerns about legal and liability issues;
- High costs of computer and networking technologies;
- Limited knowledge of e-business models and technologies;
- Uncertainty about the benefits of e-commerce for the company; and
- Quality of telecommunications services for e-commerce.<sup>9</sup>

Several models of Internet technology capability have been proposed. These reflect an expectation that companies will move from relatively simple use of the Internet to higher levels of e-commerce capability and activity.<sup>10</sup> A typical model is shown below:

Level 1: SMEs with very basic or no online capabilities.

Level 2: SMEs with a web site but no advanced capabilities.

Level 3: SMEs able to take orders and provide customer service on their web site.

Level 4: SMEs able to complete transactions and receive payments on their web site.<sup>11</sup>

<sup>8</sup> KPMG, *Electronic Commerce: A Survey of Small and Medium Sized Enterprises*, London: KPMG and Demon Internet, 1999.

<sup>9</sup> PricewaterhouseCoopers, *SME Electronic Commerce Study (TEL 05/97T)*, Final report for Asia Pacific Economic Cooperation, September 24, 1999.

<sup>10</sup> See for example: Yankee Group, "Yankee Group Finds Small and Medium Business Market Missing the Internet Commerce Opportunity," November 17, 1998. [www.yankeegroup.com], von Goeler, Kate, "Internet Commerce by Degrees: Small Business Early Adopters," November 8, 1998. [www.instat.com], and Ng, Hooi-Im, Pan, Ying Jie & T.D. Wilson, "Business Use of the World Wide Web: A Report on Further Investigations," *International Journal of Information Management*, 18 (5), 1998, pp. 291-314.

<sup>11</sup> Same source as footnote 9.

E-commerce is advancing so rapidly that inclusion of a Level 5 is probably justified. This would reflect the fact that some companies are now fully automated, with customer purchases linked into back-end systems, such as inventory control. However, most companies—large, medium and small—have yet to progress beyond Level 3.<sup>12</sup>

### **The Internet and exporting**

Although much is made of the market expansion possibilities made possible by the Internet, and many companies are realizing international sales in this manner, the literature dealing with Internet-based exporting is very limited at present.<sup>13</sup> Despite this situation, a number of important topics are reviewed in this section and links made to relevant works. The discussion covers Internet export fundamentals, exporter type and decisions, localization efforts, and global e-business developments. Before turning to these topics, a few Internet generalizations are noted.

First, it is worth pointing out that the sustainable competitive advantage of a company cannot be derived simply from its connection to the Internet or the presence of a web site. The competitive advantage of a company usually results from its product, service or process know-how, and its ability to satisfy the needs of chosen customer groups. The skillful deployment of technology often enhances competitive advantage but does not create advantage in its own right. This is true for both domestic and export marketing activities. Second, non-exporters cannot expect to become exporters overnight because of a web site. However, once the appropriate export infrastructure is in place, and a strategy has been developed, a web site can certainly prove helpful. Third, some export markets will not yield much business for exporters in the near term since structural impediments to the use of Internet technology, such as telecommunications systems, computer usage levels and government regulations, will restrict access and usage by intermediate and final users.<sup>14</sup>

### **Internet export fundamentals<sup>15</sup>**

SMEs can use the Internet to support their export operations in three main ways: (1) as a global marketing tool, (2) as a cost-efficient transaction medium, and (3) as a tool of customer care. One advantage of the Internet as a marketing tool is that because it is available 24 hours a day in all time zones, it gives companies a global presence. At the same time, through the adaptation of information to local visitor needs (see below), it provides an opportunity for the exporter to be local in many markets. The Internet is a medium for communication and web site visitors interact with the information provided. This provides many opportunities for the exporter to learn more about the interests of visitors, to collect specific information directly, and to involve the visitor in a continuing dialogue. Web sites can incorporate substantial amounts of information that is up-to-date, easy to use, and an efficient and low-cost way of distributing materials. Such comprehensive information will attract the interest of competitors as well as prospective buyers, but access to some areas of the site can be password restricted.

The Internet is also a medium for carrying out transactions. Critical questions to be dealt with here include ordering procedures (direct or through resellers), pricing transparency, delivery options, electronic payment methods and security. E-commerce encourages direct dealing

<sup>12</sup> KPMG, *Electronic Commerce Research Report 1999*, London, 1999.

<sup>13</sup> An early exception is Hamill, Jim & Karl Gregory, "Internet Marketing in the Internationalization of UK SMEs," *Journal of Marketing Management*, 13, 1997, pp. 9–28. The fact that data collection took place in 1996 reduces the usefulness of the study findings.

<sup>14</sup> Samiee, Saeed, "Exporting and the Internet: A Conceptual Perspective," *International Marketing Review*, 15 (5), 1998, pp. 413–426.

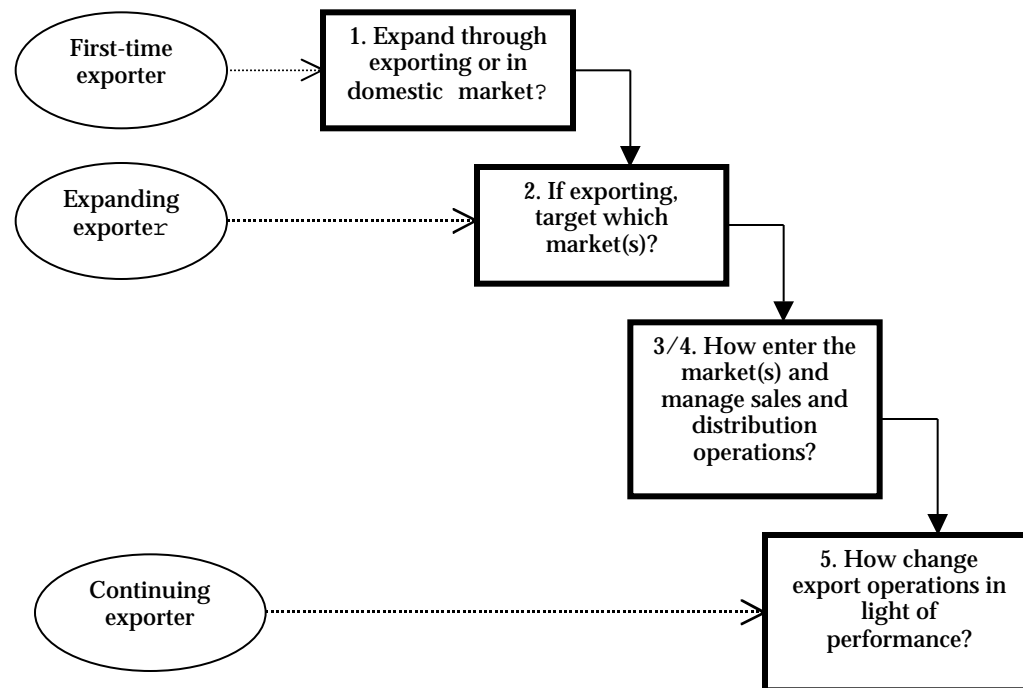
<sup>15</sup> This section draws extensively from Bygdesson, Jonas, *Using the Internet as a Tool of International Business*, Swedish Trade Council, February 1999 [[www.e-global.es/suecia.doc](http://www.e-global.es/suecia.doc)]. Many of the above principles apply in a domestic as well as export market context.

