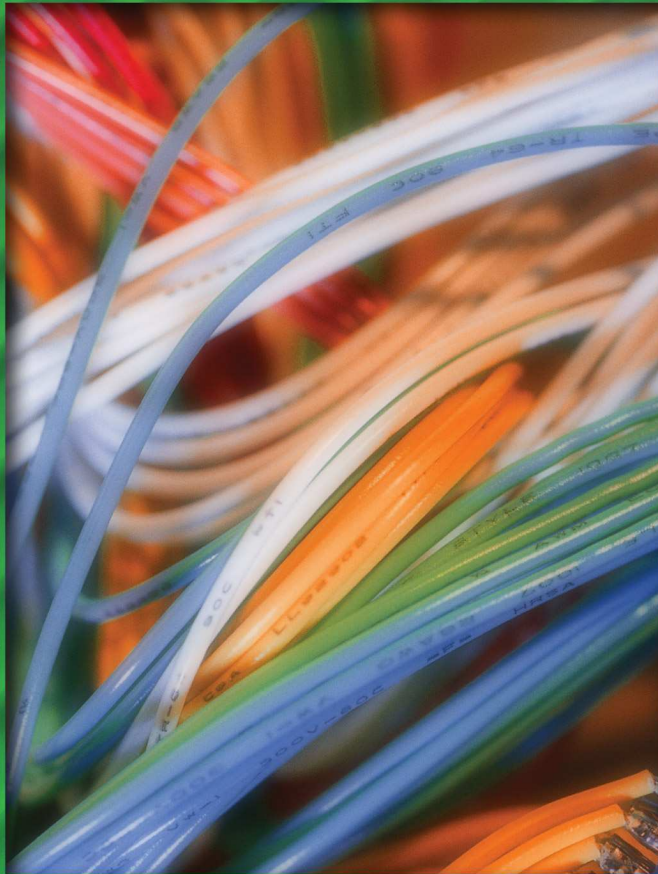


2006 • 2007

PART OF THE **INFORMATION HIGHWAY** STUDY



EKOS

The Evolving E-Business Landscape

The Evolving E-Business Landscape

About the study

Launched in 1996, EKOS' Rethinking the Information Highway study grew out of a need to better understand how information technologies were reshaping the environment governments and companies were operating within.

Now in its seventh edition and more than 20 surveys later, the study is one of the largest and longest running studies in this area in Canada today. Given its big-picture focus on the full range of issues relating to technology usage, such as the interaction between traditional and electronic service delivery channels and privacy and security-related issues, Rethinking the Information Highway remains one of the most relied upon sources for senior decision makers who are tasked with guiding their organization through what continues to be a rapidly changing environment.

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Introduction

The dramatic impact that technological advancements have had on the marketplace are particularly evident in how businesses are changing the way in which they interact with customers, other businesses and government institutions. With many of these advancements offering all businesses, big and small, the opportunity for improved convenient service and potentially lower costs, companies must weigh the cost and benefits of adopting and implementing newer and other emerging technologies.

In an age of interconnectivity, businesses are now able to receive up to date information and services with governments, financial institutions and other businesses across Canada. As a result, many companies have, and continue, to implement e-business strategies to better suit their needs in an evolving environment.

The results in this report are drawn from the sixth survey of Canadian businesses as a part of EKOS' Rethinking the Information Highway study. This report illustrates the state of e-business in Canada, technology usage, the e-marketplace, government online services, and financial services.

Overview

The business marketplace has undergone many changes in the past decade. With the Internet at the centre of the transformation, businesses are continuing to evaluate their interactions with both consumers and other organizations to determine what sort of impact these changes are having and will have in the future.

The current environment

The Internet as a company resource:

With businesses expressing high levels of implicit trust in conducting their business and government activities online, the current online environment is increasingly positive. As the Internet continues to be seen as creating both an effective and convenient environment for business practices, a majority of companies are assigning a significant and growing amount of importance on e-commerce, e-business strategies and access to high speed Internet for their bottom line.

Implementing e-services

Businesses know what works best for their bottom line:

The proportion of businesses with an e-business strategy remains relatively unchanged from previous years. Despite recent minor improvements, the majority of businesses that do not have an e-business strategy will most likely not implement one in the upcoming year. Businesses have weighed the cost and benefits of any changes to their business models and have made decisions as to whether they work in line with their bottom line. That said, many businesses without such a strategy still have many aspects of a strategy in place. Although barriers such as availability and cost do play a role in the implementation of e-business

strategies, the proportion of businesses that believe there is no need for a strategy, as it is not relevant to their company, has increased over the past year.

E-business strategies have larger implications:

Companies that do have an e-business strategy are noticing overall improvements to their business operations. As businesses report that their e-business strategy has either met or exceeded their expectations, the proportion of businesses that believe their e-business strategy is having a positive impact on various operations continues to increase, ranging from improved communications to revenues and lowered costs.

Technology usage

The web remains as entrenched as in previous years:

Internet and email penetration remains similar to levels from the previous year; perhaps indicating that much like establishing an e-business strategy, companies have already decided whether to embrace the Internet. There has, however, been significant change among non-users, with more than half expressing a moderate to high likelihood that they will adopt the Internet within the next year. Internet users, meanwhile, have been quick to support high-speed Internet with more than 8 in 10 currently using some form of high-speed Internet.

High-speed Internet has made adoption of new technologies possible:

As the proportion of businesses that are using high-speed Internet in their daily interactions continues to rise, many other technologies that rely on high-speed are seeing greater usage. Businesses continue to increasingly use computer networks, the Intranet and electronic funds transfers. In addition to an increased usage in computer technologies, mobile communications and websites are also seeing higher levels of adoption. Not surprisingly, larger companies are most likely to adopt these new technologies than other business types; most likely due to having access to resources such as an IT department or personnel.

The e-marketplace

Purchasing and selling goods online:

Although the rate at which businesses purchase products online has slowed significantly, the proportion has now surpassed 1 in every 2 businesses. Despite smaller gains than in previous years, there continue to be certain trends of interest including an increase in businesses that are buying both indirect and direct goods.

The rate at which businesses are selling their goods online remains relatively unchanged from previous years. Despite an overall increase in the penetration of websites, businesses are not any more likely to offer their products to consumers for online purchase; however, companies that are, are offering a variety of methods for payment and billing, offering consumers convenient and effective methods to purchase goods online.

Government and service delivery

Internet remains main option for businesses in their government interactions:

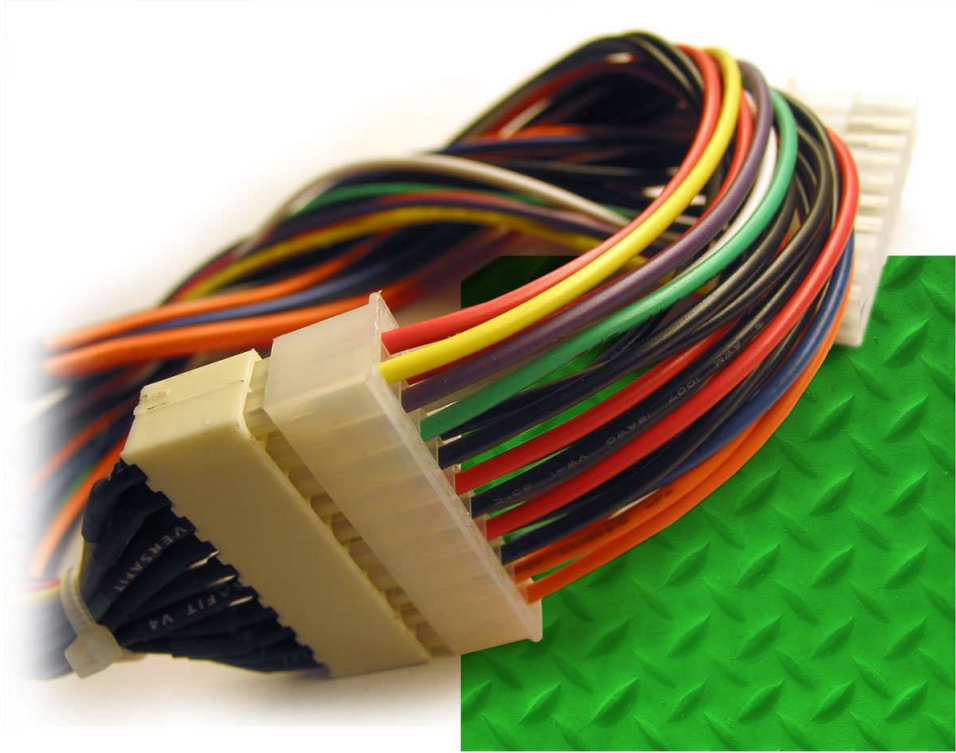
Although businesses continue to show low levels of familiarity with the services provided by the federal government online, there is some room for optimism. The proportion of businesses that have visited a website remains high with 3 in 4 stating they have been to a Government of Canada website in the past year.

Internet interaction also continues to be the preferred method of contact for businesses; however, in some instances the Internet has experienced a reduction in preference levels and although the majority of businesses are most likely to point to a government website as a 'starting point' for finding government information, there are still a significant amount of businesses that are using other methods of contact. Multiple channels still play, and are expected to play, an integral role in business government interaction.

Financial Services

Online banking:

The proportion of businesses using online banking is similar to figures from the previous year. Adoption rates also resemble figures from last year; however, with an increase in online bill payments and presentment, businesses may explore the convenient method of paying bills online through online banking.



The current environment

Highlights

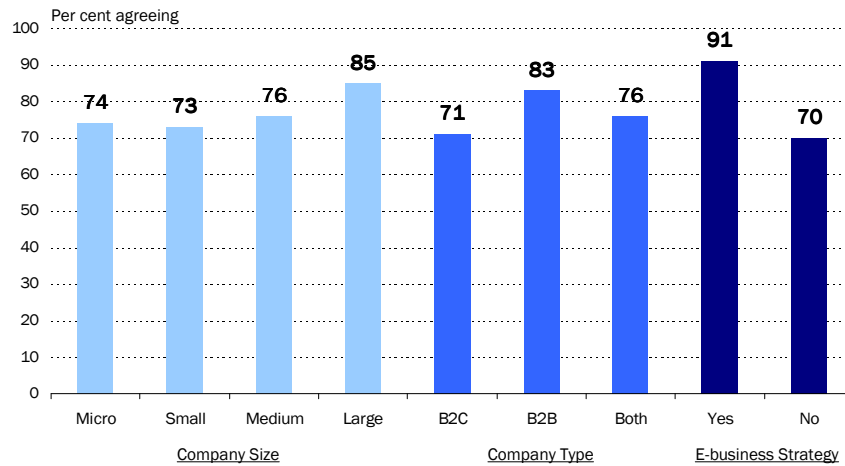
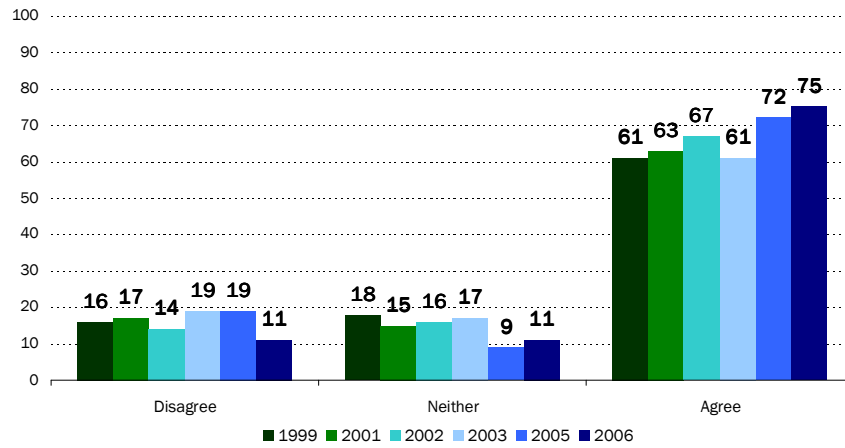
- Overall, businesses are increasingly viewing the Internet as both an effective and safe way to do business transactions. In fact, the overwhelming majority of all businesses hold these views. Likewise, the level of implicit trust that businesses have in the usage of online channels by governments and the banks continues to remain strong.
- Most recently, close to 2 in 3 businesses assign high importance to having high-speed access. The proportion saying that, in relation to e-commerce and e-business, are at the highest levels observed to date. At the same time, businesses are increasingly pointing to the importance of e-commerce and e-business as being critical to their overall success.

The Internet continues to be seen as an effective way to do business with either other companies or governments. In fact, the proportion of businesses holding these views is at the highest levels observed and there is only a small proportion of any type of businesses that do not share this outlook.

Consistent with the trends around the perceived effectiveness of the Internet, businesses continue to point to high levels of implicit trust in both the usage of online channels by governments and the banks. Interestingly, businesses and citizens are as likely to express implicit trust in government activity in this area compared to citizens, however, businesses are far more likely to express higher implicit trust in the financial sector.

Little disagreement over effectiveness of Internet for governments:

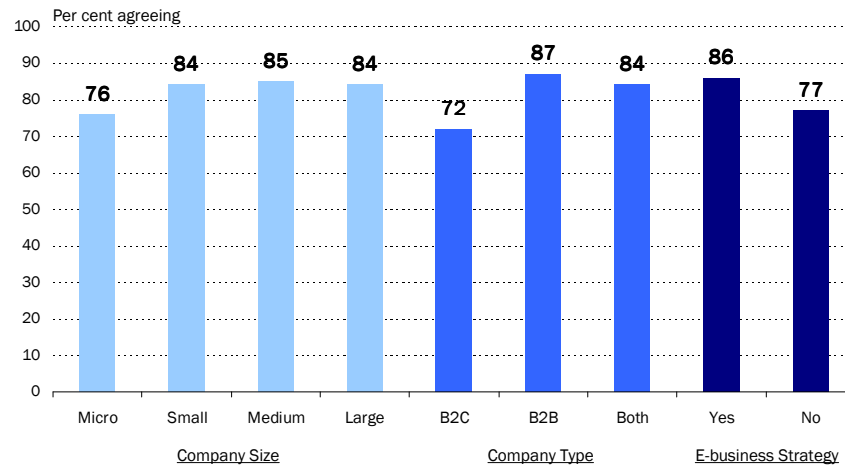
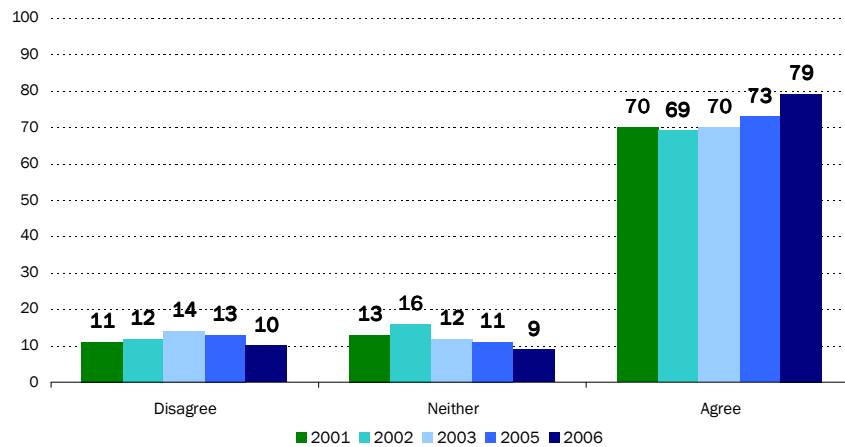
Businesses increasingly perceive the Internet as being an “effective way” for governments to do transactions with businesses, a view now held by 3 in every 4 businesses. In fact, the overwhelming majority of all businesses hold this view.



