Internet for SMEs – New Opportunities

by R.Ramaraj, President, Internet Service Providers Association of India (ISPAI) & Managing Director, Sify Limited

Only a small percentage of India's larger businesses are using the Internet or today's powerful business management systems to deal with vendors, suppliers or customers. Few use the Internet for eCommerce beyond closed user groups. SMEs use the Internet and ICTs even less despite the fact that they can benefit the most. Most SMEs have little awareness of the benefits ICTs can bring, have little experience with computers, find them too expensive and have difficulty with the steep learning curve.

Mr R Ramaraj is the current President of the Internet Service Providers Association of India (ISPAI). He is also the Managing Director of Sify Limited, the pioneer and leader in Networking, Internet and eCommerce Services in India. Sify was the first Indian Internet company listed on the Nasdaq (NASDAQ : SIFY). The company's countrywide IP backbone network is India's first Tier 1 network infrastructure, comparable to that of global majors AT&T, Singtel and Telstra in terms of speed, reliability, scalability and security. Mr Ramaraj is a B.Tech in Chemical Engineering from the University of Madras and an MBA from the IIM, Calcutta. Beginning his career in Sales and Marketing, Mr Ramaraj went on to pioneer the retail marketing of computers in India by establishing Computer Point in 1984. He was a Founder Director of Microland Ltd before a stint in cellular telephony as Director, Sterling Cellular up to 1996. He started Satyam Infoway, as it was known then, as Founder Director in 1996. Mr Ramaraj was named the 'Evangelist of the Year' at the India Internet World Convention in September 2000. In a 2001 CNET.com poll in India, Mr Ramaraj was voted the IT Person of the Year 2000. He is the current President of the Internet Service Providers Association of India (ISPAI). He is a Rotarian, reads extensively and is interested in Indian philosophy. He is married and lives in Chennai, India, with his family.

"For developing countries, the digital revolution offers unprecedented opportunities for economic growth and development, as entrepreneurs from Mumbai to Guadalajara to Dakar will testify. On the other hand, countries that lag behind in technological innovations risk being bypassed by the competitive edge of those using the new technologies."

◆ *UN Secretary-General Kofi Annan*

Perhaps nothing can bring the truth of this home better than this short piece in an international motor magazine about a small company in Mumbai:

"Eat your heart out Pininfarina. Bertone beware. It's in the back streets of Bombay that the hottest ideas in car design are happening right now. Stop me if you've heard this one before, but there can be few more improbable automotive stories than the yarn about the Indian coachbuilder, the prestige British sports car maker and the show-stopping Detroit concept.

Rewind to December when a jumbo jet taxied into the freight area of Detroit's Wayne International airport, its cargo held disgorging Aston Martin's V8 Vantage concept car. Nothing unusual about that, except that the paperwork lists DC Design. The story was repeated a couple of months later when DC's Gaia concept arrived in Geneva to showcase the work of the coachbuilding company that also bears the initials of its founder and owner, Dilip Chhabria.

If Chhabria's hopes are realised, DC Design will become a credible rival to the cream of Europe's coachbuilding industry. "Our sights are set on Europe, we want to do what Pininfarina or Bertone can do, building concepts, prototypes and longer term, limited production runs," he says.

That's why the Gaia was displayed at Geneva, next door to better-established names, as the perfect showcase for DC Design's skills. The muscular two - door coupe, designed by Chhabria, mixes a traditional, long-snouted bonnet with a modern transverse-mounted, front-drive power-train. But its significance lies much more in the details of its hand-beaten body panels and their paintwork, its specially cast wheels, burnished grille and hand-crafted leather cabin.

It's a sign of DC Design's flexibility; it created the Aston concept car from CAD (computer aided design) data supplied from Britain. Next door to the workshop is another high-tech corner, a design office with digitising equipment. The steering wheel in the Gaia, for example, was modelled digitally, restyled on the computer and the new data fed to a CNC (computerised numerical control) milling machine at a nearby supplier's who made new parts.

DC has a similar relationship with local CNC suppliers. They evaluated many companies and came to an agreement to share work between the three, all within a couple of miles of the workshop. Considering the chaos in the streets surrounding DC Design's current HQ, including a nearby squatter camp, it is extraordinary that three high-quality machine shops that are able to build parts for concept cars are so conveniently located.

www.connect-world.com

Casting technology is also up with the best, the Gaia being fitted with bespoke, 22in alloy wheels. A late change from the 20in caused a major disruption to the building plan, but the speed of response was quite stunning. The CAD data for the wheels was modified for the bigger diameter and beamed to one of the local CNC machiners who created new wooden casting patterns within 48 hours. A further 48 hours later and a Mumbai based foundry delivered spanking new wheels, with a machined finish, for the Gaia. That wasn't the last of it. The bigger wheels needed bigger wheel-arches, so they were remodelled, and gave the DC Design team yet another 18-hour day.