between sellers and buyers and this can cause channel conflict when intermediaries have historically been involved in marketing. Intermediaries such as foreign agents and distributors retain their position in marketing channels when they provide services that are valued. In some instances, they offer a local servicing capability, whereas in others they help with access to difficult-to-reach buyers. The advent of the Internet is likely to challenge the position of some intermediaries but it would be wrong to assume that e-commerce marks the end of all resellers (or disintermediation). Price information is found on many web sites. This makes life easier for competitors who are gathering intelligence. It also creates a more difficult situation for exporters whose prices vary significantly on a market-by-market or customer-by-customer basis. Password protected areas again provide a vehicle for individual pricing arrangements. The fulfillment and delivery of orders is another question meriting serious attention. Internet technology permits SMEs to offer their products and services on a world stage; a downside of such exposure is the creation of more interest than can be satisfied, as well as receipt of inquiries from locations that the company cannot effectively supply. Exporters should, therefore, decide which markets they can realistically pursue, and supply these either directly or through a third-party fulfillment company. Tracking and tracing of orders is increasingly a feature demanded by customers. Export transactions run the gamut from orders that must be pre-paid, through sales on letter of credit, to sales on account. Companies that are new to exporting tend to be understandably nervous about extending credit to unknown buyers in distant places. Most B2B export transactions involve electronic forms of payment. B2C transactions are also moving in this direction, although many web sites still do not permit purchases to be consummated. To some degree, this is a result of lingering doubts many buyers have about providing credit and personal information over the Internet, as well as a lack of familiarity with the supplying company. Many web sites attempt to set these fears at rest by incorporating sections that speak to the security arrangements made by the company in question. Endorsements by valued, third party organizations also help improve buyer confidence.

The Internet readily lends itself to customer care activities. A variety of approaches are taken here, including developing web site content that will help buyers install and use the product, providing information on new and complementary products, and listing answers to frequently asked questions. Many companies publish a newsletter that is electronically distributed to interested persons, while still others enable return visitors to quickly access relevant material rather than having to go through another log-in process. Another vehicle for staying in touch with customers is through online questionnaires that invite feedback on the company and its offerings.

### ***Exporter type and decisions***

Exporters make important decisions on an almost daily basis. At various points, however, they must find answers to questions of a more strategic nature, such as (1) export start-up, (2) market selection, (3) entry and servicing methods, and (4) strategy adjustment. Exhibit 1 shows this

Exhibit 1: Exporter types and critical questions<sup>16</sup>

sequence of decisions, and also identifies three types of company (1) the first-time exporter, (2) the expanding exporter, and (3) the continuing exporter.

The critical question facing the first-time exporter is whether to grow through expanding domestic or foreign market operations. Most companies prefer the former since it tends to be less costly and risky, and often brings quicker returns. However, many companies are unable to meet their profit targets within the relatively small Canadian marketplace. This is particularly true for companies producing specialized products and services. The decision to enter export markets is a significant one for most companies, best made after considerable research and reflection.

Once exporting has been chosen, first-time exporters move on to deal with questions 2, 3 and 4. The choice of foreign market is critical, since it determines the arena in which the company will compete for business. Once a market has been chosen, attention then turns to how this market should be entered. Will the company deal with foreign buyers directly or through foreign-based partners? This decision will have a major bearing on how a company's products and services will be offered in the market in question. Because they plan to enter one or more new export markets, expanding exporters must also answer questions 2, 3 and 4. Their situation is helped by the fact that they have some export experience to draw upon. Continuing exporters are not required to deal with such fundamental questions. Unless there is a major problem of performance to be dealt with, they are more concerned with fine-tuning existing operations.

As can be seen, the three types of exporter face different questions and thus have contrasting requirements. Exhibit 2 presents some ideas about how Internet technology might help exporters resolve their problems and manage their operations. The chief benefits Internet technology bestows on exporters is the ability (1) to conduct high quality and timely research, (2) to

<sup>16</sup> Adapted from F.H. Rolf Seringhaus & Philip J. Rosson, *Government Export Promotion: A Global Perspective*, London: Routledge, 1990.

communicate effectively with prospective partners, customers and other interested parties, and (3) to test out ideas before committing to full-scale operations.

**Exhibit 2: Export decisions and the role of the Internet<sup>17</sup>**

Exporter type	Critical question	Required decisions	Potential Internet role
First-time	1. Should exporting be initiated?	<ul style="list-style-type: none"> <li>• Growth potential versus domestic market</li> <li>• Problems to be overcome to tap export potential</li> <li>• Likely cost/benefit of export involvement</li> </ul>	<ul style="list-style-type: none"> <li>• Size-up key markets, buyers, competitors, distributors</li> <li>• Check industry and government sources</li> </ul>
Expanding	2. Which market(s) should be entered next?  3. What entry & servicing method is best?	<ul style="list-style-type: none"> <li>• Determine market potential and barriers to entry</li> <li>• Choose from feasible market alternatives</li> <li>• Viability of market entry options</li> <li>• Selection of foreign partner</li> </ul>	<ul style="list-style-type: none"> <li>• Compare market statistics</li> <li>• Examine trade leads</li> <li>• Test market via web site</li> <li>• Participate in virtual trade missions and fairs</li> <li>• Contact key buyers, distributors</li> </ul>
Continuing	4. How can performance be maintained or improved?	<ul style="list-style-type: none"> <li>• Need to adjust/change existing operations for the market in question</li> <li>• Decide what new initiatives are required</li> </ul>	<ul style="list-style-type: none"> <li>• Track market dynamics</li> <li>• Fine-tune processes</li> <li>• Scout opportunities for improvement</li> </ul>

### **Localization efforts**

Dealing with foreign languages has always been an issue for companies involved in foreign trade. As SMEs diversify their market base and employ Internet technology in this process, decisions must be made about the language(s) used in their web sites. This is a matter of growing importance, since:

1. Whereas 42% of online users were non-English speakers in 1998, this figure increased to 60% in 1999;
2. By 2002, 45% of Internet commerce is expected to be conducted outside the US ; and
3. Web surfers are three times more likely to buy when the offering is made in their native language.<sup>18</sup>

There appears to be much room for improvement in this area if the findings of a recent study are at all representative. Specifically, a survey of 426 Canadian companies that had expressed an interest in doing business in Japan revealed that only 7 (or 2%) included Japanese language text in their web site. Moreover, relatively few web sites (23%) even mentioned Japan, despite this being a market of “interest.”<sup>19</sup>

<sup>17</sup> Same source as footnote 18.

