



Actinic SME Retail Technology Report 2008

Published January 2009

Contents

| | |
|---|----|
| 1.0 Introduction..... | 3 |
| 2.1. Retail Channel and Technology Adoption..... | 4 |
| 2.2. Ecommerce Operations..... | 4 |
| 2.3. Ecommerce and EPOS Implementation | 4 |
| 2.4. Future Plans and Intentions..... | 4 |
| 3.0 Retail Channels and Technology Adoption | 5 |
| 3.1 Channel and Technology adoption | 5 |
| 3.2 Multi-channel & Technology adoption..... | 6 |
| 4.0 Ecommerce Implementation | 7 |
| 5.0 Ecommerce Operations | 9 |
| 6.0 EPOS Implementation | 10 |
| 7.0 Future Plans and Intentions | 12 |
| 7.1 Ecommerce Plans and Intentions..... | 12 |
| 7.2 EPOS Plans and Intentions..... | 12 |

1.0 Introduction

This report summarises the main results from the SME Retail Technology report carried out on behalf of Actinic Software by pfa Research in late 2008.

The survey was conducted by telephone interview to a random sample of 277 small to medium sized retail businesses (with less than 250 employees) in the UK.

Respondents were asked a series of questions designed to assess ecommerce and EPOS system adoption trends. For the first time the survey also covered the use of multiple channels to market including ecommerce, EPOS, Mail Order/Telephone Order (MOTO) and Marketplaces e.g. Ebay, Amazon.

The last ecommerce survey was carried out late 2006.

2.0 Summary and Highlights

2.1. Retail Channel and Technology Adoption

- Since the last survey (carried out in late 2006) the proportion of businesses.....
 - with an ecommerce facility has increased from 11% to 35%.
 - taking orders via post or telephone (MOTO) has increased from 39% to 74%.
- 34% of retailers have an EPOS system.
- 26% of businesses operate in three channels (retail, ecommerce and MOTO).
- 10% of businesses are now selling via a major marketplace with eBay and Amazon being the most popular.
- 6% of businesses operate across four channels including ecommerce, retail, MOTO and via a marketplace.

2.2. Ecommerce Operations

- 66% of businesses state that their ecommerce websites are profitable.
- 26% of online retailers have lost money as a result of online fraud.

2.3. Ecommerce and EPOS Implementation

- 60% of businesses built their own ecommerce web site (against 45% in 2006) and the same proportion implemented their own EPOS system.
- 70% of businesses have ecommerce sites developed on a custom basis to suit their own requirements, while 58% of businesses have customised EPOS solutions.
- Benefits from implementing an ecommerce solution differ from those for an EPOS system. An ecommerce solution provides commercial benefits in the form of increased sales and new customer acquisition. EPOS systems are implemented primarily for efficiency reasons including better stock control and reporting.
- Over 50% of businesses rarely replace their ecommerce and EPOS solutions, preferring to change only when required. 25% of businesses have never replaced their ecommerce or EPOS systems.

2.4. Future Plans and Intentions

- 22% of businesses that do not currently have an ecommerce facility state they have firm plans to implement.
- 13% of businesses that do not currently have an EPOS system state they have firm plans to implement.

3.0 Retail Channels and Technology Adoption

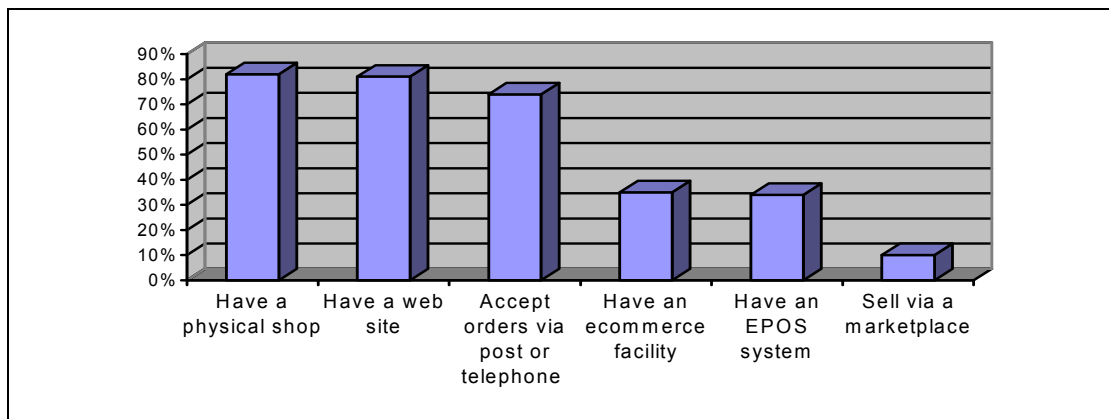
3.1 Retail Channel and Technology Adoption