Q: The Internet is an effective way for governments to do transactions with businesses. *
(BASE: All businesses; Nov./Dec. 06, n=1012 * half sample)

Even less disagreement over effectiveness of Internet for businesses:

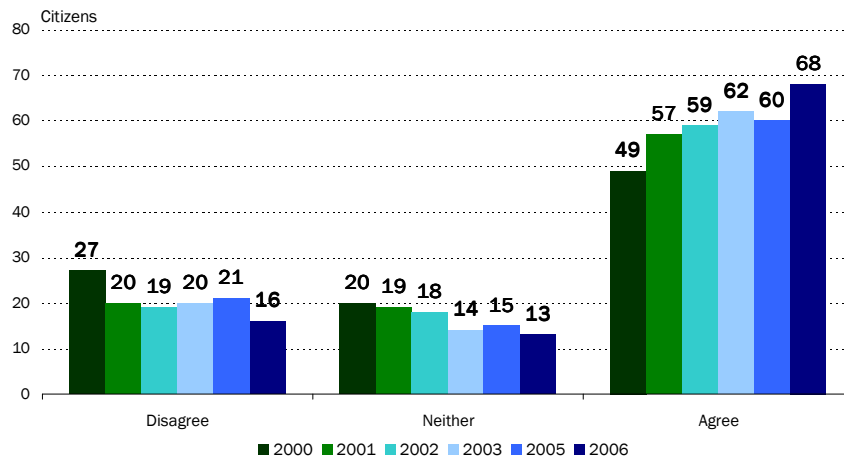
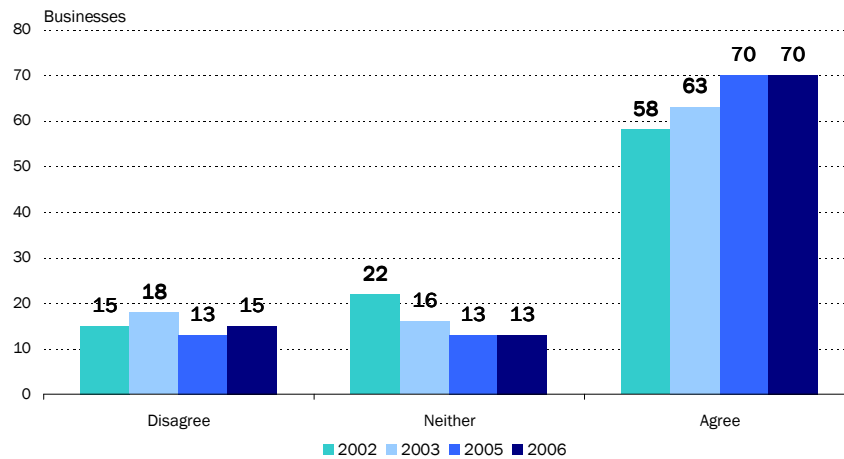
Compared to its use by governments, businesses are even more likely to perceive the Internet as being an “effective way” to do transactions with other businesses. Most recently, almost 8 in every 10 businesses hold this view.



Q:
The Internet is an effective way for businesses to do transactions with other businesses. *
(BASE: All businesses; Nov./Dec. 06, n=1012 * half sample)

Strong implicit trust in the governments' use of the Internet:

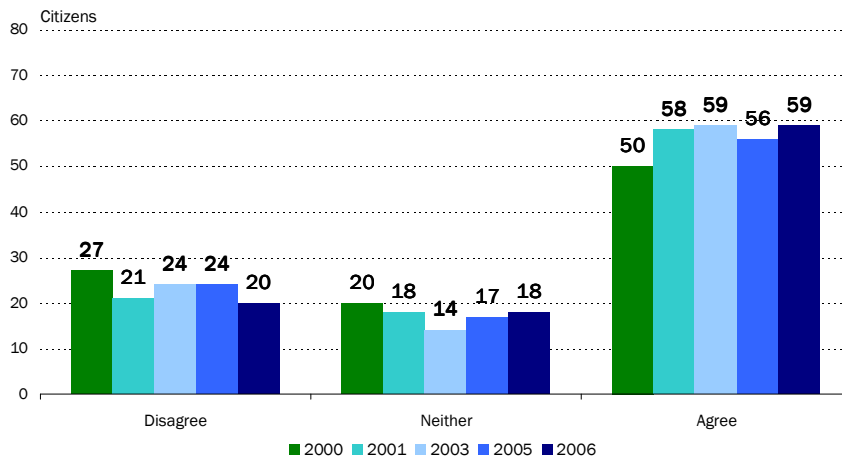
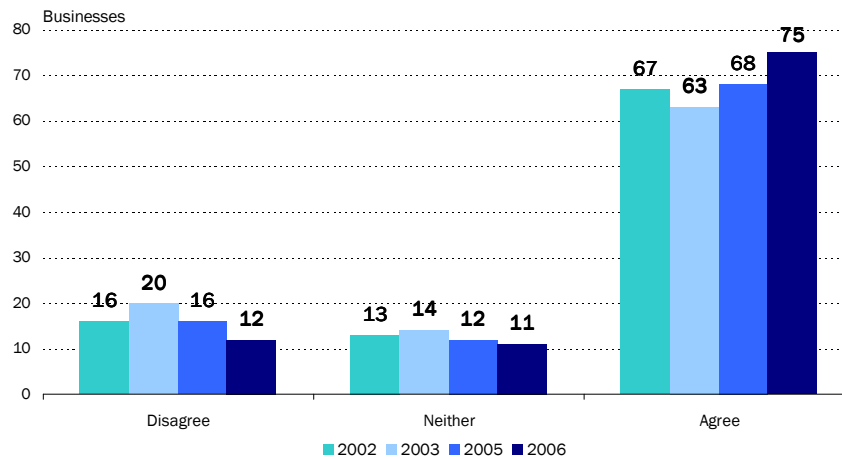
Businesses, much like Canadians, believe that governments would not offer activities online such as filling taxes unless it was safe to do so. In fact, the two groups are essentially as likely to hold these views today compared to a 10 percentage point gap last year.



Q: Governments would not offer [businesses/citizens*] the choice of doing activities such as filling their income taxes over the Internet unless it was safe to do so.
(BASE: All businesses/All Citizens*; Nov./Dec. 06/*July 06, n=1012/*1124)

Even higher implicit trust in the banks' use of the Internet:

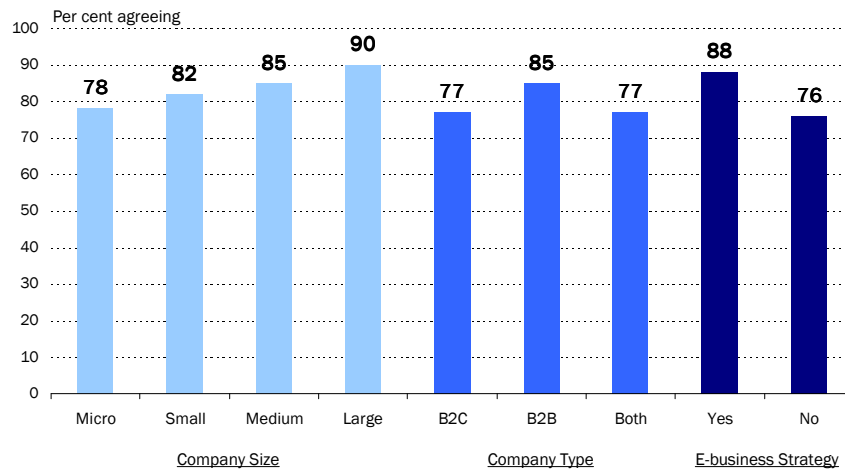
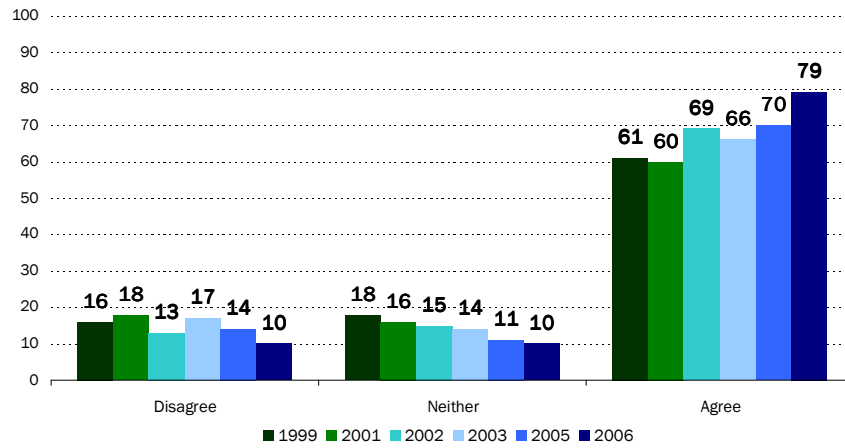
Although both businesses and citizens express similar levels of implicit trust in the government to ensure safety in doing online activities, businesses are even more likely to trust financial institutions to do the same.



Q: Banks would not offer [businesses/citizens*] the choice of doing their banking over the Internet unless it was safe to do so.
 (BASE: All businesses/All citizens*; Nov./Dec. 06/*July 06, n=1012/*1137)

The Internet is perceived to be safe if the proper precautions are made:

Businesses continue to increasingly believe that the Internet is a safe method to conduct business transactions when proper online security is in place. Today, 8 in every 10 businesses hold this view.

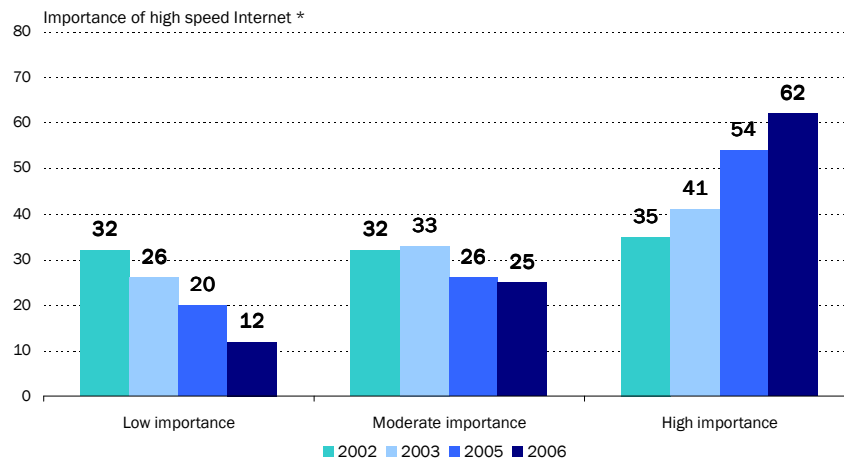
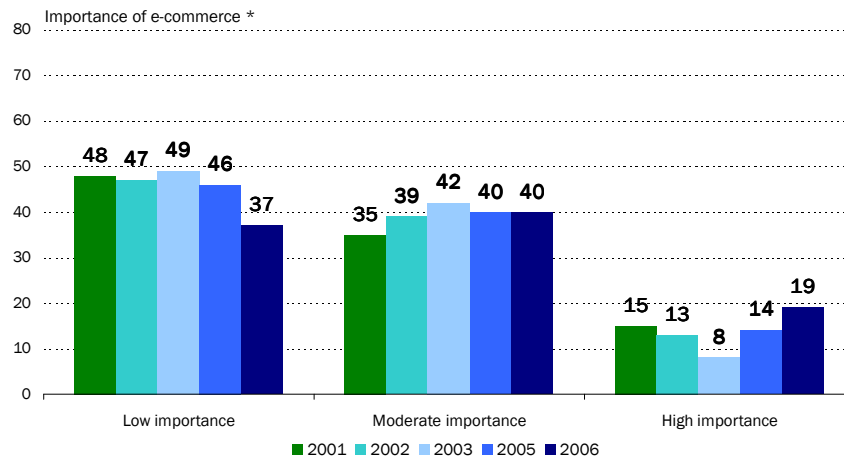


Q: The Internet is a safe way to do business transactions if a company ensures that the proper security measures are in place.
(BASE: All businesses; Nov./Dec. 06, n=1012)

With businesses increasingly viewing the Internet as both an effective and safe way to do business transactions, it comes as no surprise that there continues to be significant growth in the proportion of businesses that express the importance of high-speed access, e-commerce and e-business to their company's bottom line.

Rising importance of e-commerce and high-speed to the bottom line:

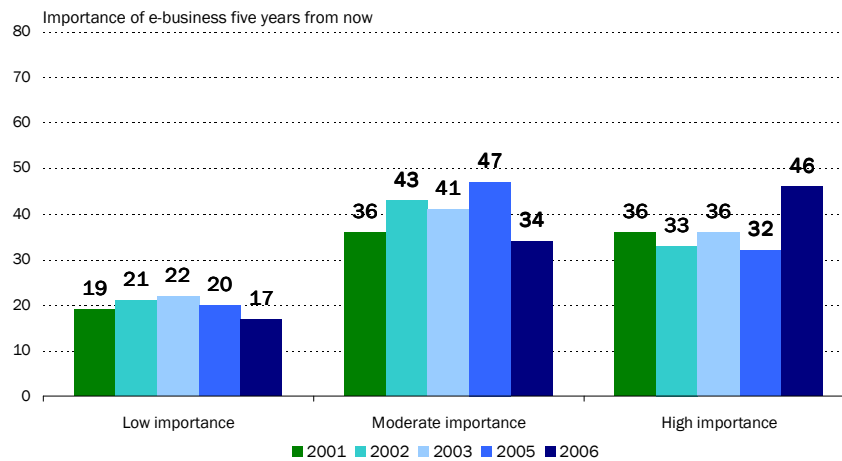
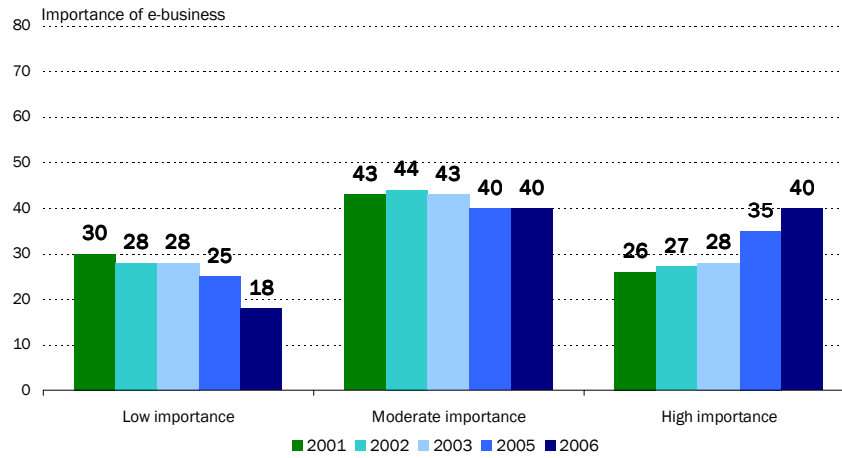
Businesses are increasingly pointing to e-commerce and broadband access as being critical to their bottom line, although this is particularly true for the latter. The proportion saying that broadband is critical to their operations is fast approaching 2 in every 3 businesses.