<sup>18</sup> Gibbs, Hope Katz, “Global Website Planner: Taking Global Local,” Global Business Online, December 12, 1999 [www.exporttoday.com/archive/dec99/article2.html]

<sup>19</sup> Coates, Kenneth & James H. Tiessen, Canadian Firms, Electronic Commerce and the Japanese Market, Ottawa: The Japanese-Canadian Trade Council, 2000.

Since not even the largest corporation can entertain the idea of dealing in many languages, some simplifying strategy has to be devised. One possibility is an “internationalized” site that employs simple language in an attempt to cater to the broadest audience. Another is to translate the areas that are most important to customers. Developing web sites specifically for international markets requires attention to matters in addition to language. For example, icons, visual puns and metaphors must be used with care, and questions such as time formats and punctuation should match local practice.<sup>20</sup>

### **Global e-business developments**

Historically, most companies have moved into export markets following home market success. Often this involved a steady rollout, starting with markets that offered the greatest opportunity, which required the least amount of change, or satisfied some other criterion. Internationalization along these lines was far from universal, but characterized the process for most companies. A question that arises in the literature is whether this model still makes sense?

Sawhney and Mandal<sup>21</sup> argue that it does not, because (1) from the launching of a business, competition is now global, (2) the reach of the Internet makes e-commerce models transparent, and (3) market latecomers are increasingly at a disadvantage. These developments are not entirely new but the Internet appears to accentuate global and competitive trends. In this new environment, the challenge for SMEs is to find a way of capitalizing on the opportunities while, at the same time, steering clear of associated problems. To this end, the writers pose several questions for companies that are compelled to compete in this environment.

- How well is your business model suited to globalization?
- What types of e-commerce businesses will go global first?
- What foreign markets or regions should you target first?
- With whom should you partner in building your global businesses?
- How should you structure your international organization?

In thinking about the portability of business models, a distinction is made between an e-commerce company needing to move bits (information flows), money (payment flows), and atoms (physical flows). These elements, consecutively, require the presence of a good telecommunications, payment and distribution infrastructure. US portals and infomediaries (such as Yahoo!) have expanded internationally both quickly and successfully, because they do not rely on the presence of a payment or distribution system. In contrast, business models involving commerce (E\*Trade) and fulfillment (Amazon) have proven harder to operationalize in foreign settings, since infrastructure levels vary so much. Because of shipping and payment difficulties, B2C e-commerce is regarded as the hardest model to globalize. It is therefore argued that the first movers into foreign markets will be portals and infomediaries, followed by infrastructure providers (SAP, Cisco), B2B marketmakers (eSteel), and finally B2C e-commerce.

Regarding market/region selection, a prior strategic consideration is whether to try to dominate a region or to opt for the establishment of many global beachheads. Regional domination is suggested “when production and consumption are regional rather than global in scope; when customer behavior and structures differ across regions but are relatively similar within a region; and when supply-chain management is very important to success.” In contrast,

<sup>20</sup> Nielsen, Jakob, *Designing Web Usability*, Indianapolis, New Riders Publishing, 2000.

<sup>21</sup> This section draws extensively from Sawhney, Mohanbir & Sumant Mandal, “Go Global,” *Business 2.0*, May 2000, pp. 178–215.

the global beachhead approach is appropriate “when trade is global in scope; when the business does not involve delivering orders; and when the business model can be hijacked relatively easily by local competitors.” Following the choice of either a dominant or beachhead strategy, comes market/region selection. Key factors include market attractiveness, offering fit, capability fit, and competitive intensity.

Partnering is another important consideration. Increasingly, even the largest companies find that their resources will not permit the running of totally independent operations. SMEs, in particular, lean heavily on partnering arrangements in foreign markets. An array of possibilities exists, including local Internet startups (as partners or acquisition targets), local venture capitalists, local incubators, large companies, and local entrepreneurs.

Finally, as a company develops substantial and widespread operations, it would do well to consider what form its organization should take. The degree to which operations need to be localized should be a guiding principle and a suitable architecture established rather than a patchwork set of solutions being allowed to develop. Three layers are recommended. The global core should provide vision, leadership, and strategy. The middle layer includes a set of shared services. These include procurement, human resource management, marketing services, and partner management. These are provided to all regional marketing units. The local market units constitute the outer layer and offer rich local expertise on customers, regulations, partnerships, and supply-chain management. Such a structure enables a business to think globally but act locally, and to enjoy the benefits of standardized services.

Although these ideas are not uniformly applicable to SMEs, they offer promising insights for companies that are planning to go global or are already in the midst of Internet-enabled foreign market expansion.

### **Successful Canadian exporters**

Profiles of Canadian SMEs that have successfully employed Internet technology in exporting are presented below. A list of candidate companies was compiled from several sources. These included suggestions from Industry Canada and Foreign Affairs and International Trade Canada officers in Ottawa and across the country, company case studies on the Electronic Commerce Task Force web site,<sup>22</sup> media stories, and personal knowledge. Following examination of company web sites, the long list of candidates was reduced to about 20, ensuring there was adequate representation by region, sector, B2B versus B2C, and established (bricks and mortar) versus Internet start-up businesses. Companies were invited to participate in the study and interviews completed with 10 companies. Summary information is provided in Exhibit 3 and the company stories described below.

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<sup>22</sup> This may be found at [http://strategis.ic.gc.ca/virtual\\_hosts/e-com/english/44.html](http://strategis.ic.gc.ca/virtual_hosts/e-com/english/44.html)

**Exhibit 3: Characteristics of the featured companies**

Company	Province	Product/service	B2C or B2B	Established or Internet start-up
ABoriginArt Galleries	Ontario	Aboriginal art	B2C (some B2B)	Internet
Blast Radius	British Columbia	Web site development	B2B	Internet
Draganfly Innovations Inc.	Saskatchewan	Indoor flying objects	B2C	Internet
Innovative Brew Technologies	Prince Edward Island	Microbrewery/ brewpub manuals	B2B	Internet
Just White Shirts & Black Socks	Ontario	Men's clothing	B2C (some B2B)	Established
Michel Pratte Sport	Quebec	Sports clothing & equipment	B2C	Established
Sabian Ltd.	New Brunswick	Musical cymbals	B2C	Established
Shana Corporation	Alberta	Electronic forms	B2B	Established
Taybridge Communications	New Brunswick	Electronic design & online services	B2B	Internet
Unique Patterns Design Ltd.	Nova Scotia	Custom dressmaking patterns	B2C (adding B2B)	Established

## ABoriginArt Galleries

Believing that the Internet provided a perfect space to retail the work of Inuit, First Nations and northwest coast artists, Simon Griffiths and Peter Hickman founded AboriginArt Galleries (AG) in late 1997. The experience and know-how of the co-owners complemented each other nicely; Simon knew aboriginal art and galleries, while Peter's background was in information technology and the Internet.

It took a year for the business to develop to the point where the web site went "live." Plans had to be developed, resources and inventory put together, and the web site designed and made operational. The design of the web site was outsourced to a company run by a friend who was prepared to work at a discount in order to get valuable experience. A decision was made to have the site hosted by a large and reputable Internet service provider; a large space was required and AG wanted the site to be fast and the connection dependable. The company also used a specialist to ensure that it was listed in the first twenty names when certain word combinations were submitted to search engines. AboriginArt—the company name—helps in alphabetical listings.

