Chapter 7
SME Characteristics and the Use of the Internet to Expand the Scale and Geographic Scope of Sales: Evidence from the United Kingdom

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ABSTRACT

The potential of the Internet to both geographically expand customer bases and provide a source of sales growth has led to a rapid embracement of the Internet by a majority of small businesses in the United Kingdom. However, many studies suggest that much of this adoption takes the form of simple Web sites representing little more than an electronic brochure. Although theories and models have been proposed suggesting adoption and development of e-commerce takes a staged process, with firms moving to more complex e-commerce processes after first mastering simpler forms of Web site, studies have found mixed evidence with regard to this. This chapter investigates the level of Small and Medium Enterprise (SME)
**INTRODUCTION**

The increasing accessibility of the Internet for SMEs has led to a massive surge in the level of UK e-commerce sales in recent years. Sales of goods and services over the Internet for SMEs have risen from £11.6 billion in 2004 to 48.5 billion in 2008 (ONS, 2009). The total contribution to the UK economy was estimated to be £100 billion or 7.2 per cent of GDP in 2009, making it more important to the economy than the construction, transportation or utilities industries (Kalapesi et al., 2010). This is not just a reflection of customers becoming familiar and comfortable with accessing the Web sites of large established businesses within the UK, but also the increasing number of smaller businesses which have taken advantage of the potential of the Internet to cheaply advertise, market and sell their products to a wide range of customers (O'Keefe et al., 1998; Simmons et al., 2008; Kalapesi et al., 2010). As well as more traditional business models being augmented with the addition of a Web site there are new businesses reliant entirely on the Internet to cheaply advertise, market and sell their products to a wide range of customers (O'Keefe et al., 1998; Simmons et al., 2008; Kalapesi et al., 2010). As well as more traditional business models being augmented with the addition of a Web site there are new businesses reliant entirely on the Internet to cheaply advertise, market and sell their products to a wide range of customers (O'Keefe et al., 1998; Simmons et al., 2008; Kalapesi et al., 2010). Not all researchers are convinced of the merit of simpler staged models given the existence of early adopters and heterogeneity of small businesses (Martin & Matlay, 2001; Alonso Mendo & Fitzgerald, 2005a).

This study concentrates on the functions included in the Web sites of UK SMEs, and how these different levels of functionality relate to the perceived benefits of the Internet in providing growth potential and in particular access to markets beyond their local core market (Lawson et al., 2003). This would mean that greater adoption of e-commerce would lead to higher sales growth (Raymond et al., 2005; Kalapesi et al., 2010), even providing a relatively cheap method of internationalizing client bases (Kula and Tatoglu, 2003). These opportunities are particularly pertinent to SMEs who often may operate in niche markets, relying on a thinly but widely distributed customer...
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