3.1.1. 81% of businesses had a retail outlet. 19% are either mail order or internet only.

3.1.2. The proportion of businesses with an ecommerce facility has increased significantly since the last Actinic ecommerce survey carried out in late 2006 -- from 11% to 35%.

3.1.3. The proportion of businesses taking orders via post or telephone (MOTO) has increased significantly since the last survey, from 39% to 74%, although 83% of these do not operate an IT system to manage MOTO transactions.

3.1.4. 10% of businesses are now selling via the major marketplaces with eBay and Amazon being the most popular.



| | |
|--|-----|
| Have a physical shop | 82% |
| Have a web site | 81% |
| Accept orders via post or telephone (MOTO) | 74% |
| Have an ecommerce capability | 35% |
| Have an EPOS system | 34% |
| Sell via a marketplace e.g. Ebay, Amazon | 10% |

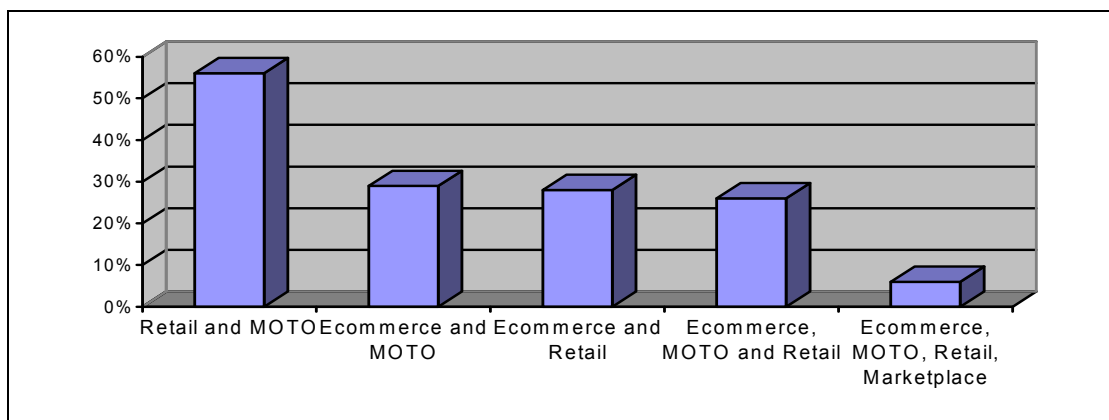
3.2 Multi-channel and Technology Adoption

3.2.1. Just over ¼ of businesses operate through three channels (retail, ecommerce and MOTO)

3.2.2. Almost 30% of businesses that have an ecommerce facility operate through at least one other channel.

3.2.3. 26% of businesses have an ecommerce capability, MOTO and a retail outlet although less than 40% of these have an EPOS system. Of those that have an EPOS system only a small minority have their ecommerce site integrated with their EPOS system.

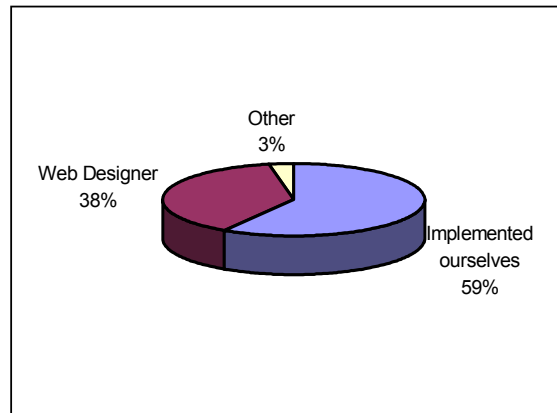
3.2.4. 6% of businesses operate through all four of the stated channels (Ecommerce, Retail Outlet, MOTO, Marketplace).



