Quarterly Survey of Small Business in Britain

Special topic: mobile and web-based services

FOUR CASE STUDIES
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Introduction

These case studies are based on a series of interviews conducted by Deneise Dadd of The Open University. Interviews were conducted in April 2013 based on a sub-sample of respondents to the Quarterly Survey of Small Business in Britain. We are grateful to all of our interviewees for taking the time to be involved in this project.

The cases are designed to complement the Q1 2013 survey special topic on SME experiences of mobile and web-based technologies. The full report is available to download at www.open.ac.uk/quarterly-survey.

It is important to note that any opinions expressed in this publication are not necessarily those of the sponsors or of the Open University.

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Case study A:
XYZ Maps Ltd

In 1998, Dr Tim Rideout and Mark Fairbairn established XYZ Digital Map Company in Dalkeith, Scotland, renaming it to XYZ Maps Ltd in 2013 (www.xyzmaps.com). They are a small map making company, specialising in geographical information systems (GIS) and cartography. Currently, XYZ Maps employ five people and earn in the region of a half million pounds annually. They are members of the British Cartographic Society and the International Map Industry Association (IMIA).

As their name suggests, they “do all sorts of things to do with maps”. This includes offering products such as printed and digital maps, postcode datasets, GIS datasets, postcode solutions (for marketing, mailings, etc.), aerial photography and mapping software. Maps are published through their sister company, Global Mapping, who produce most of their paper maps. XYZ Maps also provide consultancy services, as well as custom mapping (including modern and historic air photos) and training courses on how to make maps, map data, among other things. Their maps have been featured in global publications including 'Earth Platinum', the world’s largest atlas. They have also received a number of awards including the best map award from the British Cartographic Society, the Stanfords Award for the XYZ Postcode Sector map of London in 2010.

We caught up with Tim recently and asked him about XYZ’s experience using the internet via static and mobile access. Like many small businesses, XYZ Maps conducts a lot of its activities online. This includes business banking, communicating with customers and suppliers, researching and sourcing new products and services, marketing to existing and new customers, as well as using cloud-based services to run back office functions. These are mainly done using static internet access, i.e. via PCs or laptops in the office. Tim also shared that he and his business partner, Mark, both use their mobile phones for business. In particular, they both receive company emails on their Smartphones. This means, like many other small business owners, holidays are frequently interrupted because they have to deal with urgent emails. Mobile internet access is also used “for things like visiting websites, reading the news and financial press”.

Communicating with customers and keeping them informed is crucial to any business. XYZ Maps use regular email for general communications but they also take advantage of online facilities, such as Mailchimp, to send out updates on their latest news (Mailchimp is an online service that helps users to design email newsletters that can also be integrated into websites and social media sites).

There has been a significant increase in the use of cloud-based systems among small businesses in Britain, around 21% of those participating in our survey are using this service via static internet access. XYZ Maps use a cloud-based system to share files with customers, “a lot of the things we sell are digital products, so we simply put the files onto Dropbox and then send the customer a link to download it.” However, they do not use it as a storage facility. Our survey estimated that around 14% of small businesses are currently using cloud-based systems via mobile internet access. XYZ Maps will join this number soon. At the time of writing this case study, plans were afoot to have their emails go through Microsoft’s cloud email system.

XYZ Maps faces two main obstacles to doing more business online. The first is to do with their own knowledge and time constraints, while the second is out of their control. Tim recalls when he set up their original website in 1998 at the time the company started. Back then he used Microsoft
FrontPage, “it was much easier in those days because a lot of people didn’t have a web presence at all … people didn’t expect much interactivity, or shopping or things like that.” Since then a former staff member redid the website; a graphic designer whose primary job was designing maps, but who was also very keen on website designing, he “basically set up our shop and ran it”. Unfortunately, since his departure there has not been “anyone who was particularly knowledgeable on that subject”. The existing staff struggle to keep their website going, i.e. keeping it updated with new products, as well as setting up a social media presence via Facebook and Twitter. He explains that, “the 5 of us struggle to do that because it’s quite time consuming, we’re too busy dealing with orders, doing quotes and stuff like that”.

The second obstacle is dealing with periods when their broadband connection has broken down, “you’re completely disconnected from everything”. This makes it very difficult for them because “you effectively can lose considerable amount of business”. Other small business owners, as seen in one of the other case studies prepared this quarter, share this view. This can be a major deterrent to conducting more business activities online because it is completely out of the business’ control and they are left at the mercy of their service provider(s).