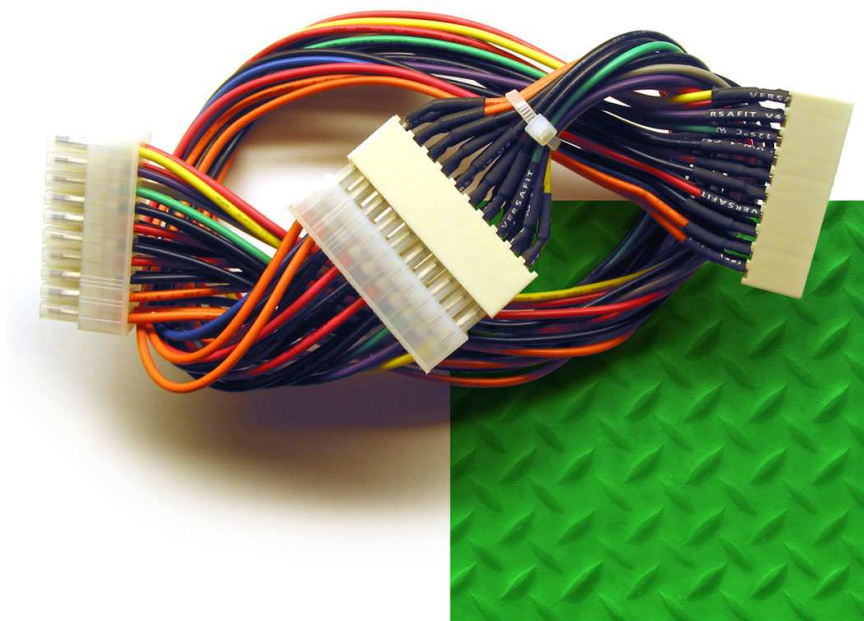
Q: How important is . . . to your company's overall success?
(BASE: All businesses; Nov./Dec. 06, n=1012 * half sample)

E-business fast becoming critical to bottom line for large numbers:

Over the past few years, businesses have increasingly viewed e-business as contributing to their bottom line, particularly looking forward. For the first time, those businesses pointing to high importance are actually the same in number or even outnumber either those assigning low or moderate importance.



Q: How important is . . . to your company's overall success?
(BASE: All businesses; Nov./Dec. 06, n=1012)



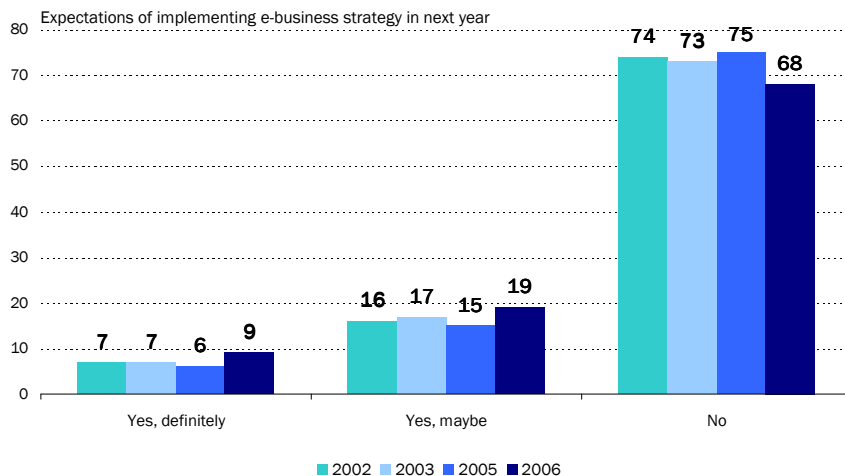
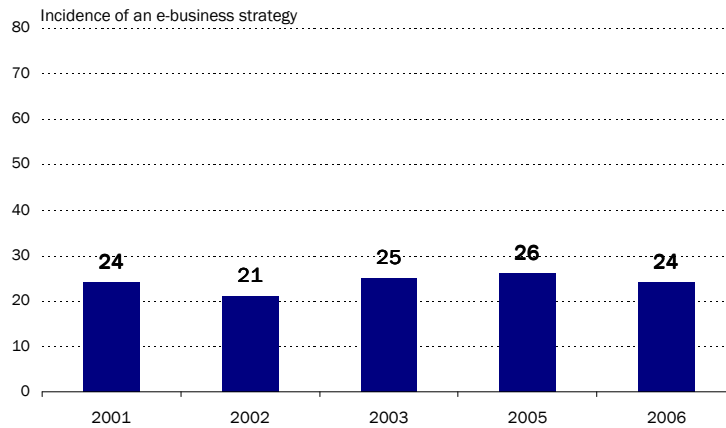
Implementing e-services

Highlights

- The proportion of businesses with an e-business strategy remains relatively unchanged from previous years. That said, the overwhelming majority of those who have an implemented e-business strategy say that it has met or exceeded expectations.
- For most, their e-business strategy has increasingly led to improvements to communications, increased revenues, and lowered sales and costs.
- The factors that drive companies to implement e-business strategies continue to vary; however, businesses are increasingly choosing to implement e-business strategies to improve communications and customer services instead of trying to broaden market potential, a larger factor in previous years.
- Businesses with Internet access continue to use online applications at a similar rate to previous years. Applications that assist businesses with customer service and support saw the largest overall gain.

The proportion of businesses with an e-business strategy is unchanged:

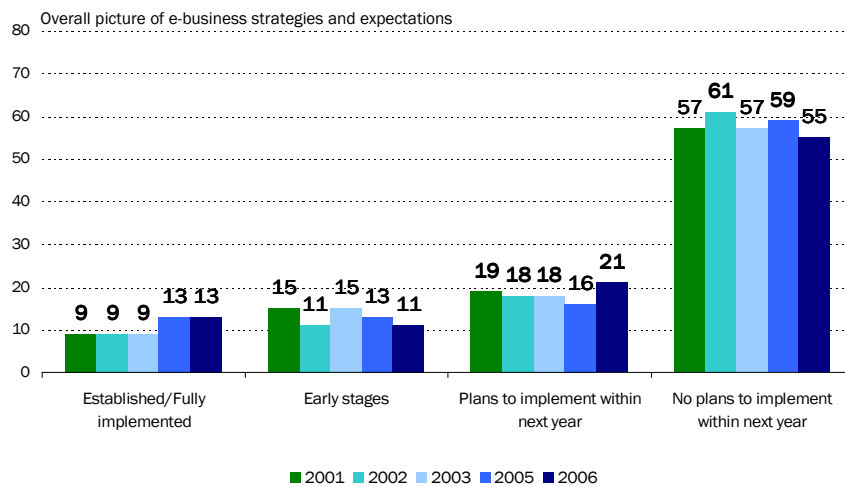
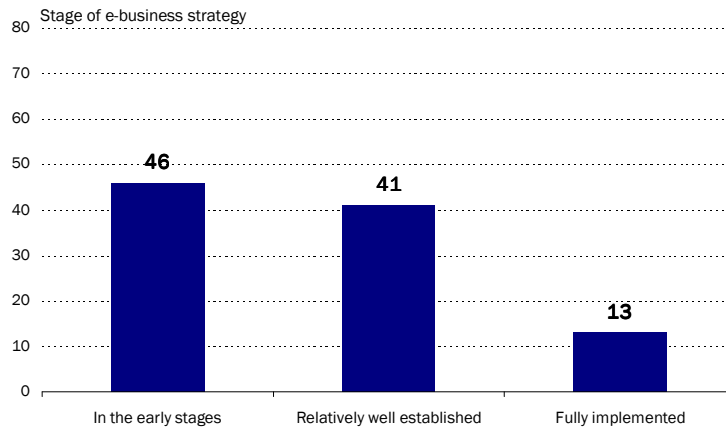
Despite the rising importance that e-business is contributing to the bottom line, the actual proportion of businesses that report having an e-business strategy is unchanged at 1 in 4. And most businesses who do not have a strategy also continue to remain without one.



Q: Does your company have an e-business strategy? [IF NO] Do you expect your company will implement an e-business strategy within the next year? BASE: All businesses with an e-business strategy; Nov./Dec. 06, n=1012/698)

E-business strategies range from recently to fully implemented:

A little over 1 in 2 businesses with an e-business strategy say that their strategy is relatively well established or fully implemented, although many others are only in the early stages.



Q: Would you say your company's e-business strategy is in the early stages, relatively well established or fully implemented?
(BASE: Businesses with an e-business strategy/All businesses; Nov./Dec. 06, n=319/1008)

The proportion of businesses with an e-business strategy remains relatively unchanged from previous years. Likewise, businesses that do implement e-business strategies continue to do so for a variety of factors. Perhaps most noteworthy is the increase of businesses that are implementing strategies in order to improve communications instead of trying to broaden market potential.

E-business strategies

(Per cent)

	Established	Early Stages	Plan to Implement	No Plans
Company Size				
Micro	14	10	21	55
Small	10	13	19	57
Medium	17	12	25	45
Large	24	18	17	41
Company Type				
B2C	12	9	25	54
B2B	15	9	15	61
Both	14	16	22	48
Region				
BC	15	14	16	54
Alberta	7	10	35	48
Prairies	9	8	16	68
Ontario	12	15	25	48
Quebec	18	8	16	58
Atlantic	14	6	20	60
Location				
Urban	14	11	22	53
Rural	9	8	19	64

Q:

Would you say your company's e-business strategy is in the early stages, relatively well established or fully implemented?

(BASE: All businesses; Nov./Dec.06 n= 1012)

E-business strategies

(Per cent)

	2001	2002	2003	2005	2006
Broadening market potential	19	14	14	20	9
Customer service	13	15	16	21	23
Keeping up with technology	12	8	6	6	7
Improve efficiency of service	11	12	16	11	10
Better communications	10	16	22	9	20
Increase profit sales	8	7	10	9	7
Competitive advantage	6	2	3	4	5
Competitive pressures				4	4
Cost issues	4	4	1	5	2
Other	7	14	6	5	4
DK/NR				6	10

Q:

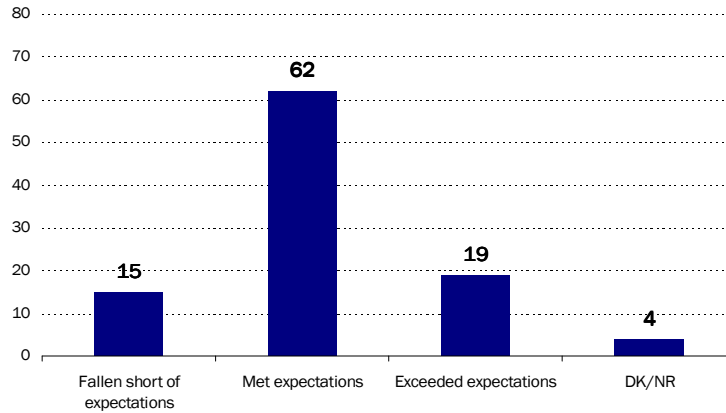
What is the most important factor driving your company's e-business strategy?

(BASE: Businesses with an e-business strategy; Nov./Dec. 06, n=316)

Despite a wide range of factors driving e-business strategies, those with one are overwhelmingly likely to say that their strategies have either met or exceeded their expectations. At the same time, e-business strategies continue to lead to a number of benefits for the company, particularly in relation to communications and increased revenues.

Most e-business strategies are meeting company expectations:

The majority of all e-business strategies have either met or exceeded company expectations. Only 1 in 5 businesses have expressed their strategies falling short of their expectations.

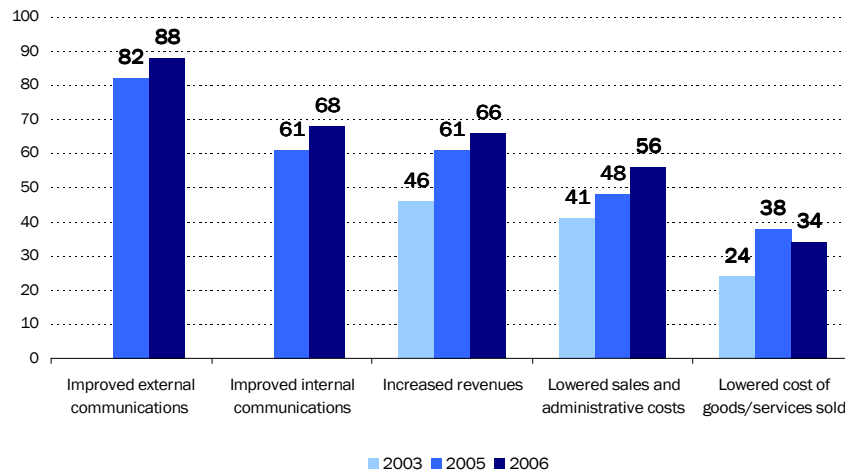


Q:

And would you say your e-business strategy has met, exceeded or fallen short of your company's expectations?
(BASE: Businesses with an e-business strategy; Nov./Dec. 06, n=315)

E-business strategies responsible for company improvements:

Led by improved communications, e-business strategies are having an increasingly positive impact on many aspects of operations. While still impressive, the proportion of business with an e-business strategy pointing to lowered cost of goods and services sold has declined somewhat from last year.



Q:

Would you say your e-business strategy has had any of the following benefits to your company?
(BASE: Businesses with an e-business strategy; Nov./Dec. 06, n=316)

Although there continues to be a variety of barriers that have prevented businesses from adopting an e-business strategy, many have decreased slightly; however, perhaps the most significant change has seen companies become considerably more likely to point to the lack of need or relevance to implementing an e-business strategy.