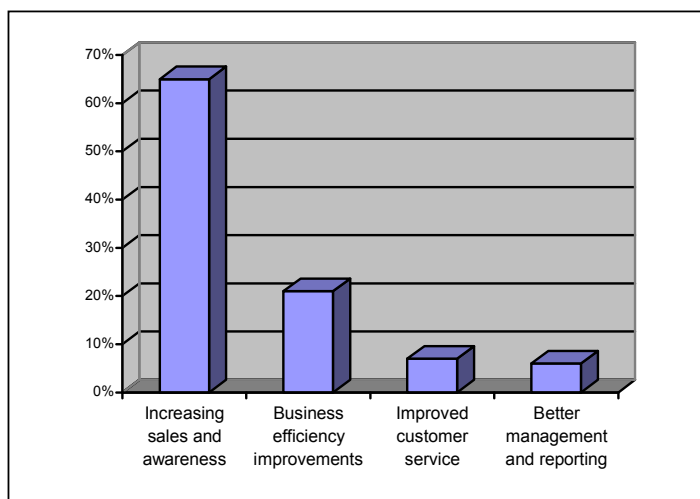
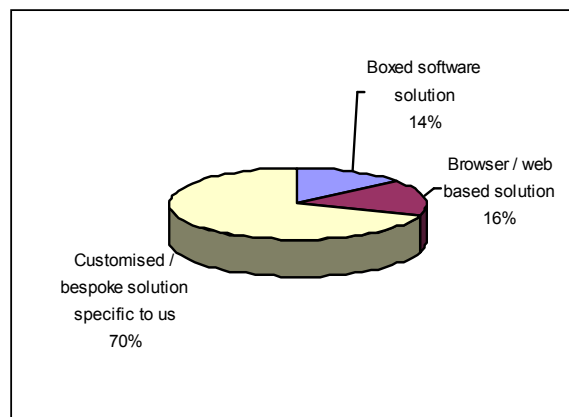
| | |
|---|-----|
| Retail and MOTO | 56% |
| Ecommerce and MOTO | 29% |
| Ecommerce and retail | 28% |
| Ecommerce, MOTO and retail | 26% |
| Ecommerce, MOTO, retail and Marketplace | 6% |

4.0 Ecommerce Implementation

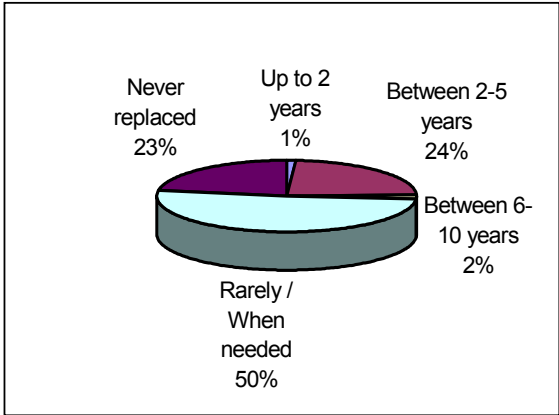
4.1. 60% of businesses built their own ecommerce web site (against 45% in 2006) and the same proportion implemented their own EPOS system. Of the remainder 9 out of 10 businesses recruited the resources of a web designer.



4.2. 70% of businesses have ecommerce sites developed on a custom basis to suit their own requirements. This represents a significant increase on the previous survey.



4.3. The primary business benefit from implementing an ecommerce solution is increasing sales through targeting new customers and increasing awareness.