**Company website: www.xyzmaps.com**
Case study B:  
Fiveways Playcentre

Fiveways Playcentre is a children’s charity in Brighton, run ‘by parents for parents’. Established over 30 years ago, it is the largest not for profit playgroup in the city, with around 250 children on rota, although only 50 children are served at a time. With 35 employees, they are proud to be the UK’s first nursery to sign up for the living wage. Fiveways offer a playgroup, breakfast and after-school clubs, holiday play-schemes and community events. They also provide a drop-off and pick-up service, where parents drop off their children for the breakfast club at 8am and then the children are taken to the local schools for their start times at 9:00am; in addition, children are being picked up at 3:30pm and kept in the after-school club until parents pick them up at 5:00 or 6:00pm.

We spoke with Keith Appleyard, an honorary trustee of the charity and a former American Express IT director, and asked him about Fiveways’ experience with static and mobile internet access. He recalls their early forays in getting online over 20 years ago, when they wanted to find new suppliers of children’s equipment. Then, they also used it to communicate with members of the management committee. However, he remembers that, “we couldn’t really use the internet in a sense of actually running the business in real time because we didn’t have anybody who would be monitoring emails on a minute by minute bases, you know, we might only monitor them on a daily basis.” There has been a lot of changes since then, for example, in the recent heavy snow they communicated with parents via social media and email, “we knew that parents would be online before 8 o’clock in the morning themselves, for them to assess whether they were going to go to work, whether the buses were running as well, so we had announcement on Twitter, we had announcement on Facebook, and we also emailed.” Fiveways has email addresses for one in three parents. Now, they also do most of their banking online, with only around four cheques written each year.

However, their use of Smartphones has been restricted because Ofsted has ruled that, for safety reasons, they can’t have mobile phones with cameras. Finding mobile phones without cameras proved challenging, “we had to shop around and actually get the most basic Nokias we could get, and we reckon in the future if we can’t ever get a phone without a camera fitted, then what we have to do is poke something in the camera, a sharp object in order to break it.”

Tablets and laptops are used interchangeably to prepare reports (offline in Word) on each child’s developmental progress each term. Administrative staff who have their own tablets are allowed to use it to work from home, however these emails and all access to their database is monitored, “in that sense the tablet is just performing the same function as you might use a laptop or a desktop, we’re not exploiting the tablet functionality.”

Like many other small businesses, the charity has outsourced their payroll. Their payroll suppliers use a cloud-based system to provide access to payrolls, which can be downloaded and sent to staff via email or printed on site and given to staff in the traditional manner. Keith admits that, “I don’t trust the cloud.” He has been with the charity for over 25 years but because of his former IT role, “I don’t honestly think we’ll put childrens record in the cloud.” He adds that, “it’s one thing to go and check the premises … where you can walk away saying, ‘I’ve been there, I’ve seen it, I’ve touched it, I’ve smelt it’, and I’m sorry but with cloud computing you don’t even know where it is … I speak at conferences, at IT security conferences; I’m the biggest sceptic on the planet.”
Keith identifies two main obstacles for the charity to be doing more activities online. First, he acknowledges that he is, "effectively online ‘24 by 7’ because I’ve lived that way for so many years" and after retirement has continued to keep up with the technology. However, some of the other people involved with Fiveways are not such keen users of web and mobile services: “If I had parents and committee members who were living online like that, there’s a lot of instantaneous communication we could do with them if we were comfortable that they were at the other end”. Perhaps as a result of this, much of their business has not yet migrated online with invoices, for example, still being produced in paper form. Keith is quick to point out how electronic invoicing could help to overcome some of the problems associated with the traditional approach: “I’d like to be able to send an invoice to their phone rather than put it in their child's lunch box ... and hope they open the lunch box”.

The second obstacle Keith identified was that although some government departments are completely online – such as end of year tax returns, which can only be done online – other areas are still operating offline. For example, he points out that Ofsted (the official regulator for playgroups) still does everything with them on paper. Keith ends our conversation with the following summary of Fiveways’ experience of introducing web-based and mobile services: “Whilst I can see some automation efficiencies on my own organisation with parents ... why we’ve actually started to use Twitter, Facebook, and mass messaging, there are still pockets of resistance in fact within HM government, which I would love to sort out.”