Europe's finest need to be on their guard if they're to protect their patch against India's most ambitious car designer. You can rest assured that motor show organisers are going to see 'Mumbai' stencilled on the packing of many more concepts over the next few years".

From Auto Car, UK, 12th March 2003

A 'one server and eight clients' network is typical of SMEs

When a small company adopts modern technology and the Internet into its business processes, it can telescope process times, work across multiple locations, address global markets and expand cost effectively. That's exactly

what Mumbai-based Dilip Chhabria's DC Design has done to emerge as a globally recognised design house within a short span of time.

The Developed World

In recent months, eCommerce in the US has not only grown as projected, but exceeded expectations. Forrester Research Inc estimated business-to-business eCommerce at $2.4 trillion in 2003, well ahead of the projected $1.3 trillion. Most of this turnover was from large companies, dealing with each other, and with their vendors and suppliers. However, this is only the tip of the iceberg, since many thousands of small businesses are not participating in online eCommerce as yet. When this is true of the US, with one of the highest percentages of Net adoption in the world, imagine the potential when extrapolated to small businesses across the world.

The EU has several initiatives in place to ensure small business adoption of the Internet and Information & Communications Technology (ICTs), such as the Support Measures and Initiatives for Enterprises (SMIE) project. On 21 January 2003 the Commission outlined the policies towards small and medium-sised enterprises across Europe.

This includes incentives for adoption of computing and Internet technologies by SMEs in EU member states.

The developed world, with a high level of Internet penetration, is in a far better position compared to less computerised nations in Asia, Africa and Latin America. What, then, are the issues facing small businesses and their adoption of the Internet, not only in South East Asia, but most of the developing world?

Internet In The Developing World

India has thousands of medium to large companies, but the fact that just over 500 large companies are in the process of implementing company wide enterprise resource planning (ERP) systems is an indication of how early it is in the development of online commerce. It is still a nascent market for IP VPNs (Internet-based virtual private networks), ERP systems and software, supply Chain Management solutions and Customer Relationship Management.

Companies that are already using networks to conduct business with their vendors, suppliers or customers are now starting to use the Internet for eCommerce beyond closed user groups. This is still a very small percentage of the companies around the world who have the potential to conduct online eCommerce. Small wonder then that the vast majority of small businesses are not using the Internet to further their business as yet.

"The developed world, with a high level of Internet penetration, is in a far better position compared to less computerised nations in Asia, Africa and Latin America."

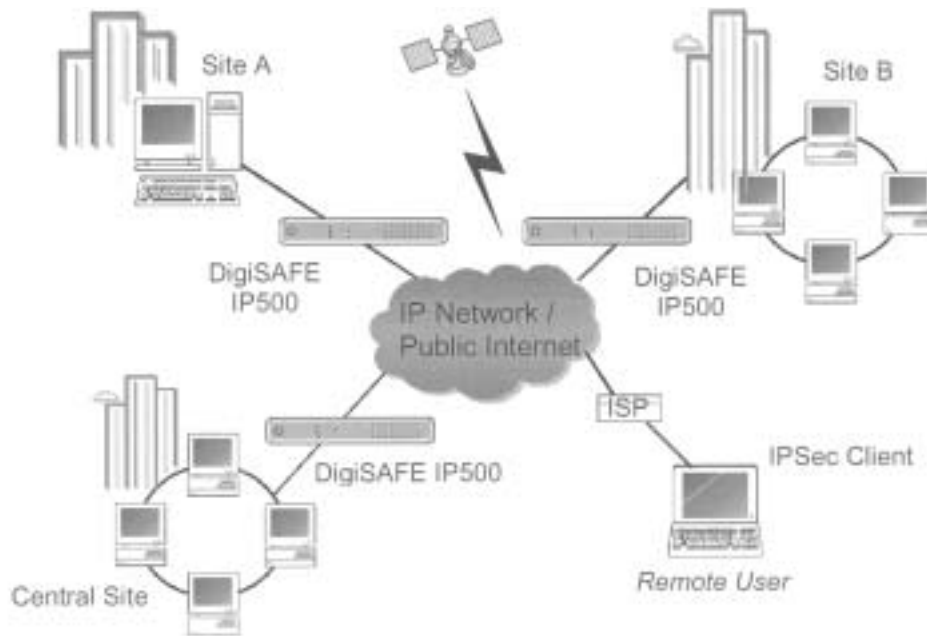**Most relevant for small businesses:**

Yet it is the small businesses that can accelerate their progress the most by using the Internet. We have seen all these

Public Internet helps businesses with many branches operate together

at play in the case of DC Design, catapulting them into the global design arena today. Why then are small businesses not adopting the Internet as they ought to?