AG has customers in most provinces in Canada and almost all US states including Alaska, and has done business around the world. The site is in English, with main pages in French and German. AG conducts its business on a personal basis: once an order is received, a phone call is made. Hickman explains "art is a very personal thing and we find that customers want to talk about the prints and sculptures." At the outset, it was not clear whether there would be a threshold price beyond which Internet sales would prove difficult. This has not materialized: although most sales are in the \$500–800 range, AG regularly sells items priced at \$5,000 or more.


The company handles credit checks via its own terminal. Some customers prefer the security of providing credit card details by phone. "We price our products in US and Canadian dollars" notes Griffiths, but payments are accepted in various

currencies. Because there is often confusion about posted and actual exchange rates, the company has resisted incorporating a currency converter function on its web site. For interested customers, however, it will provide a best estimate of an item's price in a local currency. Once the sales transaction is approved, the item is packed and shipped. AG exclusively uses Canada Post, shipping by surface or air depending on the destination and timeliness required. The company no longer uses courier companies because of breakage and other problems.

The AG web site is updated and refreshed regularly. Customers have to be encouraged to return and so the site features new pieces and on-sale items on a weekly basis. The site also offers discounts for repeat customers as well as special services for corporate clients that may wish to purchase an item for recognition purposes. A new employee will be hired to improve the functionality of the web site and to look at adding sound and video clips for artwork presentation. At present, AG's web site is not integrated with those of suppliers. However, some product sourcing is done via artist and wholesaler web sites.

Griffiths and Hickman both hold down full-time jobs as well as running AG in their "spare time." Over time, and with expansion, they will hand running of the business over to employees. For the time being, however, there is plenty of work to be done to ensure AG's continued success, which results from its unique art holdings, global presence, and superior personal service.

Product/service	Aboriginal art
Location	Toronto, Ontario
Age	Two years
Annual sales	\$400,000–500,000
Employees	Four
Export sales %	90%
Major market	US
E-commerce focus	How we do business

 [www.canadian-art.com](http://www.canadian-art.com)

## Blast Radius

Established in a one-bedroom apartment in Vancouver in November 1996, the founders of Blast Radius (BR) realized very quickly that to succeed in the web site development business they needed to think on a large scale. With few major companies in Vancouver, local opportunities were quite limited and so, within months of starting up, a decision was made to open an office in New York to prospect for business. More recently, the development of the company's business and client base led it to establish an office in Los Angeles. Another is planned for Toronto. The remote offices handle client interaction and management. All technical work is done in Vancouver, where larger premises now accommodate an expanding workforce—50 more employees are expected by the end of 2000. Some technical work will also be conducted in the new Toronto office.

What sets BR apart from many of its competitors is its approach to customer service. Substantial strategy development and planning is done with client firms to ensure the resulting web site will grab the attention and sustain the interest of targeted customers. Most of BR's clients focus on the 12 to 34 year-old demographic and this is a segment that the company knows well.

BR has found that its best developers and designers want to work with the top brands and interesting projects, which in turn want the best developers. This circular process helps perpetuate the firm's growth.

Securing the right client becomes essential in this environment. In fact, BR works with only 20% of those that approach them. The company likes to develop long-term relationships with clients, rather than engaging in one-time web development projects. Clients with global brands are preferred, and business is accepted from very few start-up companies. Consequently, the list of BR clients reads like a "Who's who" in consumer goods marketing, including Nike, Casio, Universal Studios, Atlantic Records and Lego

Having a physical presence in their active markets helps BR to develop and deepen relationships with clients. Despite the hype

of virtual offices and telecommuting, the company finds that a physical presence is crucial in gaining the trust and support of their partners.

Close to 90% of BR's business has been international, mostly from the US, but with some recent projects coming from Europe. Given the small Canadian market, the firm had to be competitive internationally from the beginning. The company has developed a site for special products targeted to Asians living in North America. This web site is written in Chinese and provided useful experience, should BR decide to expand its geographic interests towards Asia.

Brent Dykes, BR's marketing manager, sees a web presence as essential for SMEs that want to conduct business internationally, provided they have a plan and are ready to deal with issues such as product fulfillment. While they have done work outside of North America, they view English as the language of web commerce and have no plans to change at present. The company is however preparing to embrace other languages as they begin to play a more important role in e-commerce (particularly European).

The company's web site serves as a showcase, presenting their designers' work to prospective clients and would-be employees. It is important to present an image consistent with the company's beliefs and capabilities. BR has invested close to \$100,000 in the current site, and it is a prime vehicle for promotional purposes.

Product/service	Web site development
Location	Vancouver, British Columbia
Age	Four years
Annual sales	\$10-15 million
Employees	140 (250 planned by year end)
Export sales %	85-90%
Major markets	US, Europe
E-commerce focus	Showcase



[www.blastradius.com](http://www.blastradius.com)

### Draganfly Innovations Inc.

Zenon Dragan was always fascinated by hobby shops and model kits. However, living in Saskatchewan, he found the climate severely limited the time he could enjoyably spend outdoors, flying toys. As a result, he set about designing an indoor flying saucer that could be used year-round.

Dragan founded his company Draganfly Innovations Inc. (DI) in 1996 and initially tried selling the saucers at a local shopping mall. However, sales were very slow to materialize and he barely broke even. Then a friend introduced him to the Internet and he immediately saw the potential it presented for selling unique and niche items. Prior to going live with the web site, he sent out a press release featuring a coloured photo of the flying saucer and a product write-up. This caused word to spread, and the initial investment in the press release paid for itself in the first hour of the site's operation. DI's first web site was very simple and cost only \$400 to develop, yet it got him started and proved that the Internet could work for his business. Although people in Saskatoon might not be interested in buying DI's product, it was clear that a ready market existed in many other parts of the world and the Internet made such connections easy. In fact, exports to Israel are greater than sales within Canada. In the first year, DI shipped over 30,000 saucers and generated revenues of over \$1 million.

The site was soon upgraded as sales continued and new marketing methods were tried. Given the novelty of the company's products, many magazines have been very cooperative in featuring his press releases. This publicity provides exposure that would be otherwise impossible for such a small company. Advertising space in magazines like GQ, Playboy and Popular Mechanics would normally cost thousands of dollars. The company estimates it generates over a million dollars in free publicity every year and credits this as one of their success factors. While DI made some mistakes early on like spamming news groups with advertising messages, the company continues to use publicity as a key marketing device. Many foreign

publications have also carried DI's products, something that is usually self-evident since it produces a sudden increase in traffic from a given country. English remains the sole language employed and no need is seen to add other languages to the site at this time.

The price of DI's flying toys ranges from \$27 to \$30,000 and all products are listed in US dollars. Developing and launching innovative products is the greatest challenge now that DI faces competition. The company aims to introduce a new product every six months. Being first in the business, has given Dragan valuable insights into what works and enables DI to continue to lead the field.