Company website: fiveways-playcentre.co.uk
Case study C:
Electric Marketing

Electric Marketing was set up in 1991 by Melissa Mackey in the spare bedroom of her flat on Electric Avenue, Brixton, which is where the company got its name. It is a business information company that supplies company information and business lists of the big budget holders in companies with an annual turnover of more than £15 million. These lists contain the names, addresses and email addresses of the CEOs, marketing directors, HR directors, finance directors and other senior managers. The lists are supplied to small and medium sized companies who are looking to grow their business, “so that the minnows can effectively feed off the big fish”.

Electric Marketing has grown substantially since those early days in Brixton. Now located in central London, Melissa and her partner continue to run the company and employ between 15 and 20 staff, many of whom are part time. However, despite trading successfully for more than 20 years, they may have to close the company by 2015. This is because of the new data protection laws proposed by the European Parliament, which are expected to include tight restrictions on the selling of mailing lists and the trading of data. Melissa explains, “It’ll make a big difference to all companies and how they do their direct marketing”.

Notwithstanding their current dilemma, Melissa was happy to share their experiences of using static and mobile internet access. She remembers her first encounter with the internet quite well. In 1993, while visiting a friend in America, her friend introduced her to email and showed her how it worked. At the time, she admits she didn’t see the difference between an email and leaving a message on an answer phone. Her friend persuaded her to get an email account, “trust me, it will come to England, you’re always two years behind over there, as soon as it comes get an email address, put it at the top of your headed paper and people will start to contact you via it”. Melissa adds that her friend was completely right.

Electric Marketing had its first email address in 1995. They were also among the first people to use an internet café when they visited London’s first cyber café, Cyberia, off Tottenham Court Road in 1996. Melissa recalled that, “in 1997 we signed up for an internet service and we surfed the net, very slowly, using a phone line and a 56k modem.” Later, they hired a website designer who created a transactional e-commerce website in 1999 and have been trading online since. The website was used to advertise a small range of lists. It was a small start, selling a few lists initially, but Melissa remembered that things developed very quickly. For example, as one of the first companies to use Google Adwords in 2002, they saw their online traffic increase dramatically. As Melissa describes it, “the internet has been a Godsend. On my desk at work I’ve got a little mouse mat … it says ‘God bless the internet’ because it completely transformed business – I think, in a good way.”

Electric Marketing uses static internet access for business banking, communicating with customers and suppliers, research, marketing (especially email marketing) and procurement. Melissa notes that she hardly ever meets with anyone to acquire office supplies, “if I have to buy something really big, like once every 5 years I have to buy a new photocopier, I meet the guy for that but otherwise I try not to do meetings, I try to buy everything online”. Although she has a tablet, she uses it mainly for keeping in touch with the office. She has purchased items on it while on the move but hasn’t done any business banking, admitting candidly “because I can never remember the password”. Melissa
explained that they only use a cloud-based service on their website to take credit card information, “so we never actually see the credit card number in the office”.

Their main obstacles to doing more activities online are having an internet connection and the speed of the connection. Melissa explains that they heavily rely on the internet and therefore when it goes down, “you are just completely stuck”. Her staff are left with nothing to do until the service is back up. This also means there is no money coming in to the business and a whole day is spent calling the phone company, which can be frustrating. This is one of the reasons they do not use more cloud-based services. To tackle this, they have their telephone and internet services through different suppliers, so that if one goes, work can still be done using the other. In addition, recently they added another internet service provider, “because we have been stuck before and you just lose a whole day’s trading.”

Working from home presents its own challenge because the internet connection speed is not very fast. “I think our country needs better infrastructure, so it’s faster.” Melissa notes that in order for her and her family to use the internet, one connection is not enough. They have had to install two connections, one for work and one for games, for which they are “paying a fortune but it’s the only way I can work at home and be connected to the office”. Melissa ends our chat by summing the situation up in this way, “as I said, that’s the biggest obstacle, it’s the UK’s infrastructure. We need bigger, fatter cables with better connection. I know when our neighbours are online because my connection slows right down.”