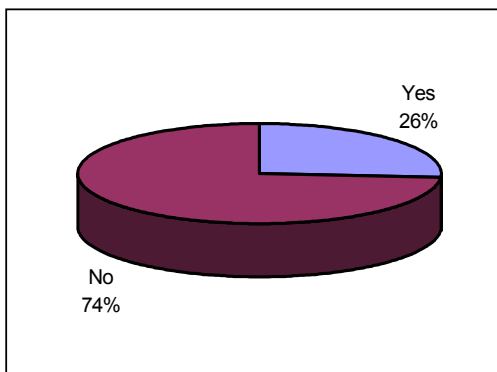
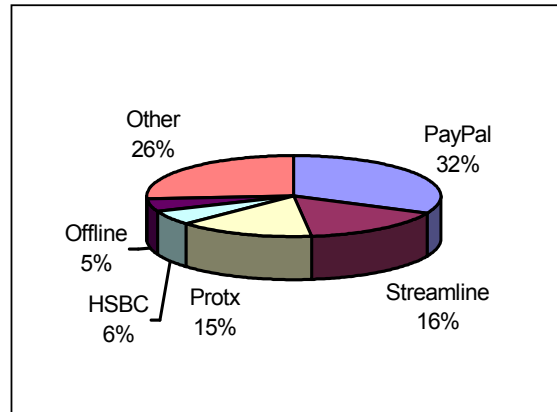


4.4 Just over half of businesses rarely replace their ecommerce solutions and almost 1/4 have never replaced their ecommerce system. For those that have changed the need to upgrade/update (63%) or to benefit from additional functionality (31%) not present in the existing system are stated as key reasons to change.

5.0 Ecommerce Operations

5.1 66% of businesses state that their ecommerce websites are profitable.

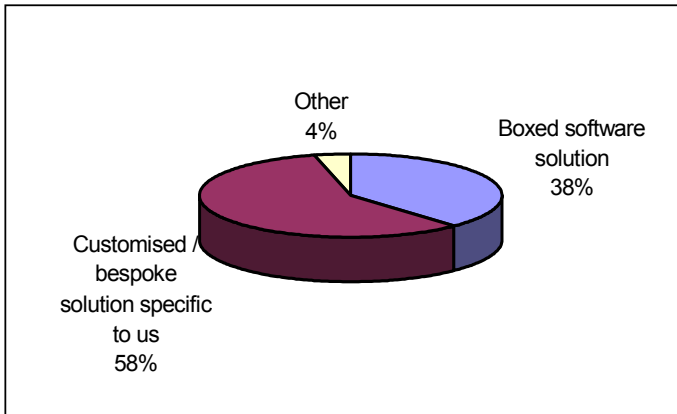
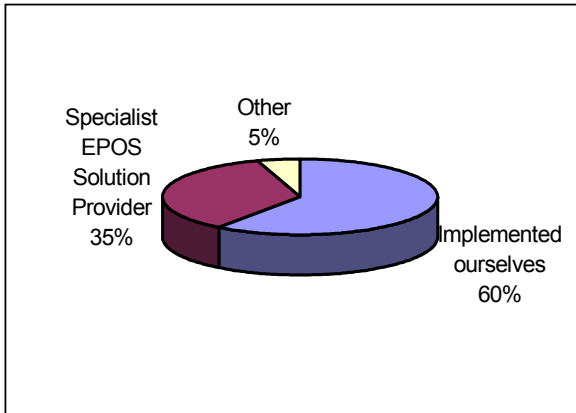
5.2 Use of online payment is on the increase with the vast majority of ecommerce websites processing transactions through an online payment gateway. PayPal have a 32% market share.



5.3 26% of online retailers have lost money as a result of online fraud. A $\frac{1}{4}$ of retailers do not have any procedures in place to combat online fraud while a further 20% rely on human or manual intervention.

