

Get online or fall behind

Firms must lose their fear of the internet and learn to promote their products to keep sales rising, writes Matthew Wall

When Karoly Nunhofer, 26, set up a website in March for his eco-friendly paint shop (ieko.co.uk), his sales rose 25%. "It was a great relief to see that all this investment in technology wasn't being wasted," he said. "I now feel very confident that it will boost sales."

But research from the Federation of Small Businesses reveals that Nunhofer is still rather a rare specimen among small to medium-sized enterprises (SMEs). Many are shying away from the internet, despite its undoubted ability to generate sales.

The FSB found that only 18% of SMEs sell their products online and that most derive less than 10% of sales from the internet. A third of SMEs believe that e-commerce is irrelevant to their line of business and a quarter say the cost of developing and maintaining a website is a disincentive. When you add concerns about credit-card fraud and a general feeling that technical advice and expertise is hard to come by, no wonder businesses are running scared.

But Peter Scargill, the FSB's chairman of information technology, warns: The unwillingness of many SMEs to embrace the internet is putting us at a disadvantage to other countries. In America, for example, SMEs have adopted e-commerce enthusiastically and are reaping the rewards.

Scargill believes that one of the main barriers to the faster adoption of e-commerce in Britain has been the slow roll-out of broadband internet. Broadband only really broke through last year, he said. So it comes as no surprise to find that the areas that have the best infrastructure have the highest levels of e-commerce.

Scargill also believes that many SMEs are simply behind the times in their understanding of how difficult and expensive it is to set up and maintain a transactional website. Online payment-handling systems are very easy to use these days, he said, but that message still hasn't permeated through the small-business community. Until recently, making a website was something you shouldn't have tried to do yourself, but now there are a number of content-management systems that allow SMEs to handle their own content easily. SMEs just need to get involved and educate themselves.

Paul Foster, technical director of UKN Group, an IT services company, said SMEs need to change their thinking radically. SMEs seem happier investing in a £30,000-a-year worker rather than a £30,000 web presence when the latter could generate far more in sales.

Nunhofer, from Forest Row, East Sussex, admits that security was a major concern when he was setting up his website. "I was worried about handling people's credit cards," he said. But these days companies like Paypal can do all that for you. "I don't have to see customer credit-card details, just their addresses." In return Paypal takes a small percentage of each transaction.

Nunhofer spent about £4,000 developing his website, which specialises in selling paint made from plant and vegetable oils. "I always knew that setting up a website was something I should get round to," he said. Every small business should have an online presence because it puts them on a level playing field with much larger companies."

SMEs need to be committed to the process if they are to succeed, he warns, and setting up the website is the easy part; getting the site noticed is much harder. Knowing how to make your website feature high up in web searches, so-called search engine optimisation, is an entirely separate discipline "You can spend a fortune on search engine optimisation if you want," said Nunhofer, but to get your site optimised to a good standard will probably cost you £1,000 to £3,000.

A good web developer will know how to keep adjusting the site to make sure it comes high up in Google searches.

Pay-per-click advertising is useful - you can set how much you are prepared to pay per day for key search terms relating to your business.

You pay only for the clicks through to your site. It is also important to get other good-quality related sites to link to you. Then you need to track how effective your marketing investment has been.

For example, you could be getting a lot of clicks from people in Australia when you only sell in Britain. At least the internet is very good at targeting and tracking.