Barriers to e-business

(Per cent)

	2005	2006
No need/Not relevant to company	30	47
Security/Privacy concerns	12	7
Cost of implementation	11	9
Staff ignorance	8	7
No time	5	9
Company's resistance	6	1
Customer resistance	5	1
Client inability	2	0
Access to necessary technology	2	2
Software integration	1	0
Low return on investment	0	0
Nothing/No barriers	2	0
DK/NR	16	11

Q:

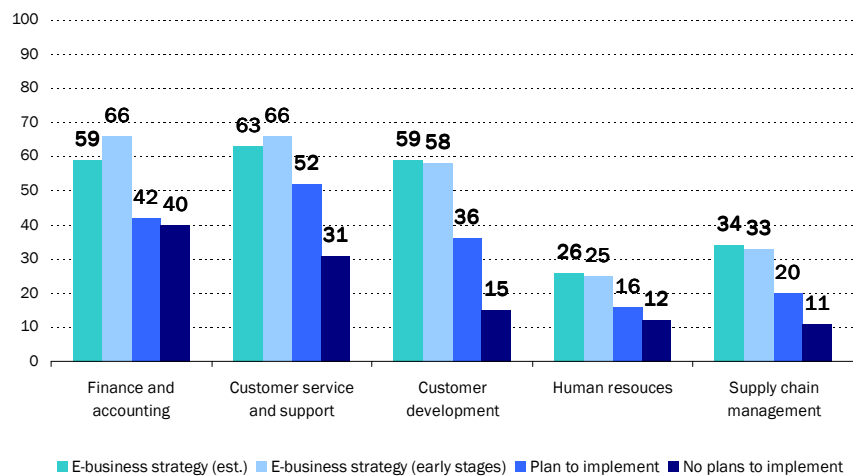
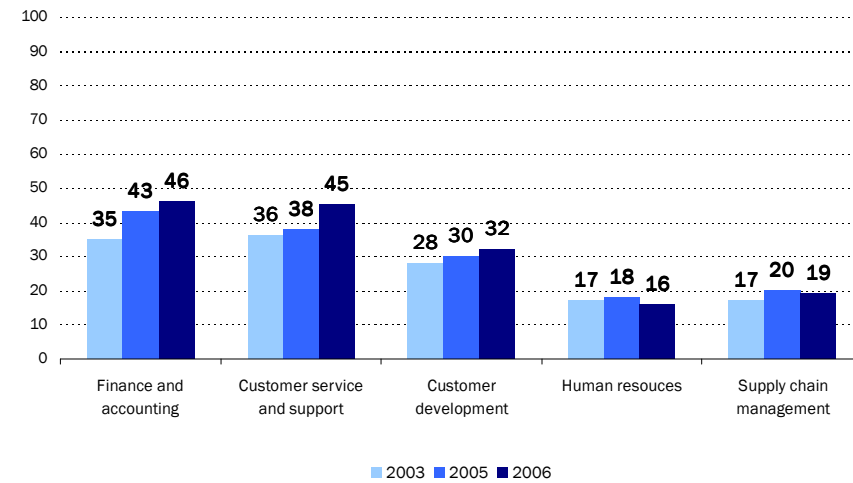
And what would you say is the most significant barrier to your company's adoption of e-business?

(BASE: Businesses without an e-business strategy; Nov./Dec. 06, 697)

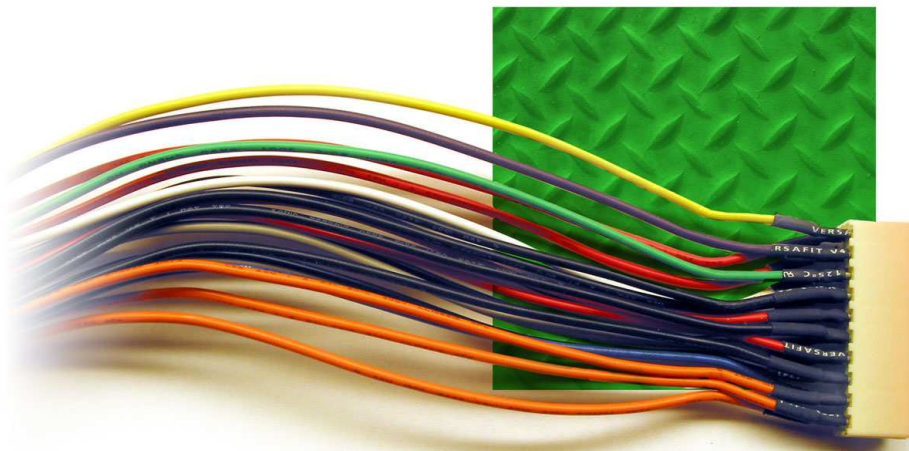
Online applications continue to see similar amounts of usage among businesses with Internet access. Not surprisingly, businesses with an e-business strategy are far more likely to adopt web-based applications in various areas. Led by finance and accounting and customer service and development, a number of online applications are fairly widespread in their usage within companies. That said, there have only been small changes within overall usage.

Internet applications continue to see similar usage:

In part reflecting similar levels of Internet adoption as last year, there have been only small changes in how businesses are using online applications. That said, businesses with an e-business strategy are easily the most likely to use the Internet to do various activities.



Q:
Does your company use Internet/web-based applications in any of the following areas?
(BASE: Businesses with Internet access; Nov./Dec. 06, n=867)



Technology usage

Highlights

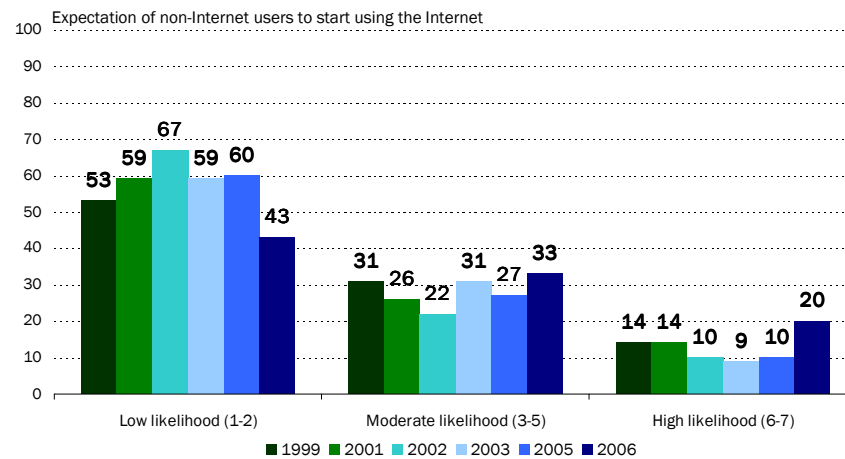
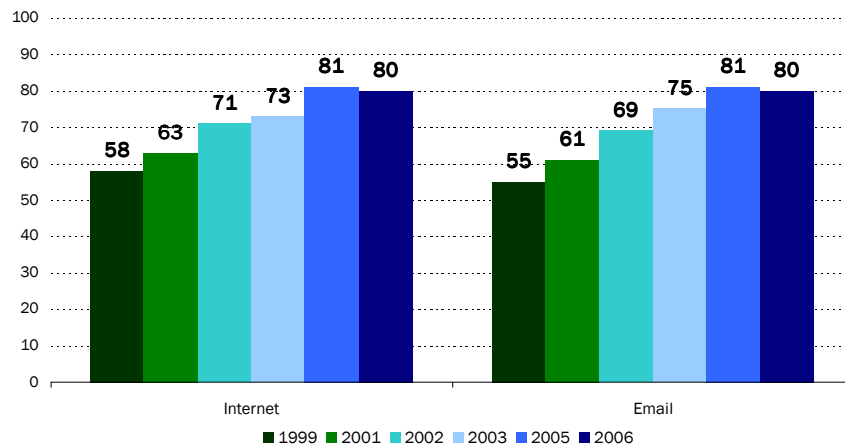
- While the growth in the proportion of businesses that are using the Internet has slowed over the past couple years, those that are not online are more likely to express an interest in adopting the Internet over the next year.
- In contrast to overall adoption rates, the growth in high-speed access continues to be sizeable. Most recently, the proportion of businesses with high-speed access has now surpassed 8 in 10 businesses.
- Computer networks, Intranet and electronic funds transfer continue to see a steady increase in usage among all businesses. As expected, larger companies are far more likely to use these technologies than smaller businesses. In addition to increases in computer technology, the proportion of businesses that do not provide their employees with cell phones, pagers, or blackberry devices continues to decrease.
- The proportion of businesses with a website continues to increase. Not surprisingly, larger companies are most likely to have one while smaller businesses and businesses that deal with consumers are less likely to.
- Not surprisingly, the majority of businesses do not have access to IT departments or staff. In fact, the only segments of the marketplace with a sizeable presence are large businesses, where 3 in 4 report having this dedicated function.

Although the growth in the proportion of businesses that use both the Internet and email has slowed down considerably over the past couple years, there has been a sudden increase in companies currently not online that believe they would be likely to adopt the Internet within the next year.

Similar to the consumer marketplace, there has been rapid growth in the high speed Internet marketplace. In only five years, high-speed Internet access has gone from a small minority to now surpassing 8 in every 10 business with Internet access. In fact, only 1 in 10 businesses continues to use a regular telephone line when accessing the Internet.

Internet and email penetration remains largely unchanged:

Although Internet and email usage numbers remain relatively similar to those of previous years, the likelihood that businesses who are not using the Internet will move online has increased notably compared to the past few years.



Q: Which of the following technologies does your company use: the Internet, email/How likely is it that your business will start to use the Internet within the next year?
(BASE: All businesses/Businesses not using the Internet; Nov./Dec. 06, n=1012/145)

Internet Email Penetration Rates

(Per cent)

	Internet	Email
Company Size		
Micro	75	76
Small	86	85
Medium	84	86
Large	95	95
Company Type		
B2C	71	72
B2B	86	88
Both	89	86
Region		
BC	80	81
Alberta	88	86
Prairies	77	87
Ontario	91	88
Quebec	57	59
Atlantic	88	84
Location		
Rural	79	72
Urban	79	82

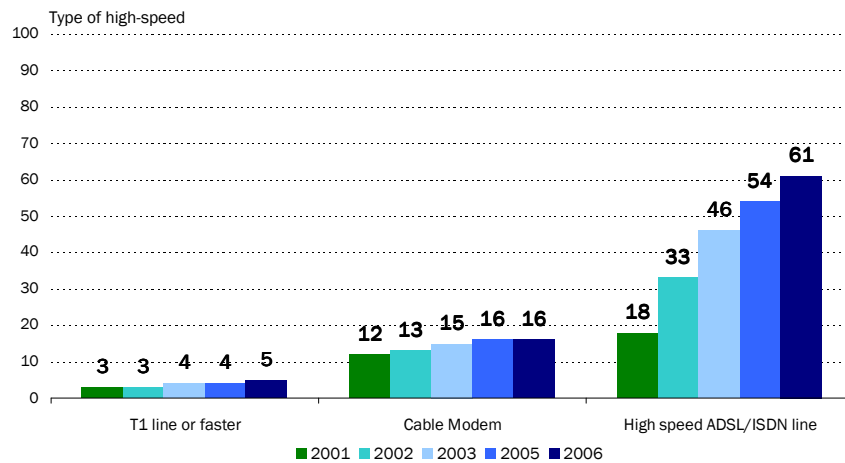
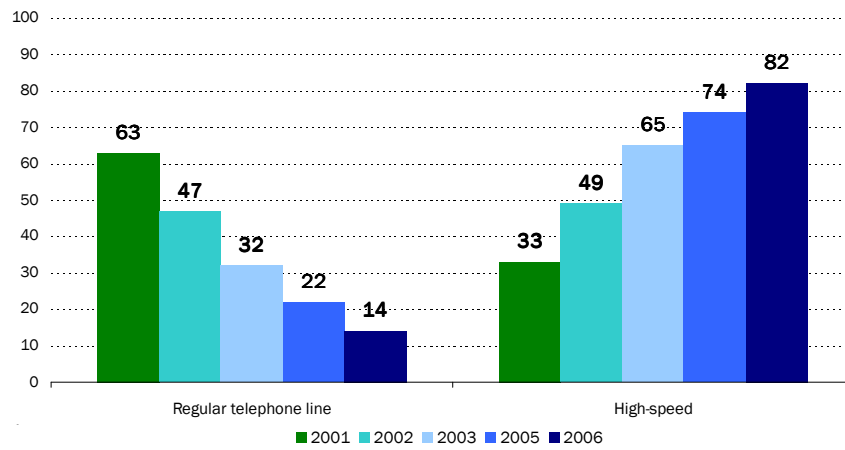
Q:

Which of the following technologies does your company use?

(BASE: All businesses; Nov./Dec.06, n=1012)

Broadband access has fast become the norm:

In only five years, high-speed Internet access has gone from a small minority to now surpassing 8 in every 10 businesses with Internet access. The growth in broadband has been most pronounced among high-speed ADSL/ISDN lines.



Q:
What type or bandwidth of Internet access does your company have?
(BASE: All businesses with Internet access; Nov./Dec. 06, n=867)

Type of Internet Access

(Per cent)

	Regular telephone line	Cable modem	High speed ADSL/ISDN line	T1 line or faster
Company Size				
Micro	19	19	55	2
Small	9	13	71	5
Medium	4	14	69	9
Large	1	7	56	25
Company Type				
B2C	17	16	60	3
B2B	13	17	63	4
Both	12	15	63	6
Region				
BC	10	27	57	3
Alberta	6	12	75	4
Prairies	7	6	83	2
Ontario	19	8	64	6
Quebec	18	38	30	7
Atlantic	16	9	72	1
Location				
Rural	23	15	55	1
Urban	11	16	64	5

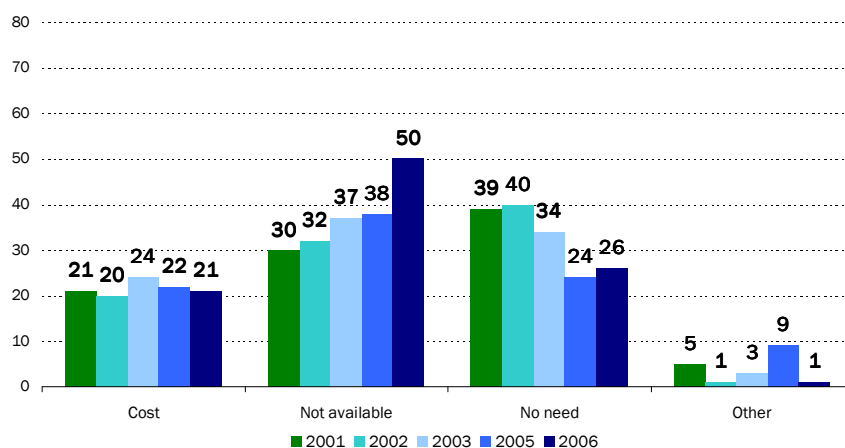
Q:

What type or bandwidth of Internet access does your company have?
(BASE: Businesses with Internet access; Nov./Dec. 06, n=867)

Half of all businesses with dial up cite lack of availability as the main reason they do not have high-speed Internet. Although availability has long been a leading contributor as to why businesses have not adopted high-speed internet, the past year alone has seen a significant increase in businesses citing it as the main reason they have not changed.

Lack of availability most commonly cited as barrier:

While many businesses with dial-up access point to no need or cost reasons, a lack of availability remains the most commonly cited reason for not having broadband.



Q:

What is the main reason your company does not have high-speed Internet access?