"Many small businesses find it too expensive to invest in dedicated resources like computers, Internet connectivity, and software. This is especially true in countries like India, where costs of hardware and software are relatively high compared to the per capita income. Inadequate financing for small businesses compounds the problem. This needs to be addressed."

There are several issues confronting small business owners when it comes to adopting the Internet as a business productivity tool:

▲ *Awareness:* Many of the proprietors of small businesses are not aware of the Internet and all that it enables. Many that are aware of the Internet consider it something that their children use for email and entertainment and not something that can help them run their business. The small percentage that are aware that the Internet is a resource that is available to them, don't know how to go about it. The rapid increase of eGovernance and utilities on the Internet should accelerate their exposure and experience of the Net. For example, India's largest eCommerce website is the booking site of the Indian Railways!

▲ *Lack of experience:* There has to be a concerted effort to educate small businesses on the benefits of doing business online. Many have never seen a computer, let alone used one. New technologies are met by wariness. There may also be a fear of losing control over their business and insecurity about the measures that they can take if the technology fails. Exposure to services online, and interacting with them successfully will dispel the fear.

▲ *Insufficient finances:* Many small businesses find it too expensive to invest in dedicated resources like computers, Internet connectivity and software. This is especially true in countries like India, where costs of hardware and software are relatively high compared to the per capita income. Inadequate financing for small businesses compounds the problem. This needs to be addressed.

▲ *Steep learning curve:* Most software packages are designed for the computer literate, not for the novice user. This is a problem, especially where barely literate users are faced with daunting computer packages that are not even in their own languages. Technology must be easier to use and maintain, be robust and relevant for small business owners in rural areas to consider using it. Moreover, technology that requires expensive and specialised training before use is not appropriate for SME or SOHO use.

Typical stages in small business adoption of the Internet:

▲ *Communication:* using email to communicate with customers.

▲ *Presence:* revealing the company to the world online (web site)

www.connect-world.com

▲ *Business:* operating online (purchases and sales)

▲ *Transformation of the company:* Modification of internal processes (communication, decision-making and structural streamlining)

▲ Benefiting from the opportunities presented by the internet to improve relations with suppliers and customers (internal supply, personalisation and expansion of the customer portfolio)

Moving SMEs up this curve requires rethinking and the way that Internet technology is made available to users. Web-based tools in local languages that are simple and easy to use to help run small businesses may be one such solution.

Small businesses tend to be seen as an urban phenomenon. Yet many of them are small co-operatives from rural areas that could do very well by using the Internet as a primary business channel. Business information currently available on the Internet does not help subsistence farmers and small enterprises, as the information is aimed at large-scale industries. A 'middle man' is needed to translate the information into local knowledge

Some Indian Examples

The latest Indian Readership Survey reveals that Internet usership has grown by 70 per cent over the last year, with 40 per cent of users accessing the Internet from cyber cafes. This is likely to be the most popular mode of access for some time to come, given the low level of home PC penetration. Other options being developed such as the low cost Simputer have yet to become mainstream.

DC Design is a successful high profile example. There are many other small businesses that have started using the Internet for Business Process Outsourcing for customers in India and now, for international customers, in areas such as bill processing.

Others have quickly realised that the Internet is a distribution channel that helps them reach international customers

Laptop technology makes mobile Internet possible

very cost effectively. Pashjey Chemfabs is one such small firm in the business of powerloom yarn dyed fabrics that has customers both in India and abroad. Today the company has customers like Tommy Hilfiger, Polo, GAP, S.Oliver, Otto, Gazman, Lee, Arrow, Peter England, Elements, Van Heusen Fundamentals, Wrangler, Excalibur, Ruggers, Flying Machine, Dockers and Levis. The Internet is increasingly a means of serving its existing customers and reaching out to prospects.

Usership is not restricted to urban centres alone. The Internet is being used to extend medical services and market the products of village co-operatives:

▲ *Telemedicine:* From the South Indian city, Madurai, the Aravind Eye Hospital has been regularly using tele-medicine to treat rural patients, using the Internet kiosks that are in 150 villages in the close by Melur District to transmit images of their eyes. In India, 80 per cent of the population lives in the rural areas, whereas 80 per cent of the medical community lives in the cities. So quality health care can be made available through rural connectivity. Another example is that of a private hospital group specialising in remote consultation

and second opinion to a population of 50,000 villagers primarily in the state of Andhra Pradesh.