The current site is about two years old and has started to push its technical limits. Internet technology has advanced, and so there are many new features Dragan would like to add. The back-end is not yet integrated with the site, and that is one area that will be emphasized in the next round of site improvements. This next iteration will be expensive, probably costing around \$15,000. Most of the work is carried out by a local developer, since it does not make sense to undertake the design and development function in-house.

Product/service	Indoor flying objects
Location	Saskatoon, Saskatchewan
Age	Four years
Annual sales	\$1-1.5 million
Employees	Four
Export sales %	99%
Major markets	US, UK, Spain, Germany
E-commerce focus	Promotion, online sales

 [www.rctoys.com](http://www.rctoys.com)

### Innovative Brew Technologies

Innovative Brew Technologies (IBT) is an entrepreneurial unit within DME Brewing Services of Charlottetown, PEI. Founded in 1990, DME's business involves providing turnkey microbrewery or brewpub services. Microbreweries produce craft beer, whereas brewpubs feature the brewing operation in a restaurant setting. DME designs, produces and installs facilities for clients around the world. Much of its early work took place on the West Coast of the US but, over time, the microbrewery trend has grown in Canada and other countries. Currently, DME sales total \$6–10 million and the company has about 70 employees. In the course of working for DME, it became apparent to Kelly Dunne that there was no easy way for interested parties to learn about microbrewery operations. With support from the President, four DME employees established IBT in 1998 to produce and sell educational manuals. The four employees worked after hours to launch the company but today, they cover both functions during the normal workday. IBT operations complement those of DME. In fact, the manuals help expand demand for DME.

Both DME and IBT have web sites but these fill different functions. DME's site ([www.dmebrewing.com](http://www.dmebrewing.com)) was implemented in 1996 and is presently an electronic brochure. It describes the company and its capabilities, and shows examples of projects undertaken. The site was designed in-house at minimal cost and has been revised four times. The next revision will be substantial, costing about \$30,000. Expected to go live in October 2000, clients will be able to order parts online, and links will be established to the company's representatives in Australia, Brazil and Japan. IBT's web site is just one-year old and is English only. The company worked with Island Tel and a local web developer. IBT acted as a e-commerce guinea pig for the telephone company and, consequently, received a very good rate for the work. Both sites have been maintained internally at low expense to date.

The IBT web site offers customers several payment methods, including by credit card through a secure site hosted in Toronto. Shipments may be made either by

surface mail or courier. The latter charges sometimes amount to more than the value of the manuals (whose prices range from US \$9.99 –39.00) and so the company plans to place inventory with its representatives so as to respond locally and more inexpensively.

Dunne emphasizes the importance of launching the web site. This was carried out after careful planning for IBT, with all the appropriate steps taken, including mail outs, META tags, and search engine listings. When the DME site was launched in 1996, the company did not take these steps directly. Fortunately, a link was made to the "Real Beer Page" in San Francisco, which connected DME to search engines. This produced numerous inquiries for the US\$2,000 annual cost. However, DME was one of only two or three companies in North America providing the microbrewery service at the time. With the growing demand for microbreweries and brewpubs today the number of suppliers has doubled. IBT and DME recognize that they have to work harder and smarter in a more competitive arena.

Although selling to geographically distant and culturally different markets creates many challenges, IBT Vice President Kelly Dunne and her colleagues are determined to master the necessary skills. E-commerce is an important strategic thrust for the two companies.

Product/service	Microbrewery/brewpub manuals
Location	Charlottetown, Prince Edward Island
Age	Two years
Annual sales	\$30,000
Employees	Four
Export sales %	95%
Major market	US
E-commerce focus	Promotion, online sales

 [www.innovativebrew.com](http://www.innovativebrew.com)

### Just White Shirts & Black Socks

Founded in 1994 by three business executives who resented paying inflated prices for quality dress shirts, Just White Shirts & Black Socks (JWS) has seemingly defied the odds, achieving rapid success in a congested marketplace. In the early days, JWS offered a very restricted line of shirts and socks. Although customers liked the product, they soon asked for greater fabric, colour and style variety, and for accessories such as ties and belts. More recently, the trend to the “business casual” form of dress resulted in requests for shirts and slacks that maintained JWS quality standards, but fit the new work environment. JWS success has led to market diversification too. The company has used its experience in the Canadian market to target export sales in key markets.

JWS started life as a mail-order company but saw the potential of the Internet very quickly, establishing its first web site in 1996. The English language site has undergone considerable change in a few short years, having gone through five versions on two platforms. JWS felt Internet sales might approach 20% of total sales and that savings from handling transactions online would probably offset the cost of developing and maintaining a web presence. These ideas held true until 1999, when Internet sales mushroomed to 40% of total sales. Vice President of Marketing Michael Sachter is impressed with the contribution that online sales are now making to JWS but points out that the company is “channel agnostic.” In other words, JWS relates to the customer however he prefers rather than in a preordained way.

JWS has been active in the US for three years and established a joint-venture relationship with an Australian company a year ago to provide local marketing and fulfillment. It also welcomes business from customers in other countries. The JWS web site streams visitors to separate Canadian, US, Australian or international sections, with pricing in Canadian, US or Australian dollars.

JWS runs most operations from Toronto. It sources materials on a worldwide basis and fully controls manufacturing in

Pakistan. Shipments are made from JWS warehouses in Toronto and New York except for those for Australia and Asia. These are handled from Australia. Buyers choose either courier or a cheaper shipment method, with carriers varying depending on the destination.

Now that the web site has proven to be scalable, the next priority for JWS is to link the site fully to back-end systems. JWS uses two companies for web site development: one focuses on design and the other on technical matters. Sachter states that start-up costs fall in the range of \$5,000 for a “basement” project to \$100,000 to \$2 million for a fully integrated site. JWS costs were in the middle of this range. Annual maintenance costs are extra.

According to Sachter, some SMEs make fundamental errors in Internet marketing. First, companies usually emphasize site development over site marketing; devoting insufficient budget dollars to drive traffic to the site. Second, few companies realize that measuring and testing practices developed in direct marketing can help with www marketing. Third, not enough is made of peer relationships, which Sachter uses to find out what is, and is not working.

New initiatives reveal the plans and determination of JWS. The company has established a corporate sales division, hoping to parlay its success with individuals into sales of clothing (with logos) to organizations. Other priorities involve encouraging repeat business and providing rewards for business referrals.

Product/service	Men's apparel
Location	Toronto, Ontario
Age	Six years
Annual sales	\$3-4 million
Employees	17
Export sales %	Not available
Major market	Canada
E-commerce focus	Another customer touchpoint



[www.justwhiteshirts.com](http://www.justwhiteshirts.com)

## Michel Pratte Sports

Michel Pratte Sports (MPS) has expanded beyond the storefront operation established in 1987, to service the North American market. Recognizing that its retail location in Ste. Adèle restricted the opportunities for growth, a mail order catalogue was produced in 1989, and sent to over 30,000 customers annually, throughout North America. Some 80% of sales have traditionally originated from the US where MPS has built a solid reputation among serious outdoor adventurers. Ski clothing and equipment is the bread and butter of MPS's business, but mountain bikes and hiking are growing in importance.