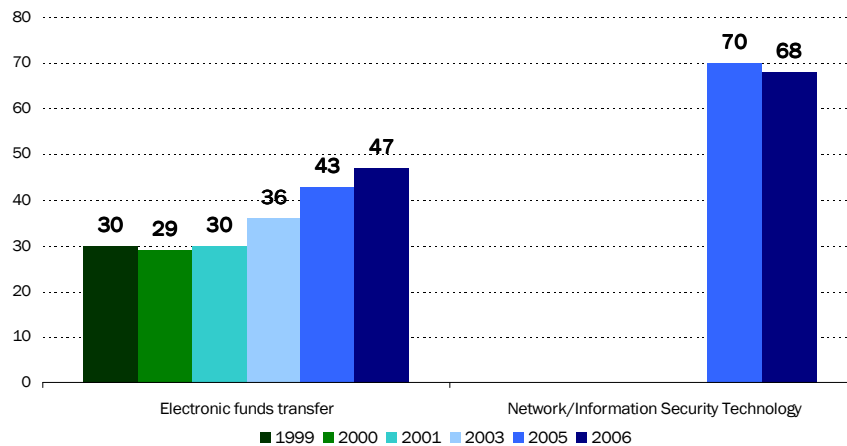
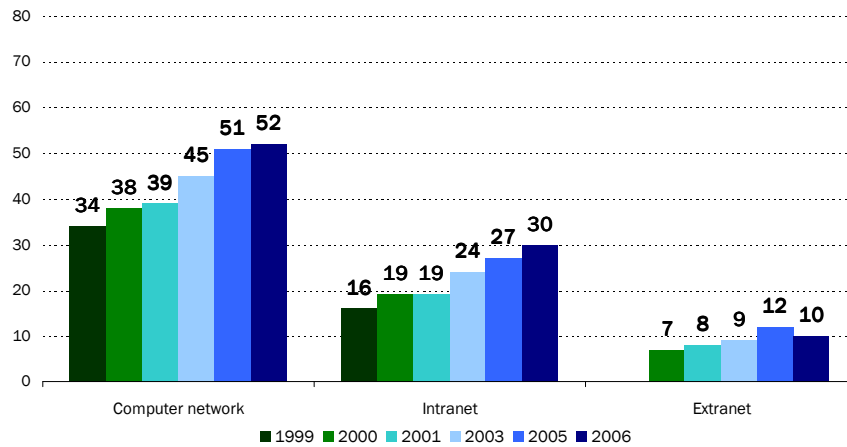
(BASE: Businesses with dial-up Internet access; Nov./Dec. 06, n=81 * Small sample size)

Availability, in addition to other key contributing factors such as lower costs and better usability, is most likely behind the continued increase of various technologies used among businesses.

Computer networks, Intranet, and electronic funds transfer, in particular, continue to see a steady increase in usage among all businesses. As expected, larger companies are far more likely to use these technologies than smaller businesses

Certain technologies are seeing increasing usage:

As businesses continue to increasingly use the Internet, certain technologies are seeing increased usage. In particular, technologies that offer businesses a way of improving their online interactions by convenience and security continue to see high use.



Q:
Which of the following technologies does your company use?
(BASE: All businesses; Nov./Dec. 06, n=1012)

Technology usage

(Per cent)

	Computer Network	Intranet	Extranet	Electronic Funds Transfer	Network Info. Security
Company Size					
Micro	43	25	6	44	65
Small	64	29	12	51	74
Medium	67	43	19	53	73
Large	84	75	46	66	90
Company Type					
B2C	42	25	6	44	61
B2B	64	39	16	48	73
Both	62	33	12	54	78
Region					
BC	47	29	8	51	77
Alberta	66	39	9	55	79
Prairies	46	31	6	45	74
Ontario	68	33	14	53	78
Quebec	25	19	7	27	39
Atlantic	62	33	9	59	76
Location					
Rural	49	26	6	44	62
Urban	53	31	11	48	69

Q:

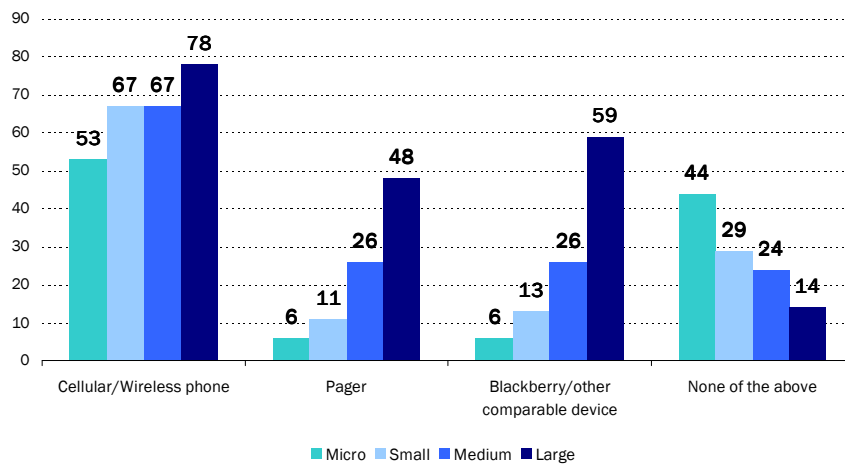
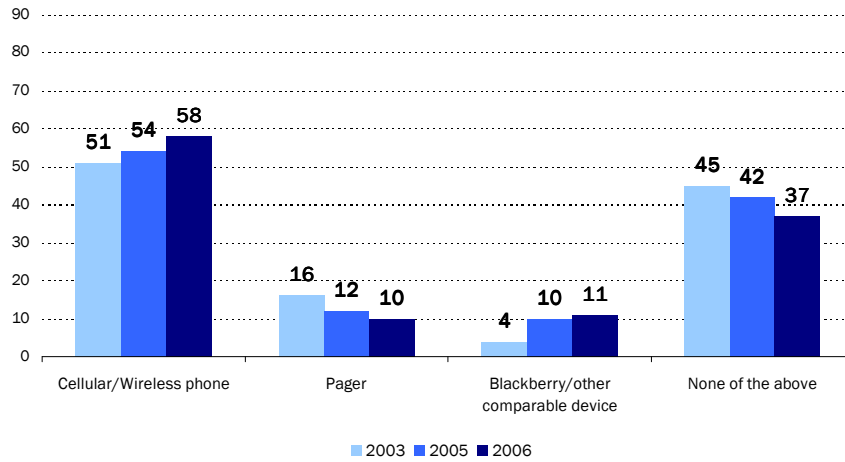
Which of the following technologies does your company use?

(BASE: All businesses; Nov./Dec. 06, n=1012)

The proportion of businesses that do not provide their employees with cell phones, pagers, or blackberry like devices continues to decrease. Although large businesses are more likely than other types to provide this technology to their employees, more than half of all other types of businesses report providing similar resources.

Mobile communications are increasingly common:

Fewer businesses are reporting that at least some of their employees do not have various mobile communication devices, led by their usage in large businesses.



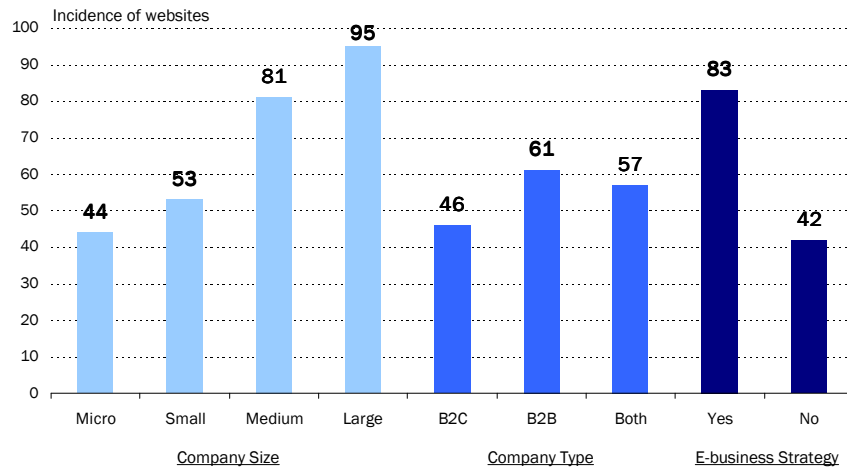
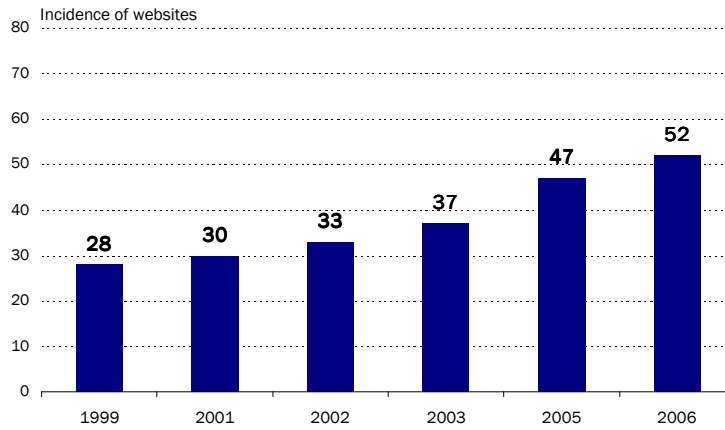
Q:
Are any employees provided with any of the following?
(BASE: All businesses; Nov./Dec. 06, n=1012)

Noting the significance of the Internet as a form of commerce and communication, the level at which businesses are creating a website continues to rise and has now surpassed 1 in every 2 businesses. Not surprisingly, larger companies and those with an e-business strategy, are most likely to have one. Only the smallest of businesses and those in the business to consumer marketplaces are not in the majority.

Despite a continued increase in the penetration of company websites, businesses continue to largely offer the same features and content on their websites that they did five years ago.

Website penetration:

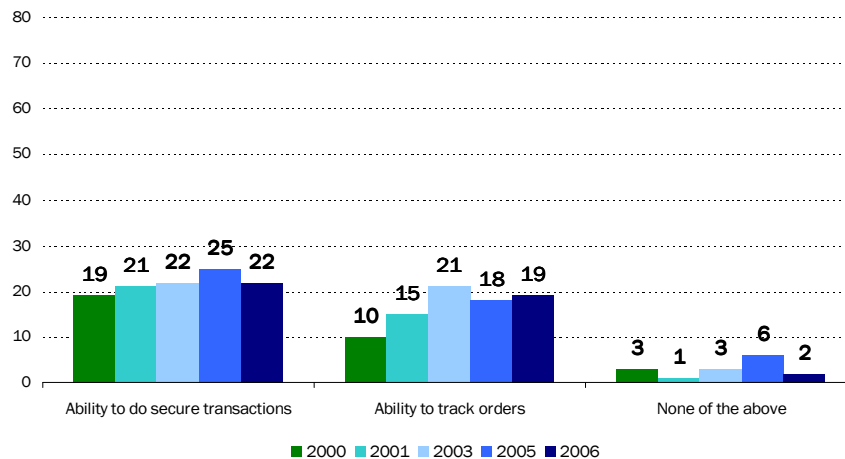
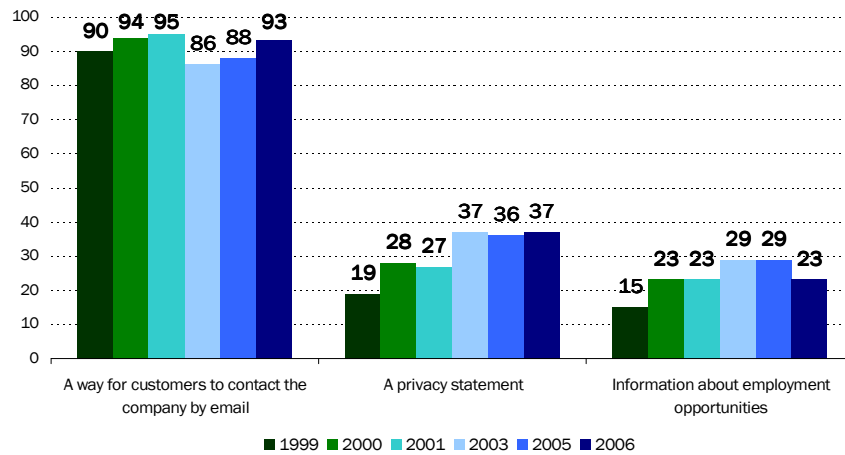
The rate at which companies are creating websites for their businesses continues to rise; with more than 1 in 2 businesses report now having a website. Not surprisingly, larger companies and those with an e-business strategy are the most likely to have a website.



Q:
Does your company have its own Internet website?
(BASE: All businesses; Nov./Dec. 06, n=1012)

Websites lack certain customer resources:

Although the majority of all businesses that have a website report having methods in which customers can contact their company, there have been surprisingly few changes in the presence of other features/content.

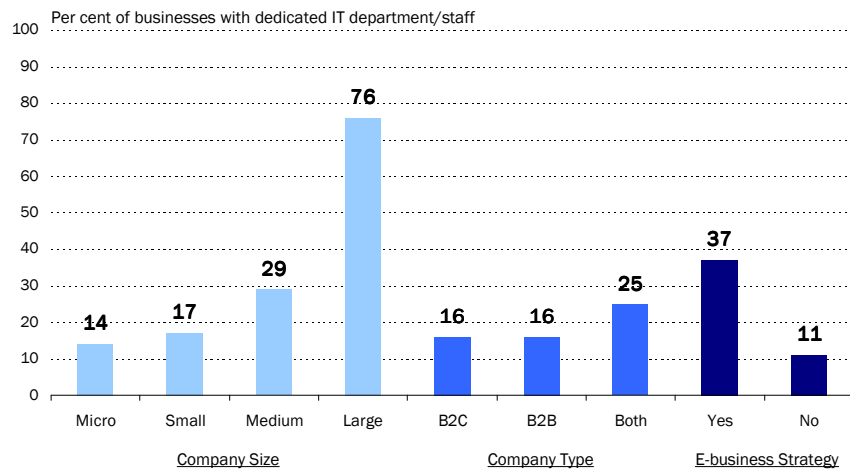
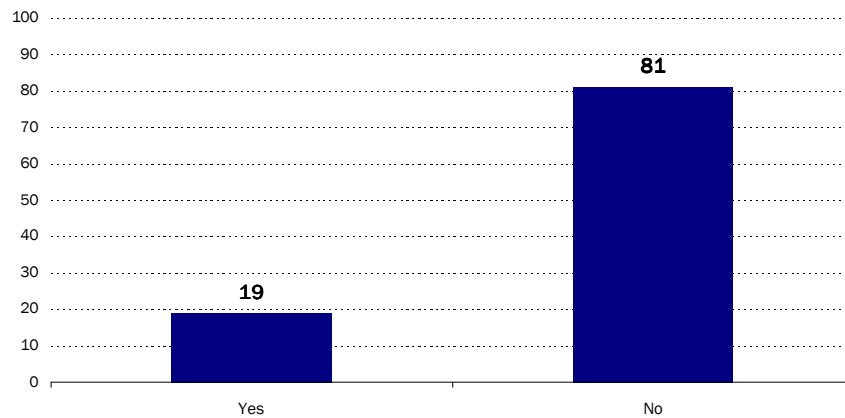


Q:
Does your company's website offer any of the following?
(BASE: Businesses with websites; Nov./Dec. 06, n=678)