Company website: www.electricmarketing.co.uk
Case study D:
Activity Chest

Tulip Toys and Gifts Ltd was established in March 2004 in Chalfont St Peter, Buckinghamshire and trades under the name, ‘Activity Chest’. It is a small company with only four employees. The company’s slogan is ‘Smart Stuff for Smart Kids’, referring to kids of all ages, including babies, toddlers, nursery and early learning, school children, tweens and all those who are still ‘young at heart’. The owner believes that children can learn and develop while having fun and therefore, with quality toys and games, playtime can enhance learning and development. Initially, Activity Chest retailed children’s educational learning products but the company has since incorporated “craft products and things for children to do”. Activity Chest provides a wide variety and mix of creative, educational, unusual, retro and new toys, games, puzzles and activities. Products are sourced from all over the world and the company also exports to customers in around 35 countries. Many of these products are also suitable for persons with special needs and learning difficulties. Activity Chest also plays an active part in the community. For example, it has worked for a number of years with the London Borough of Hillingdon’s ‘Gifted and Talented’ programme, which aims to raise the achievements and aspirations of school students (www.learningtogether.org.uk).

In 2009, Activity Chest began retailing online, first with an eBay shop and subsequently setting up and running its own website. We spoke with Michael Warner about the company’s experience of mobile and web-based services. Michael wears many hats; he is the managing director of Activity Chest, as well as a management consultant and a visiting lecturer at Anglia Ruskin University and the University of Hertfordshire. He recalls how in 2009, when they were first considering moving online, he wanted, “to understand the inbound and outbound supply chain because they are the weakest areas; building the website’s very simple … and I wanted to find the best interface with the global market.” Activity Chest set up the eBay shop, which is still operational, and subsequently established its own website. Michael acknowledges, however, that, “it took about six to nine months to fully understand the mechanics of the operation”.

The first challenge was learning how to describe their products on eBay, which is a very competitive online retail environment. Having addressed this, the next challenge was working out how to package the products so that it reached the customer undamaged and within the promised time (usually two to three days). The company now has a very good track record for delivery: “Touch wood, so far our failure rate is in the ‘point zero’ percent [range]”. Michael attributes this to a combination of having found a good carrier and his own prior experience of supply chains, “so I understand the inbound and outbound problems, and also good packaging”. Another ongoing challenge is avoiding the ‘price spiral’ that can occur in online retailing. Michael comments that, “many people get into a downward spiral, but I don’t … I’m not seeking to be the lowest cost seller at all times because otherwise you totally wreck your margin and there is no point doing it”.

Michael points out some of the online retail activities that have worked well for Activity Chest. For example, he described how the company carries out its own search engine optimization (SEO) by understanding the keywords used in Google: “We’ve got two hundred and something products and we look at keywords in rotation every two weeks”. Activity Chest also uses a very basic Customer Relationship Management (CRM) system, where during the six months after purchase customers are contacted with a shop newsletter, for example, which is also linked back the website.
Interestingly, they found that tools such as banner advertising, Facebook advertising and Adwords did not work for them. Michael attributes this to factors such as low click through stats, time constraints and the price sensitivity of their target market. Activity Chest’s other major online business activity is their order processing system. This includes a cloud-based ‘Actinic’ shopping cart that is maintained by a third-party supplier. Once the order has been taken, there is an automated four-step process that can, for example, inform customers if a particular product is out of stock, and notify them when an item is dispatched. Michael adds that, "it is an automated process but it still requires us to make sure it's working – I don’t trust automation". Both their eBay site and their own website are also mobile-optimised so that customers can interact with the sites on their Smartphones. Activity Chest also has Quick Response (QR) codes for its products. Michael says he has, “seen some throughput from mobile devices when they [customers] scan a QR code to a product but in this country it's very much in its infancy”. Customers in Germany seem to have picked up QR codes much faster than UK customers. “There is a certain techno segment that will use it but it’s not widely used. It is the future mobile perhaps but I think the whole market is still too young in terms of market life cycle.”

The stability of the mobile network is a real obstacle to doing more business online. Michael believes that 4G and Google Positioning will help, if customers turn them on, but he also notes that there is resistance to doing so as many people want to retain their privacy: “So you've got a lot of mobile providers offering a lot, but not many people using it.” Michael ends our conversation by sharing his views on future trends in online retailing: “Nobody knows what the actual online behavior is yet; in fact we will never know what online behavior is because the consumer’s buying process is not mechanistic, and that's why we'll still have shops … for the time being we’ll have shops and mobile.”

Company website: www.activitychest.com