In 1995, a Montreal-based web developer approached the company to explore MPS's interest in moving to the Internet. With the mail order infrastructure already in place, this seemed to be a natural move that would not involve much dislocation. The resulting first web site was relatively simple and offered a limited selection of merchandise for purchase. Technical difficulties caused many problems. Specifically, the payment function took a long time to process, causing some visitors to give up without purchasing.

Despite small sales volumes, the company still saw the Internet as offering good business potential. The web site was revamped in 1998 with the goal of driving greater sales. This version cost about \$75,000. More products were listed and new features added to the site. Links provided information on skiing conditions at locations around the world, as well as ski organizations, camps and other information. Although this additional content is expensive to add and keep fresh, it provides a reason for visitors to bookmark the site and return often, so increasing the likelihood of a purchase being made. The web site is provided in both French and English versions, reflecting the company's Quebec home location and the fact that the majority of its customers live in the US. All pricing is in US dollars. While there are occasional sales from beyond North America, these have not been very significant. The company historically used Canada Post to ship to its mail order

customers and retained this method for WWW marketing.

Despite the fact that visits and sales have greatly increased with the current web site, MPS is currently in the process of a fundamental restructuring of its operations. The plan is to run everything from a central database, with retailing, catalogue and web operations all merged together. Integration will permit inventory to be tracked and displayed in real-time; efficiency will be greatly enhanced, since the three sales channels will be managed together. Response times will also improve and MPS expects to be able to compete more effectively against other companies. The new web site will also feature prices in Canadian dollars for domestic customers. Collectively, the changes will make it possible for the company to maximize its marketing efforts across the whole operation. In summary, the redeveloped site will provide greater functionality and enhanced customer service.

It may seem that MPS has quickly embraced the Internet, but owner Normand Lachaine worries that his company is not moving as quickly as its American rivals. MPS provides great customer service and a unique selection of products, however, competitors are just a click away. Staying at the edge is essential for survival, let alone growth and profitability.

Product/service	Sports clothing & equipment
Location	Ste. Adèle, Quebec
Age	13 years
Annual sales	\$3 million
Employees	15
Export sales %	90%
Major market	US
E-commerce focus	Promotion, online sales



[www.mpratthesport.com](http://www.mpratthesport.com)

### Sabian Ltd.

Founded in 1982 in Meductic, New Brunswick, Sabian Ltd. has achieved a leadership position in the world of musical cymbals. Readers of Modern Drummer magazine recently voted Sabian the most innovative and most customer/service-oriented cymbal company in the world. The company traces its origins back to Turkey, where the art of hand hammered cymbals was perfected centuries ago. The combination of traditional technology and modern business practices, has proven unstoppable. With sales approaching \$25 million, and about 100 employees, Sabian will soon break out of the SME category.

Sabian cymbals are used by leading artists in all musical genres, including rock star Phil Collins, jazz giant Jack DeJohnette, the New York Philharmonic Orchestra and the Phantom Regiment Drum and Bugle Corps. The company sells its numerous musical cymbals, gongs and other percussion instruments through 90 distributors who cover more than 100 countries. Branches in Los Angeles, Marshfield, Massachusetts, Glasgow and Monte Carlo, support the company's diverse marketing efforts.

The prime objective of Sabian's web site is to provide support for the marketing and sales operations of its distributors. In addition, since the critical demographic for the company is 13-17 year-old males, a WWW presence is regarded as an essential for communication purposes. The web site is large, containing a full product catalogue and making intense use of images and sounds.

It contains information on cymbals, artists and dealers locations. The latest company news is presented via an interactive newsletter. "The Zone" is a dedicated area, permitting members to hear the sounds created by each cymbal, take a factory tour, or chat with others. A new area of the web site is a virtual store. This offers a variety of branded clothing, accessory and multimedia items. Sabian does not sell cymbals directly to customers. These are handled through the established distributor and dealer marketing channels. Given the

international nature of Sabian operations, some sections of the web site are available in French, German, Portuguese and Spanish.

The only transactions that occur on Sabian's web site are for purchases from the virtual store. Prices are set in US dollars and credit card verification services provided by a company in Texas. Buyers are given a choice of different shipping services depending on their price and time preferences. The company has sometimes found shipments to the US problematic. Clothing items in particular are sensitive to tariff and other issues, and customs procedures are often unpredictable.

Sabian put up its first web site in 1996 and expects to have its third version operational by September 2000. The web site is tightly integrated with print and other communications activities and, for that reason, has been designed by the company's advertising agency. Mardi Thornton, Marketing Operations Manager at Sabian, regards expert web site help as crucial, stating "a web site has to be cutting-edge, quick, interesting and fresh, or else visitors will just click on by. Although our web site has been well received, the new version will be full-screen, flatter and easier to navigate." A Mandarin Chinese language catalogue will also be included in the next round. None of this comes cheaply. Start-up costs for Sabian were in the \$150,000 range and maintaining the site costs \$50,000-70,000 annually for staff and storage.

Product/service	Musical cymbals
Location	Meductic, New Brunswick
Age	18 years
Annual sales	\$25 million
Employees	100
Export sales %	90% plus
Major markets	US and Canada (60%)
E-commerce focus	Support local distributors



[www.sabian.com](http://www.sabian.com)

## Shana Corporation

Founded in 1985, Shana has long been a pioneer in the field of forms management systems. Its business has evolved and changes as technology has advanced over time. Recently, Shana has embraced the Internet as a way to serve existing clients better and to seek out new prospects. Since forms make up about 85% of all business documents, this is an industry offering considerable potential to firms that are able to offer solutions to this paper problem.

Shana was the first company to offer a form management solution for users of the Macintosh platform in the mid-1980s, and introduced its first cross-platform system in 1996. This was an industry first. The Informed Series incorporates the "Informed Designer" which allows firms to create their unique designs, and the "Informed Filler" which provides functionality by completing and storing the forms.

However, it was the introduction of the "Informed Deployment Server" four years ago that really changed the company's focus. This product sits on a corporate Intranet, and ensures that employees all use the same version of the myriad forms employed (10,000–20,000 different forms is not uncommon in a large organization). By concentrating on one application, Shana has been able to focus its limited resources on providing top quality solutions to Global 2000 corporations.

Shana's English language web site does not include a transaction capability. Customers such as Boeing are not interested in simply buying the product on the WWW. Rather, they and others wish to engage Shana not just as a provider of the product, but also for its consulting and integration expertise. The web site does, however, provide significant sales support in that firms can download demos from the site and test the software during the sales process. As well, through interactive communications applications like "NetMeeting," remote presentations can be arranged, saving both prospect and client from having to travel long distances. The Internet makes these kinds of connections not only possible but easy. With close to 90% of its sales originating from outside

Canada, this is a significant enhancement. Shana technology is currently licensed in over 65 countries.