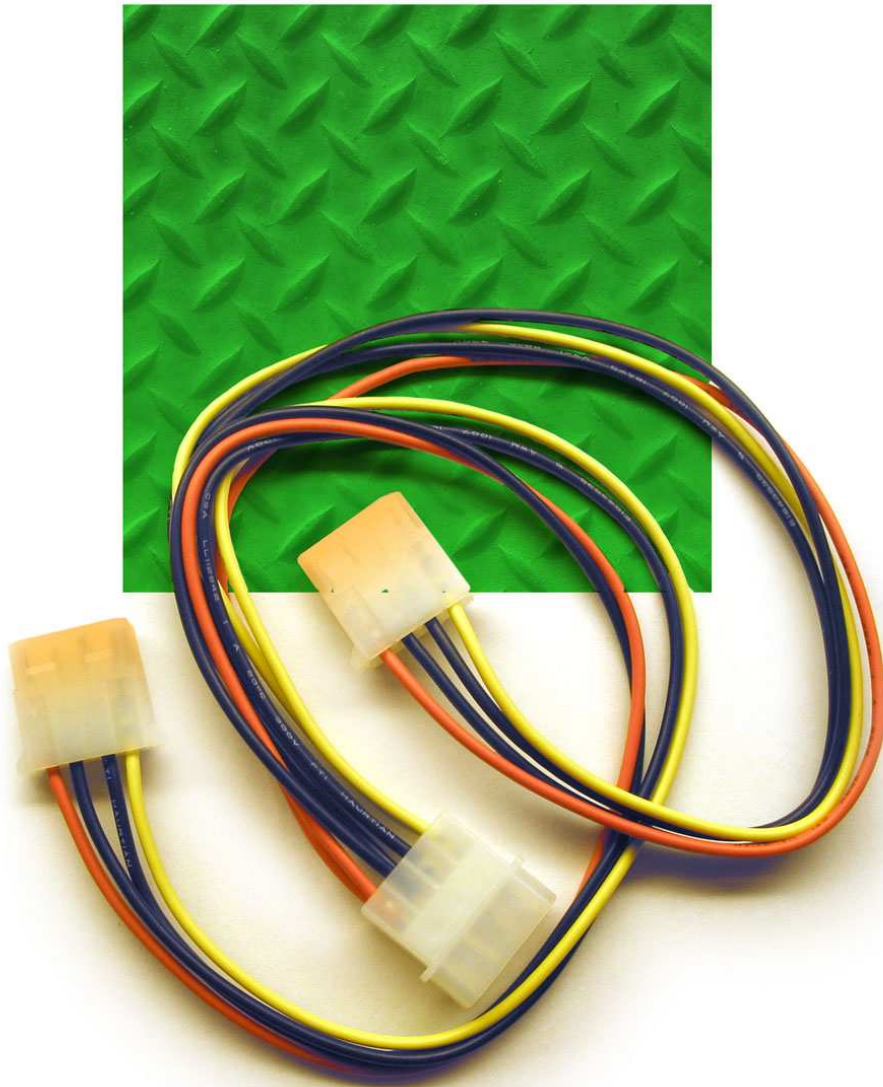
Not surprisingly, the majority of businesses do not have access to IT departments or staff. In fact, the only segment of the marketplace with a sizeable presence are large businesses, where 3 in 4 report having this dedicated function.

IT departments/dedicated staffing are relatively uncommon:

With the exception of the largest businesses, only a small minority of businesses report having a dedicated IT department/staffing.



Q: Does your company have a dedicated IT department or staff whose primary purpose it is to develop and maintain its information and communication technologies?
(BASE: Businesses with new technology; Nov./Dec. 06, n=965)



The e-marketplace

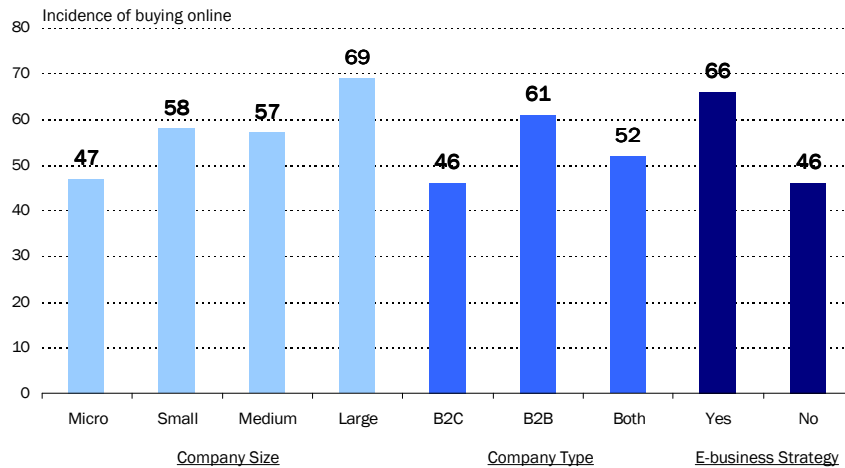
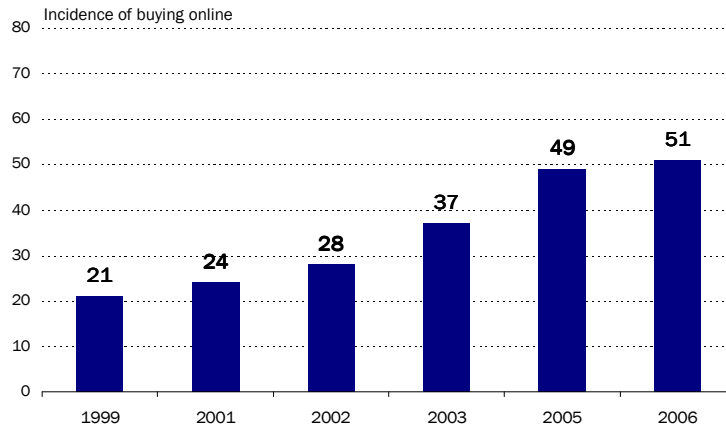
Highlights

- Despite the rate at which businesses are buying online has slowed down in the past year, the proportion has now surpassed 1 in 2 businesses.
- At the same time, there has been a sharp increase in businesses that are buying both indirect and direct goods online. The fastest growing areas relate to office supplies, travel, technological supports and courier services.
- Despite an increase in the amount of businesses that have created websites, the rate at which companies offer their goods to be purchased online remains relatively unchanged with 4 in 10 businesses offering to do so.
- Businesses are increasingly exploring other methods of billing customers as preferences continue to evolve. The amount of businesses that now provide online billing to their customers continues to rise and has almost reached 1 in 4 businesses.

Although the number of businesses that are buying online continues to increase, the rate and number at which they do so has slowed significantly. While businesses continue to purchase a wide variety of goods online, the fastest growing areas relate to office supplies, travel, technological supports and courier services. At the same time, businesses are increasingly buying both indirect and direct goods at a substantial rate.

The incidence of buying online has now surpassed 1 in 2:

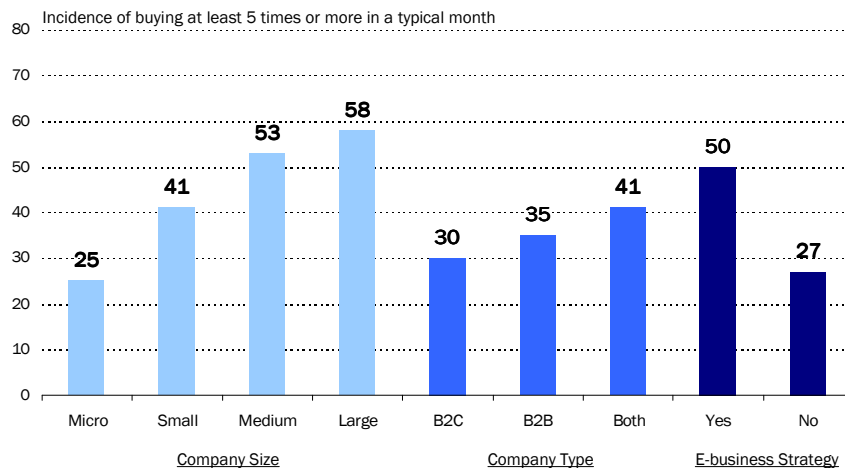
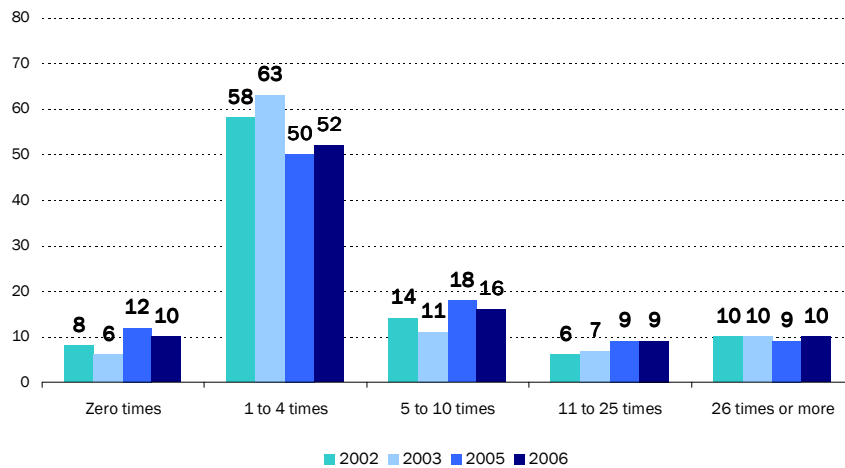
While the rate of growth in businesses that buy online has slowed, the overall incidence has now surpassed 1 in every 2 businesses for the first time. That said, differences persist with the smallest businesses being the only segment where fewer than 1 in 2 are buying online today.



Q:
Does your company use the Internet to purchase any goods or services that are needed by your business?
(BASE: All businesses; Nov./Dec. 06, n=1012)

Many businesses are buying online on a regular basis:

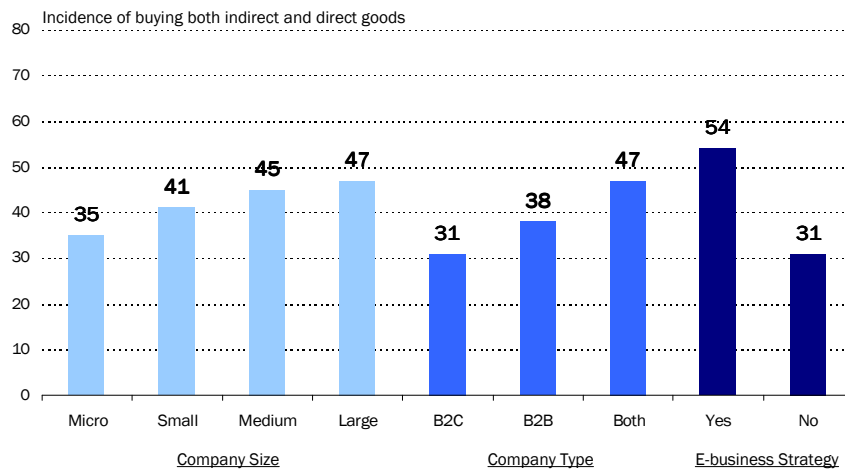
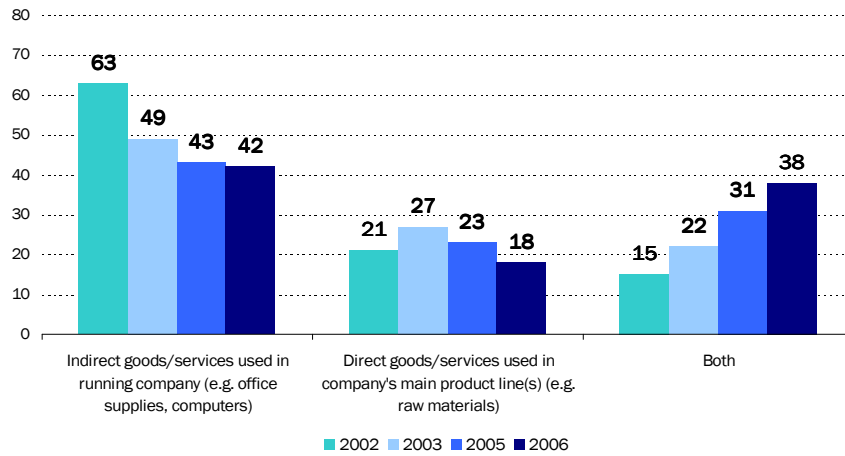
While there has been little change over the past few years, the marketplace is characterized by a sizeable number of businesses who are buying online on a frequent basis led by the largest businesses.



Q: In a typical month, how often does your company use the Internet to purchase any goods or services that are needed by your business?
(BASE: Businesses that purchase goods and services online; Nov./Dec. 06, n=586)

Businesses continue to buy a greater range of goods/services online:

While the overall incidence of buying online is up only slightly, the incidence of businesses buying both indirect and direct goods/services continues to rise sharply. In fact, there are almost as many businesses buying both as those buying only indirect goods/services. This compares to almost a four to one ratio back in 2002.



Q:
What types of goods or services does your company purchase over the Internet?
(BASE: Businesses that purchase goods and services online; Nov./Dec. 06, n=586)

Online purchases

(Per cent)

	2002	2003	2005	2006
Office supplies	41	46	43	59
Computer software	42	34	36	36
Computer hardware	29	23	31	28
Travel	18	18	22	27
Technological support	15	16	19	27
Office equipment	18	17	18	20
Courier services	10	11	16	22
Financial services	8	9	15	14
Printer/fax machine	11	7	13	12
Consulting services	7	5	9	11
Human resource services	6	5	4	9
Car parts & related	-	3	3	2
Books/education	7	-	4	2
Electronics-related	-	3	2	1
Advertising/promotion	-	-	2	1
Food-related supplies	-	1	2	2
Communications-related	-	-	1	1
Machinery	-	-	1	0
Other products	5*	22*	23	21
Other	3	0	2	4
DK/NR	5	6	4	4

Q:

What types of products and services has your company bought over the Internet in the past twelve months?

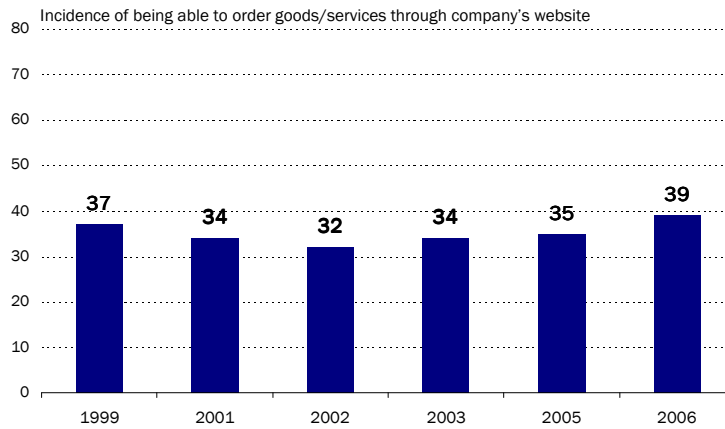
(Base: Businesses that purchase products over the Internet; Nov./Dec. 06, n=585)

*Products for Business needs/Business products

In contrast to purchasing online, the rate at which businesses are selling online remains relatively unchanged from previous years; a somewhat surprising result as more companies have created online websites. Businesses that are selling their goods online continue to accept a variety of methods for payment of online purchases.

The incidence of selling online remains relatively unchanged:

Among those businesses with a website, the incidence of customers being able to order a company's goods or services through their website remains at about 4 in 10.