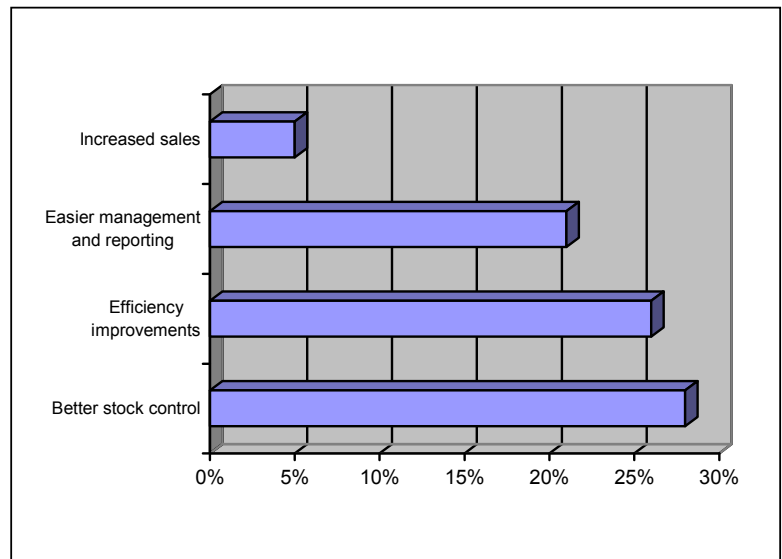
6.0 EPOS Implementation

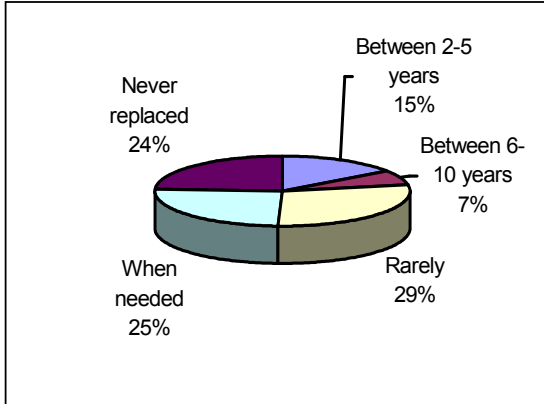
6.1. 60% of businesses take the primary role in implementing their EPOS systems. The majority of others employ the services of a specialist EPOS solution provider.



6.2. 58% of businesses have customised EPOS solutions with a further 38% opting for off-the-shelf systems.

6.3. Retail businesses implementing EPOS systems see the key benefits coming from improved stock control, increased efficiencies and easier management and reporting.





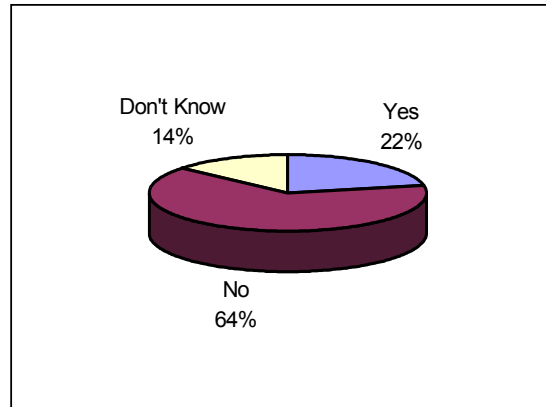
6.4 Almost 30% of retailers rarely replace their EPOS systems with a further 25% replacing only when needed. 24% have never replaced their EPOS system. For those that have changed the need to upgrade/update (45%) is the key reason for changing.

7.0 Future Plans and Intentions

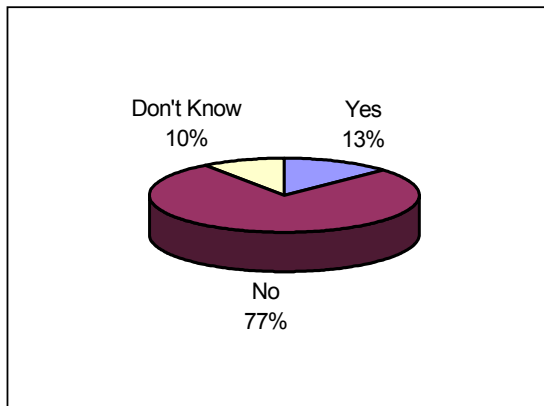
7.1 Ecommerce Plans and Intentions

7.1.1 22% of businesses that do not currently have an ecommerce facility state they have firm plans to implement.

7.1.2 64% of retailers who have not yet implemented an ecommerce facility and have no plans to do so state that they have no requirement primarily due to the nature of the business or the product i.e. not suitable for selling online.



7.2 EPOS Plans and Intentions



7.2.1 13% of businesses that do not currently have an EPOS system state they have firm plans to implement.

7.2.2 Of those retailers who have not yet implemented an EPOS system and have no plans to do so, 40% state that they have no requirement primarily due to the nature of the business or the product and a further 20% claim that the business is too small to justify the investment.