The Internet also provides a convenient and effective customer service tool. Telephone support can be very expensive, especially in today's 24-hour workday environment. By placing much of the technical literature online with a search engine, clients can often find what they need, without the expense of speaking with a support person. Not only does this save money; it also provides the client with enhanced service, since they never have to wait for answers. According to Nigel Brechi, Shana's Marketing Manager, "we couldn't do business without the Net."

Partnerships with leading players like Entrust Technologies also allow Shana to offer the most advanced encryption and public key infrastructure-enabled solutions for clients. Employing digital signatures, these solutions mean that many forms may never need to be submitted on paper. As the infrastructure improves, this is bound to add additional value to clients. All of this is possible because of the tremendous advances being made in Internet technology and infrastructure developments on the client side. Shana plans to continue incorporating these advances into its products as it grows and evolves to meet the continuing needs of clients.

Product/service	Electronic forms
Location	Edmonton, Alberta
Age	15 years
Annual sales	\$2 million
Employees	35
Export sales %	90%
Major markets	US, Australia
E-commerce focus	Promotion, customer & sales support

 [www.shana.com](http://www.shana.com)

### Taybridge Communications

David Lewis started his company in 1992 and operated it on a part-time basis while working for information technology and computer-based training companies in British Columbia and New Brunswick. In 1998, all the business signals were positive and so David decided to take the plunge; going full-time, and running the business from his home in Taymouth, 30 minutes outside Fredericton.

Taybridge Communications provides a variety of service offerings to organizations in both the private and public sectors. The work that Lewis undertakes ranges from web site development, to technical writing, to customer support via e-mail and the WWW. Customers are located as close as Fredericton and as far away as San Diego, California. Distance presents no problems for Taybridge, since it works almost exclusively in an electronic environment, moving design and other files back and forth via the Internet.

One of the most useful aspects of the company's web site is that it presents a portfolio of David's work. Many web sites include lists of clients, but Taybridge goes much further, presenting more than a dozen examples of the work it has undertaken. Given the visual focus of much of Taybridge's work, many prospects find the screen captures, project descriptions, and electronic links very helpful in making their assessments.

In the past, the Taybridge web site featured prices for typical projects and hourly rates for other work. Lewis found this to be problematic; few projects proved to fit the label "typical" and, by posting rates, prices were locked-in. The web site no longer lists prices or rates. However, a feature that generates a steady response is the "request a quote" button. Prospects complete an online survey regarding their needs and budget parameters and are promised a quote within one business day—often arriving sooner.

Lewis indicates that prices for a basic web site start at about \$5,000, with a full, customized e-commerce site reaching \$60,000, or more. His advice to SMEs that

might be considering setting up a transaction-enabled web site is to proceed simply. It doesn't make much sense for smaller companies to create custom back-end systems (for credit and fulfillment, for example), Lewis says, when these tasks can be adequately handled by outsourcing to another company's web server. Taybridge includes one-year's maintenance in its web site design prices. Otherwise, SMEs should expect to pay, on average \$100 per month for simple text changes. Page changes are more complicated and are usually priced on the basis of an hourly rate. Lewis favours a cautious approach towards foreign language web sites. These are clearly important as foreign business grows; at the same time, the development and maintenance costs can easily sky rocket as languages are added.

When he has time, Lewis ponders how the Taybridge web site might be enhanced. New features have to pass the test of improving the company's revenue-generating ability. At present, no great modifications are planned; the site seems to work well. Some updating of an allied site will take place. Lewis designed and hosts ARCN et, a site that enables aboriginal businesses in Canada to network and promote themselves in the global marketplace. This work reflects David's Mohawk heritage.

Lewis is currently exploring opportunities in other English-speaking markets. David says he doesn't "think in terms of national boundaries anymore, but of time zones."

Product/service	Electronic design & online services
Location	Taymouth, New Brunswick
Age	Two years (full-time)
Annual sales	\$100,000–150,000
Employees	One (subcontracting on larger projects)
Export sales %	95%
Major market	US
E-commerce focus	Providing on-line information services

 [www.taybridge.com](http://www.taybridge.com)

### Unique Patterns Design Ltd.

Tanya Shaw Weeks has taken Unique Pattern Designs (UPD) a long way from the custom dress making business she founded in 1994. The genesis of the business was Weeks' view that many women were not well served by the dress making pattern industry. Existing companies provided patterns that were geared to standard sizes and shapes and, as a consequence, many women found substantial work was required to customize the patterns. UPD was set up to offer a better, automated system for the large numbers of women who enjoyed making their own clothing.

With the help of a local university, UPD developed software for the customization of patterns. The resulting process is simple (1) the customer provides the necessary measurements, (2) these are entered into the system to produce a custom pattern, (3) the pattern is printed on high quality paper, which is then shipped to the customer. As Weeks' puts it "No more guessing or trying to make things fit."

Initially, customers chose patterns from a catalogue, mailed in their measurements, and then received the resulting custom pattern through the mail. As interest increased in the Internet, UPD saw the potential to reach a wider audience and offer enhanced customer service. Putting the catalogue online would help reach new markets more easily than through the expensive production of catalogues and their promotion. In 1995, the concept was tested to great success. Although most business is still based on catalogue sales, the Internet currently represents about 20% of total sales and is growing rapidly. The company has a member list numbering more than 7,000.

The Internet allows UPD to constantly update its content and respond to changing consumer trends quickly. The site is refreshed weekly, giving users a reason to come back often. The company's English-only web site is continually evolving as more features are added. The current site cost about \$100,000 for design, content and

development. Most of the technical development work is done in-house.

It is technically possible for customers to download the images for the printing of patterns. However, UPD is concerned that the calibration of customers' printers might affect the size of the pattern. For this reason, patterns are still delivered through traditional channels. Shipping patterns to foreign customers is not only expensive but can also take a long time. With 90% of sales coming from outside Canada, UPD decided to establish a remote office in Seattle to service US and Asian customers. This office is connected to the Dartmouth head office using Internet technologies. Orders are processed in Dartmouth, with patterns printed and shipped from Seattle. This arrangement reduces both cost and time for many customers. As sales grow in other areas, further remote sites may be necessary.

A recent development for UPD was the establishment of a sister company Virtually Yours Inc. This company markets software to e-tailers that simulates trying on clothes in a retail dressing room. After providing body measurements, a customer can select items from a retailer's inventory and see a precise image of themselves on screen, wearing the garment selected. This is a new and evolving industry and quite a change from the one UPD began in. Software licensing arrangements with e-tailers will permit UPD to leverage its existing technology for maximum advantage. No doubt, further innovation is in the future.

Product/service	Custom dressmaking patterns
Location	Dartmouth, Nova Scotia
Age	Six years
Annual sales	Less than \$1 million
Employees	15
Export sales %	90%
Major market	us
E-commerce focus	Promotion, sales

## Learning from success

In this final section, we draw some lessons from the experience of the 10 companies featured above. A number of common themes are presented first, followed by suggested “best practices.” The report concludes with a number of comments about Internet export models.