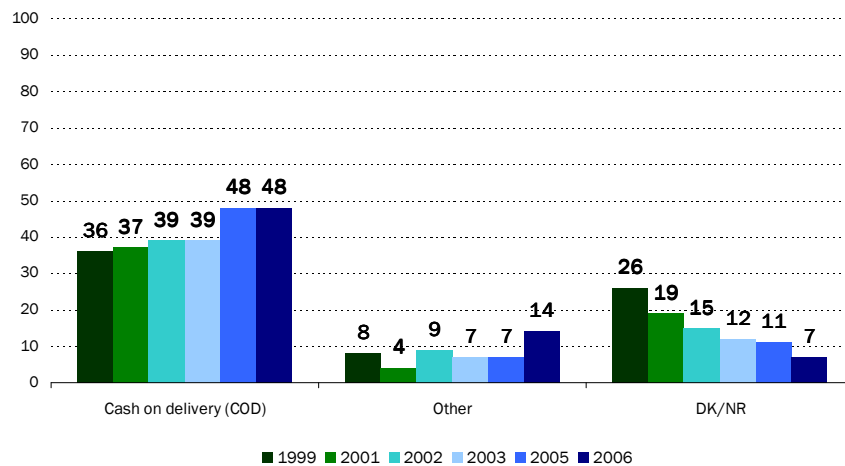
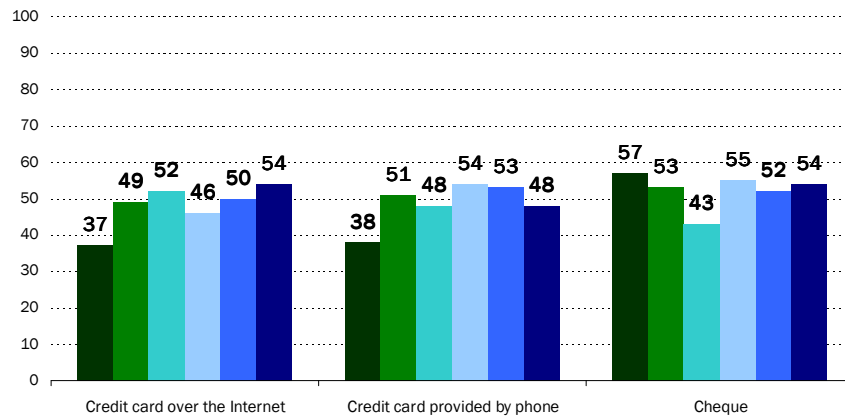


Q:

Can your company's goods or services be ordered over the Internet through your company's website?
(BASE: Businesses with websites; Nov./Dec. 06, n=678)

Most methods of payment continue to be accepted for online purchases:

There have been relatively small changes in the various ways that businesses accept payments for online purchases. Today, a majority/near majority of businesses selling online accept a wide variety of payment options.

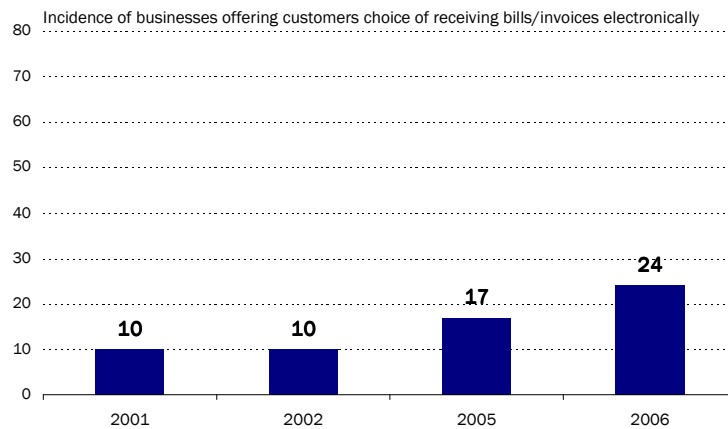


Q: What method of payments do you accept for purchases made over the Internet?
(BASE: Businesses selling goods and services online; Nov./Dec. 06, n=208)

Businesses are increasingly exploring other methods of billing customers as preferences continue to evolve. The amount of businesses that now provide online billing to their customers continues to rise and has almost reached 1 in 4 businesses.

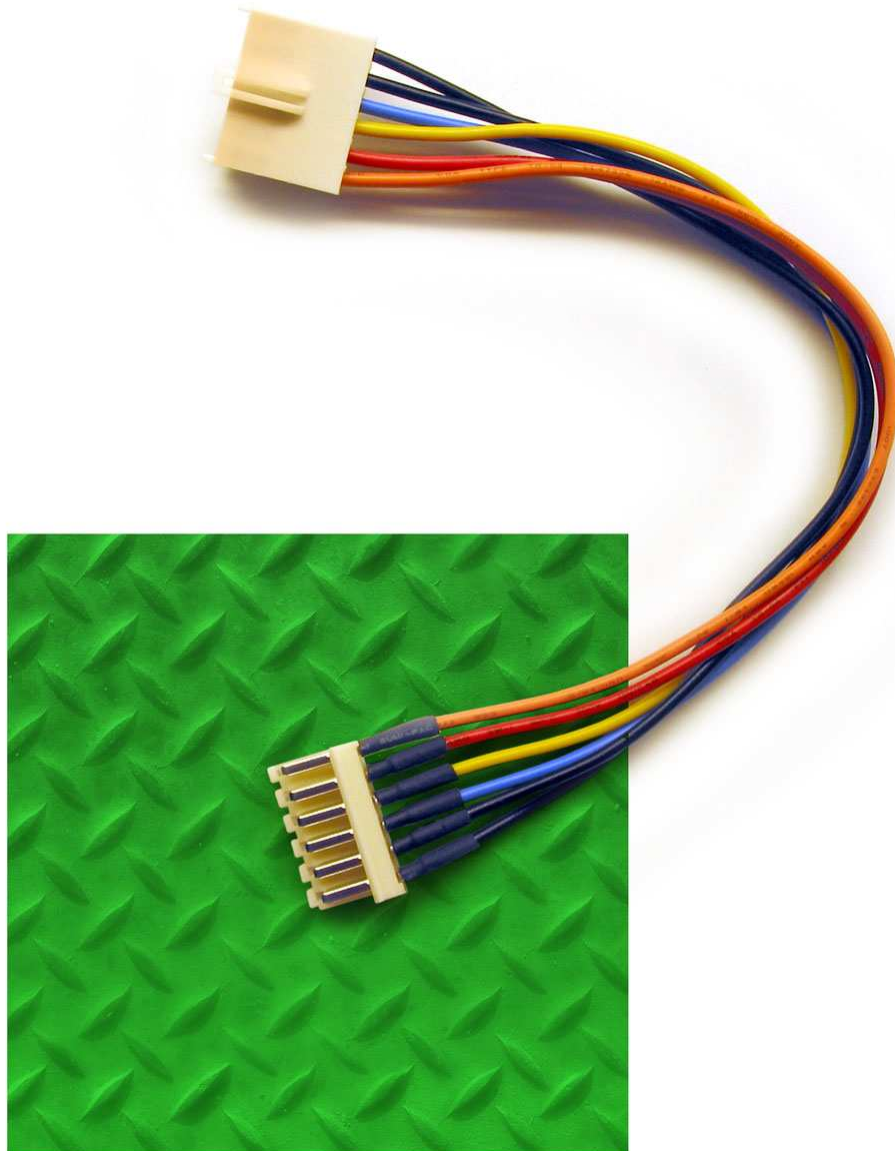
Electronic bills/invoices are increasingly common:

While still a minority, a growing proportion of businesses are offering the customers the choice of receiving their bills or invoices electronically.



Q:

Does your organization currently offer its customers the choice of receiving bills or invoices electronically, including over the Internet?
(BASE: All businesses; Nov./Dec. 06, n=1012)



Government and service delivery

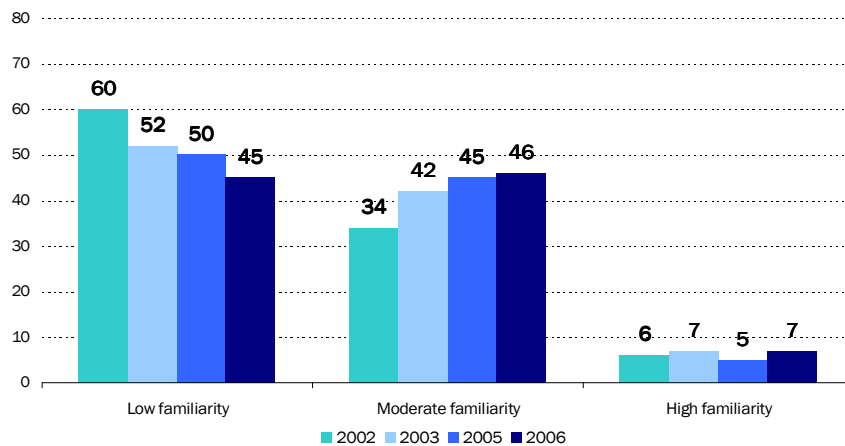
Highlights

- Similar to the broader consumer marketplace, businesses remain generally quite unfamiliar with what services the federal government provides online.
- At the same time, businesses — like citizens — are most likely to use the web as a “starting point” to find government information, it is, however, important to recognize that sizeable numbers also point to using the toll free number; reinforcing the importance of multiple channels.
- The proportion of businesses that have used a government website remains relatively high with over 3 in 4 having visited a Government of Canada website in the past year.
- Depending on the interaction, businesses tend to prefer certain methods of contact over others. As in previous years, the Internet continues to be the preferred method of contact for businesses contacting the government for specific services; however, despite continuing to be the preferred service channel, the Internet has not been as dominant as in previous years.

Similar to the broader consumer marketplace, businesses remain generally quite unfamiliar with what services the federal government provides online. At the same time, businesses — like citizens — are most likely to use the web as a “starting point” to find government information, it is, however, important to recognize that sizeable numbers also point to using the toll free number; reinforcing the importance of multiple channels.

Familiarity with federal government services online remains low:

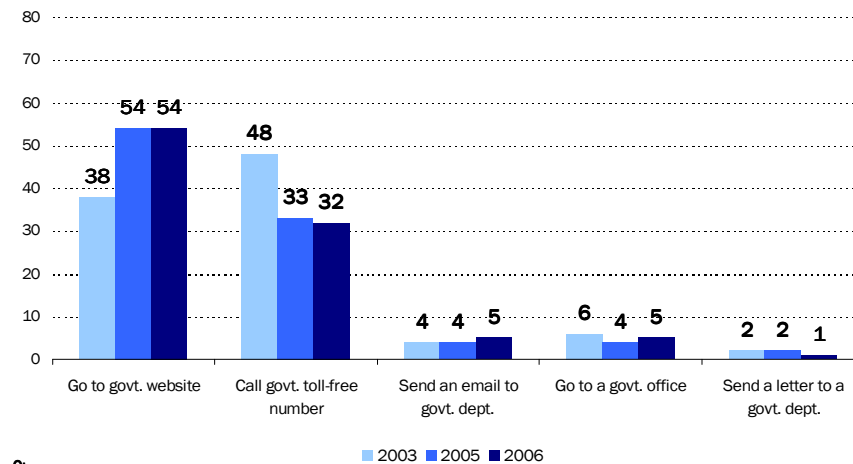
There has been little improvements in the level of familiarity with what business services the federal government provides online. While marginally better than last year, close to 1 in every 2 businesses still reports little or no familiarity.



Q: How familiar are you with what business services the federal government provides over the Internet?
(BASE: All businesses; Nov./Dec. 06, n=1012)

Websites still dominate as the “starting point”, but little change:

When it comes to finding information about government programs and services, the majority of businesses point to turning to a government website as a starting point. That said, the trend towards increasing reliance on websites appears to have stalled and 1 in 3 still point to toll free numbers.

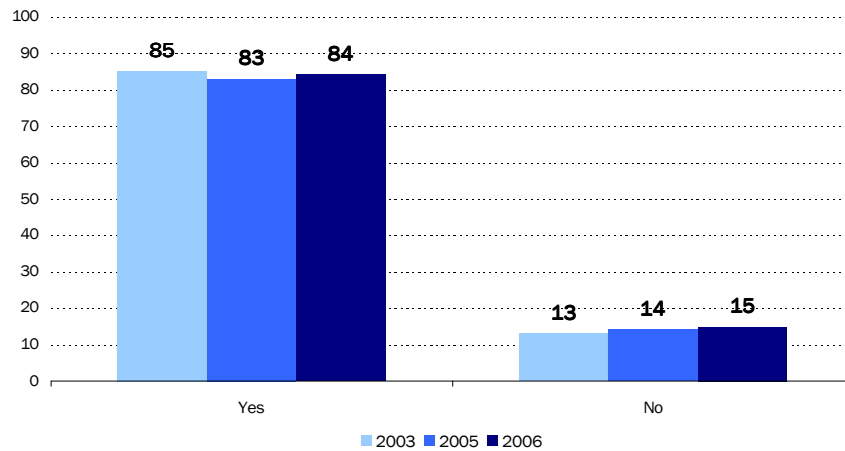
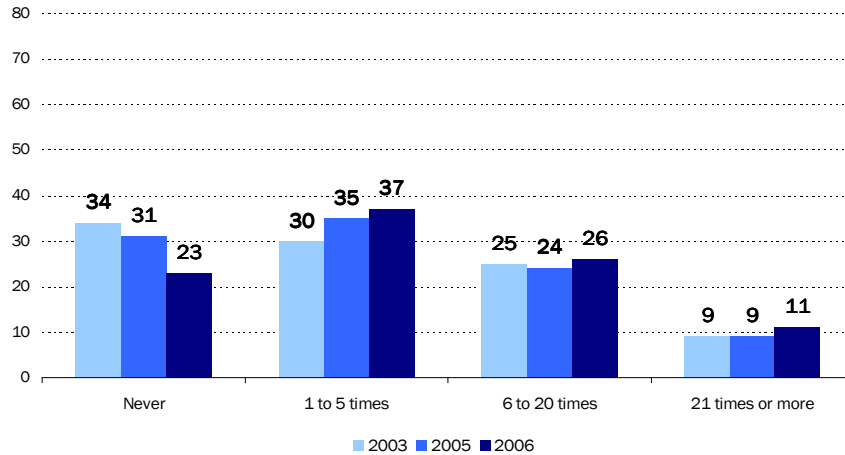


Q: If you needed to find information about a government program or service, how would you go about it? Would you be most likely to . . . ?
(BASE: All businesses; Nov./Dec. 06, n=1011)

The overall proportion of businesses visiting Government of Canada websites continues to increase, with almost 3 in 4 visiting at least once in the past year. Largely unchanged over the years, the overwhelming majority of those who have gone to a federal government website report they were successful in finding what they were looking for.

Growing numbers of businesses visiting federal websites:

The proportion of business who use the Internet that have visited a federal government website in the past year has now surpassed 3 in 4, with the overwhelming majority being successful in finding what they were looking for.