▲ *Incense on the net:* Twenty women in the remote South Indian village of Kizhur decided to start a small business enterprise manufacturing incense sticks. They began as sub-contractors but their confidence and enterprise grew as a result of the local telecentre, run by the non-profit trust, MSSRF (M.S.Swaminathan Research Foundation). After some online searches by the telecentre operators, they were able to develop the necessary skills for packaging and marketing their own brand name incense. The ladies were quickly able to develop local outlets for their products and they are confidently using the telecentre to seek out more distant customers on the Internet. Today, they sell incense to customers in distant countries! The telecentre facilitates small entrepreneurial activity and mobilises latent productive capacity among women who live in a culture that has traditionally tended to marginalise them.

▲ *IndiaShop:* FOOD (Foundation Of Occupational Development), an NGO, established an on-line supermarket that specialises in the sale of local products

made by village crafts people. The FOOD staff advises producers on marketing, pricing and packaging and, so far, around 100 cottage industries are preparing to participate in this electronic market. The organisation is also experimenting with the concept of tele-marketing using the internet to bring IndiaShop to the attention of potential customers. Purchases are transacted through major credit card companies. A refreshing means of rewarding tele-marketeers that is being tested is to share with them the commission that the credit card companies charge. Tele-marketeers can operate from their own computers, and in their own time. The ordering system tracks the source of the order so that commissions are correctly assigned. Shortly after launching the service a craftsperson from the small town of Kancheepuram sold a hand-embroidered silk sari which she had spent 60 days working on for US$1,100, far more than what she would have received if she sold it to a shop in Madras.

▲ *Portals for farmers:* India now has its own agriculture and rural marketing portals and sites offering information aimed primarily at the farmers. Websites like 'www.ikisan.com' offer information, both in English and Telugu languages; Tarahaat.com proposes to open up a new `haat' or villagemarket via the Internet.

▲ *The Internet and Micro Credit:* The importance of small financing to SMEs cannot be over-emphasised. It is a necessary pre-condition for the growth and survival of such enterprises. PlaNet Finance, which aims to channel private capital into small-scale businesses in the developing world, addresses this need.

PlaNet Finance is an '*Internet-based virtual bank*' and its stated mission is to act as an Internet-based clearing house for micro-finance institutions, currently about 7,000, provide tiny loans to artisans, farmers and small businesses in developing countries. The credits, which mostly average as little as $150, can make the difference between abject poverty and dignified self-employment for millions, in countries from Togo to India to Peru.

Most of the funds come from private capital. Large institutions hesitate to provide funds to micro-credit lenders because of doubts about their legitimacy or financial viability. Aided by specialists from Arthur Anderson, with technical assistance from Oracle and Cap Gemini, PlaNet Finance has put together a worldwide ratings system to document the creditworthiness of these small, local lenders. Once the reliability of these small institutions is certified, the financial markets can get to know them, and funds can follow.

There are other services PlaNet provides or plans to develop: a virtual library for potential lenders with detailed information on developing countries; a virtual university for administrative training for micro-bank personnel; an information technology service for computerizing micro-finance institutions; and an online fundraising network on which donors can use credit cards to give $10 or more to a developing world credit provider.

PlaNet Finance will also function as a bank, providing direct loans of $20,000 to $200,000 to micro-credit organisations. As of May 2003, PlaNet Finance had successfully rated over 8,000 small credit organisations, and of these, over 7,000 had been financed by private capital.

Key Learnings:

One of the most important lessons to be drawn from these examples is that both the private sector and government have key roles to play in helping small businesses to derive benefits from the Internet and new communications technologies.

Government plays an important part, mainly as a facilitator: creating an advantageous policy, and supporting projects aimed at dissemination of the Internet. It would also be helpful to provide incentives and tax breaks for SMEs that do adopt the new technologies. In addition, education initiatives to promote awareness and basic computer training would provide a great boost to such programmes.

The following simple guidelines will enable the benefits of Internet and ICTs to be felt as widely as possible, in small businesses everywhere:
▲ Monitor the success of projects introducing new technologies

▲ Encourage simple technology that serves the needs of the community rather than introduce hi-tech equipment that gathers dust

▲ Ensure that the local community, and entrepreneurs including women, feel included in any technological innovation

▲ Encourage private businesses to provide services to rural areas.

The most important role of course, is that of the local entrepreneurs and small business owners. In order to encourage locally relevant technology adoption and innovation, private projects aimed at the following would be of immeasurable use:

▲ Micro credit and small financing

▲ Re-deployment of second-hand and refurbished computers

▲ Local language software

▲ Easy-to-use hardware with relevant simple software

▲ Funding for research projects into 'simple technology'

Technology is one part of the complicated relationships that people form with each other and the world around them; this is no less true of small businesses everywhere. As Albert Einstein said, "Concern for man himself and his fate must always form the chief interest of all technical endeavours. Concern for the great unsolved problems of organisation of labour and the distribution of goods – in order that the creations of our mind shall be a blessing and not a curse to mankind."

It is imperative that we make this a reality for small enterprises by enabling them to use the Internet to develop winning relationships that matter ❑.