### *Common themes*

- Companies have not experienced any major technical difficulties in becoming Internet-enabled. It appears that the supplier infrastructure is good in all parts of Canada. Although some companies were forced to enter into relationships with distant partners in the early days of Internet marketing, local providers are more than able to meet current company needs. Various providers are active on the web design front, including specialized web developers, advertising agencies, and mainstream information technology companies.
- An encouraging finding is that a WWW site can be constructed to fit almost any budget. For companies that have little money to devote to Internet marketing, a simple site can be designed and made operational for \$5,000, and can be maintained in-house inexpensively. Of course, for companies that need to operate larger and/or more complex sites, it is possible to spend a very significant amount of money. Two points emerge from this. First, simple sites often meet customer needs quite adequately. Second, cost has not prevented many companies from moving into the world of e-commerce.
- English is the predominant language of e-commerce for the featured companies. Seven companies provide service only in English, one offers English and French, and two offer service in three or more languages. Where translation has been undertaken, this is for the main pages rather than the whole site. These language strategies may be adequate for companies focusing on the US at the present time. However, as other regions of the world become more important to e-commerce, an English-only approach may be counterproductive.
- Prices are usually listed in US dollars. Four companies price exclusively in US dollars, two in Canadian and US dollars, and one in three currencies. Three companies do not list prices on the web site. Pricing in US dollars seems to be acceptable for Canadian and other non-US customers. A related point concerns price levels in Internet marketing. As might be expected, the 10 featured companies sell business and consumer products and services at very different price levels. For companies selling relatively expensive items, an important finding is that individual customers appear willing to purchase via the WWW.
- A reassuring finding is that the companies have not experienced any major problems in shipping their products. This runs counter to stories in the media that identify fulfillment as a real challenge, especially in the B2C sector where problems are experienced in moving products over the so-called “last mile.” To some extent, the lack of a shipping problem probably reflects the dominant role played by the US market and the relative ease of shipping to customers there (versus elsewhere). It appears that the combination of postal and courier service offerings provides a sufficient number of options for most shippers and customers.
- There has been little or no integration of back-end systems with web sites to this point in time. However, several companies are planning to move in this direction in the near-term.
- None of the featured company sites include “terms of use” or “privacy” statements. Although the absence of these statements has not created any overt problems to date, some sales may have been lost since there is continuing nervousness on the part of many individual customers about security and privacy matters. As e-commerce matures, statements of these kinds—and, perhaps, others—are likely to be seen as mandatory rather

than optional. The potential that exists for liability claims also suggests that the inclusion of such statements would be a prudent step.

- Few of the Internet start-up companies seem to have done much in the way of market selection or planning. Rather, these companies have looked to the US (and to a lesser extent, Canada) for business. Beyond those two markets, business is “accepted” from customers in other locations. This may be a sustainable approach in the near-term but could require a different strategy as markets outside North America assume more prominence. Bricks and mortar companies mostly use their web sites to support existing operations. This means that they have not had to choose or plan for new markets.

### **Best practices**

- Internet marketing depends on advanced technology. However, technology does not create business on its own. Superior service is the key to winning and keeping customers. Successful exporters match their marketing methods to the preferences of customers and delight customers through superior service.
- Although technology is not the final arbiter of success, it is important. It is also moving very quickly. Periodic upgrades are therefore made so as to offer greater functionality to customers and/or partners. Content is updated and changes made on a regular basis so as to produce a web site that is informative, current and dynamic.
- The featured companies have moved beyond the electronic brochure level of Internet marketing. Seven of the web sites offer a transaction capability while four sites support sales and distributors, or customers. (In one case, distributor support is the primary function but accessory sales are also made.) Further, the purpose of each site is clear; its function is to inform, sell or support.
- The web sites match the customer targeted in terms of look and feel. For a graphic example of this principle in action, contrast the sites of Sabian Ltd. ([www.sabian.com](http://www.sabian.com)) and Shana Corporation ([www.shana.com](http://www.shana.com)). The former focuses on young percussionists whereas the latter is directed to corporate systems professionals.
- The web sites of the featured companies were straightforward to navigate. For transaction-based sites, the pathway to completing a purchase presented no problems. Other sites, that provide information or support, were similarly easy and logical to navigate. Three sites had member-only areas.
- Successful exporters provide a range of contact, payment and shipping options. The resulting flexibility means that differing customer capacities and preferences are catered to. In some cases, the preference concerns security (“I’d rather not provide my credit card information via the Internet”) whereas in others, it is about service level (“Delivery in a week is satisfactory”).
- The final “best practice” is more general. The featured companies all responded enthusiastically to the opportunity to talk about their business. They are clearly pro-active, enthusiastic and quick to respond. These characteristics are important in any business setting but, perhaps, doubly so in exporting. Other companies were contacted but did not respond, declined or could not be tied down to an interview.

### **Internet export models**

The successful use of the Internet by the 10 featured companies has not produced fundamentally new models for exporting. However, their experiences enable several conclusions to be drawn.

First, the Internet does offer many advantages that are relevant to Canadian companies.

- The Internet makes it possible for companies to break out of the relatively small Canadian market and compete almost without regard for geography.
- The Internet is a perfect vehicle for niche marketing, which is the strategy of most Canadian exporters, whether B2B or B2C.
- The Internet permits companies to practice one-to-one marketing. It is a powerful way to prospect for, connect with, and retain single customers.

Second, the Internet plays a significant role in the strategies and operations of the 10 export-intensive companies profiled. All 10 companies earn 80% or more of their revenues outside Canada. In some cases, all of this business is transacted via the Internet. In other cases, the proportion of sales accounted for by the Internet is growing, often sharply. Where transactions are not handled electronically, company web sites are increasingly being used for purposes such as demonstrating the product, showcasing past work, and providing customer support.

Third, it appears that the Internet operations of the featured companies are viable. Many are profitable and others are close to breaking even. Many of the companies have invested relatively modest amounts to take advantage of the Internet, while others have spent on a larger scale. Whether the approach has been of a cautious or more aggressive type, the profitable (or almost profitable) operations of the exporters is significant in light of huge losses reported by many so-called "dot.com" firms.

Fourth, current pricing practices enhance export profitability. Specifically, the featured companies mostly incur their expenses in Canadian dollars but, because most of their business is done in the US, price with those buyers in mind. This is almost certainly helped by the fact that most US buyers are unaware that the product originates in Canada. When they do, many probably do not appreciate the value of the two currencies. As a result, a good premium is currently being enjoyed due to the 50% or so differential in exchange rates. It could be argued that this is a general feature of Canadian exporting at this time. However, it appears to be accentuated in Internet exporting because of the dominance of US Internet buyers and the use of US dollar pricing at this time.

In conclusion, the experience of the featured companies is that the Internet offers real benefits for those with foreign business aspirations. Internet-enabled exporting is a significant activity for the 10 companies and is yielding positive financial results. Many other Canadian companies are also enthusiastically embracing the Internet as a vehicle for business growth and expansion.

### **Additional reading**

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