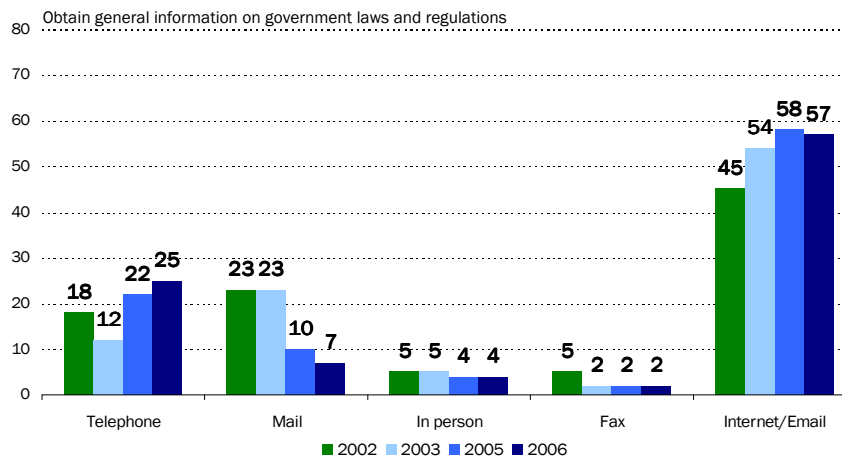
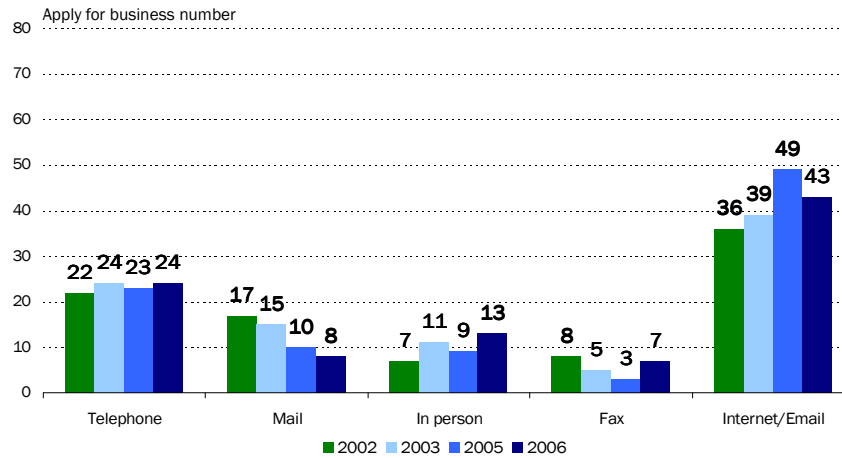


Q: How many times have you visited Government of Canada websites over the past twelve months for business-related reasons? [IF YES] Did you find the information you were looking for?
(BASE: Businesses with Internet access/Businesses that visited a government website; Nov./Dec. 06, n=867/681)

Depending on the interaction, businesses tend to prefer certain methods of contact over others. As in previous years, the Internet continues to be the preferred method of contact for businesses contacting the government for specific services; however, despite continuing to be the preferred service channel, the Internet has not been as dominant as in previous years. In fact, in some cases the Internet has experienced a reduction in preference levels, reinforcing the importance of ensuring multiple channels are available for government interaction.

Preferences for online channels continue, but far from universal:

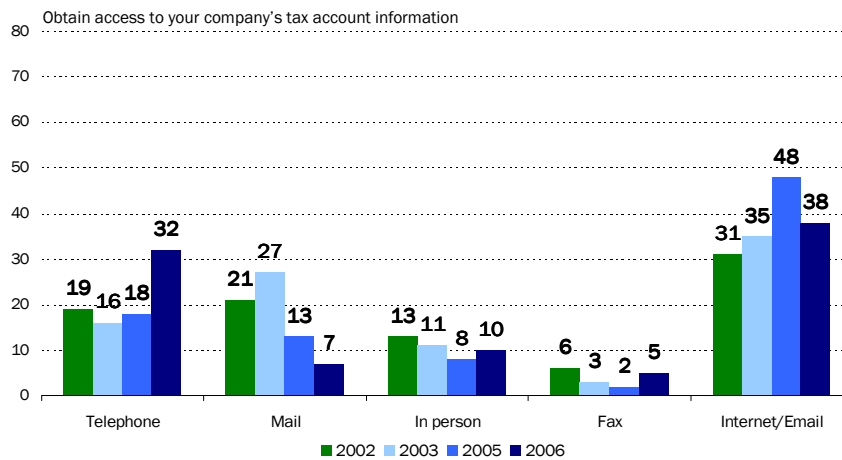
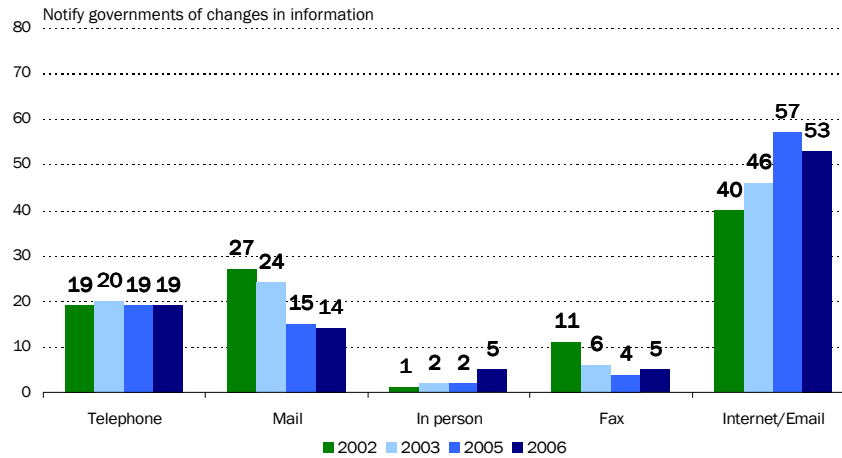
When asked about their preferred service channels for applying for a business number or obtaining general information about laws and regulations, the online channels continue to dominate albeit not as clearly so than in the past. Similar to citizens, businesses point to all channels as their preferred method, reinforcing the multiple channel environment.



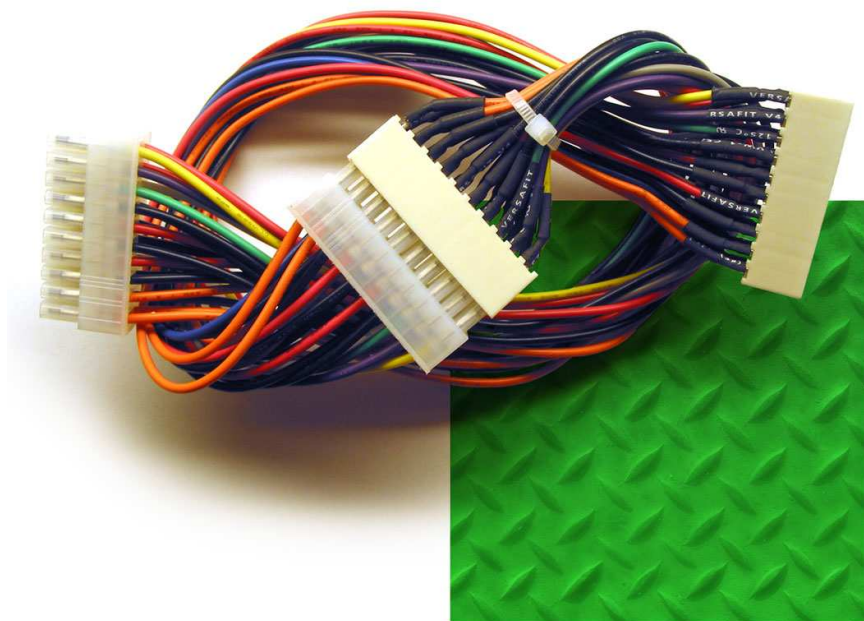
Q:
What would be your company's preferred way to ...?
(BASE: All micro, small, medium businesses; Nov./Dec. 06, n=578)

Preferences for online channels continue, but far from universal (cont'd):

The same pattern holds true in relation to the preferred business channel for notifying governments of changes in information or obtaining tax account information. Led by the online channels, businesses point to all channels as their preferred method.



Q:
What would be your company's preferred way to obtain access to your company's tax account information?
(BASE: All micro, small, medium businesses; Nov./Dec. 06, n=578)



Financial services

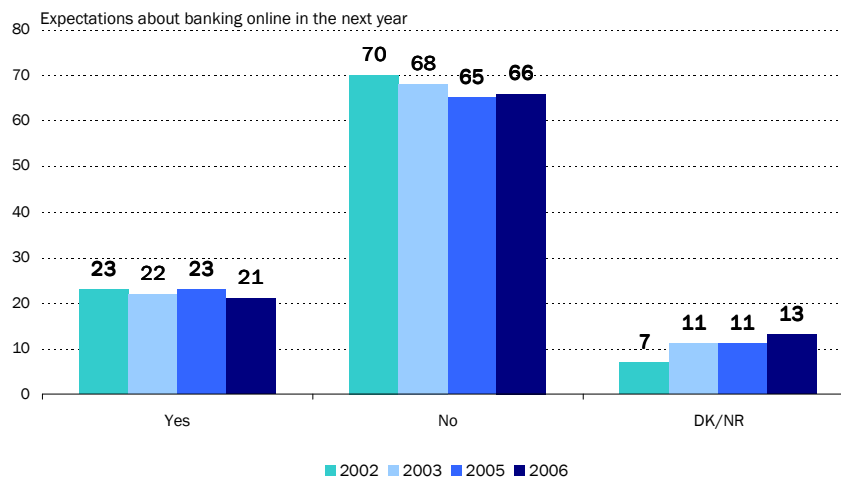
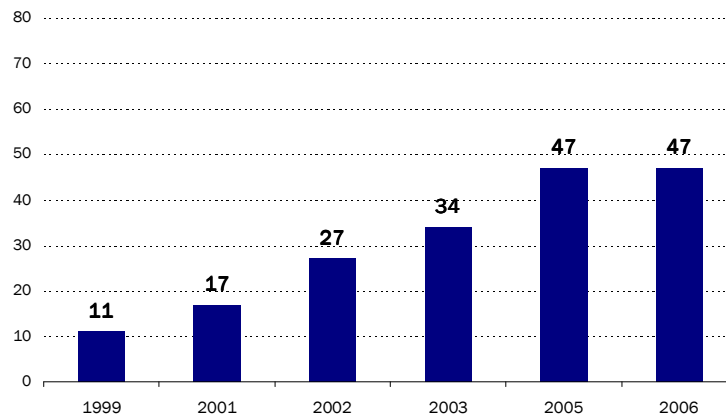
Highlights

- The proportion of businesses that use Internet banking has shown little to no growth from the previous year.
- Despite the lack of change in the broad financial service environment, there has been a dramatic change among businesses that use online banking in paying and receiving bills online.

Online banking has seen little growth over the past year with nearly one half of all businesses doing their banking this way. Expectations of increased usage within the next year have also shown little change. In contrast, however, there has been a considerable increase in online bill payments and presentment, businesses may explore the convenient method of paying bills online through online banking.

Little growth in Internet banking:

Like the consumer marketplace, there has been little or no growth in the adoption of Internet banking with almost 1 in 2 businesses doing their banking this way. Expectations about starting to bank online also remain unchanged with a small minority reporting plans to do so.



Q: Does your company use Internet banking? [IF NO] Do you expect that your company will do any of its banking using the Internet in the next year?
(BASE: All businesses/Businesses using the Internet not using Internet banking; Nov./Dec. 06, n=1012/353)

Profile of Internet banking

(Per cent)

	2001	2002	2003	2005	2006
Company Size					
Micro	15	22	28	43	46
Small	20	28	41	52	49
Medium	25	42	48	52	56
Large	34	40	49	55	52
Company Type					
B2C	12	24	29	40	38
B2B	25	36	45	56	57
Both	22	33	37	51	54
Primary Fi					
BMO (n=158)	15	34	35	58	51
CIBC (n=219)	17	25	36	38	52
National Bank (n=95)	11	27	35	47	19
RBC (n=338)	21	36	36	54	57
Scotiabank (n=172)	22	25	38	47	49
TD/CT (n=239)	27	40	40	54	55
Caisse populaire (n=198)	15	22	29	47	30
Credit Union (n=126)	*	*	22	44	55

Q:

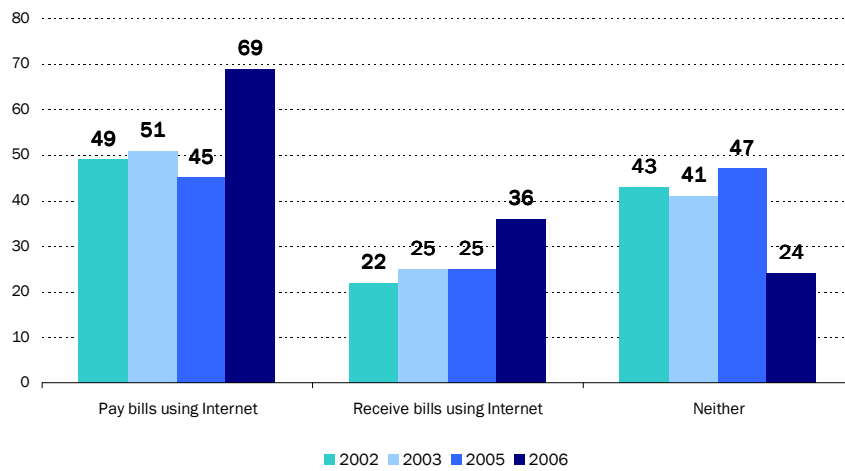
Does your company use Internet banking?

(BASE: All businesses; Nov. /Dec. 06 n=1012)

* data not available prior to 2003.

Impressive shifts on the electronic bill front:

In contrast to the little change in the overall penetration of Internet banking, there has been a notable increase in both the payment and receipt of bills online.



Q:
And does your company pay or receive any of its bills using Internet banking?
(BASE: Businesses using Internet banking; Nov./Dec. 06, n=514)



Appendix: Research Methodology

Research Methodology

The research findings for this study have been drawn from the results of a telephone survey with Canadian businesses undertaken from November to December of 2006. This is the sixth survey of businesses as part of the Rethinking the Information Highway study, dating back to 1999.

The survey involved a national random sample of 1,012 businesses of all sizes across Canada (excluding public sector and not-for-profit organizations).

Given that the main focus of the study was on the adoption of e-business, the survey was designed to contact senior decision makers with responsibility for and/or knowledge of their company's information technology needs.

In some areas, the survey provided respondents with a definition of certain terms. The following definitions of e-commerce and e-business were used:

- E-commerce is buying and selling products and services over the Internet.
- E-business is the use of the Internet, information technology and electronic communications to conduct business.

Since medium and large sized businesses together account for less than 15 per cent of all businesses, the sample was stratified by company size (based on number of employees) and regions in order to ensure that there were enough respondents from both of these two size segments from across the country.

For purposes of the study, the following sampling strategy was undertaken:

- 255 surveys with micro businesses (1 to 4 employees);
- 293 surveys with small businesses (5 to 19 employees);
- 235 surveys with medium businesses (20 to 99 employees); and
- 198 surveys with large businesses (100 or more employees).

The findings were then weighted by size, region and industry code to align the data to a 'truer' reflection of Canadian businesses. The weighted findings tend to reflect more closely the responses of micro and small-sized businesses as these two segments account for more than three in four businesses in Canada.

With a sample size of 1,012, results may be considered statistically accurate to within +/- 3.1 percentage points, 19 out of 20. The margin of error rises when results are examined for a particular sub-sample.