Sensis® e-Business Report 2014
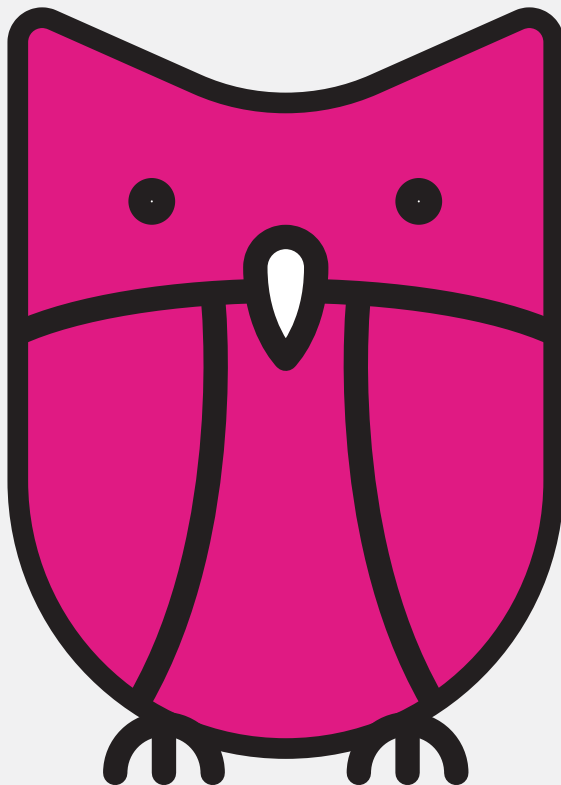
The Online Experience of Small and Medium Enterprises

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Introduction

The Sensis® *e-Business Report* is a special report primarily based on findings from the Sensis® *Business Index*. The Sensis® *Business Index* is an ongoing series of surveys tracking confidence and behaviour of Australia's small and medium enterprises (SMEs).

The primary objectives of the Sensis® *Business Index* are to track small and medium business activity over the past three months; expectations over both the current three and, 12-month periods; and to measure overall confidence among SMEs. In addition the Sensis® *Business Index* provides an independent, objective assessment of proprietors' experiences and attitudes on key issues.

The June 2014 Sensis® *Business Index* included questions on technology usage and electronic commerce (e-commerce). These questions formed the basis of the 2013 Sensis® *e-Business Report*. The survey investigated levels of understanding and interest by small and medium businesses in what e-commerce has to offer. Over the past 19 years, Sensis has examined the experiences of

small business with electronic technology with the first benchmarking report on technology and small businesses collected in February 1994. The trends identified from earlier studies are reported where applicable.

The Sensis® *e-Business Report* also contains data on Australian consumers' experience and adoption of technology, collected as part of a separate sample of 1000 Australian consumers.

The Sensis® *Business Index*, and the Sensis® *e-Business Report* are initiatives of Sensis as part of the company's commitment to increase understanding of the Australian business and social environments. Surveying is conducted by Sweeney Research.

Chapter 1.1
About the survey

The information in this report was primarily sourced from the June 2014 Sensis® *Business Index* and is based on telephone interviews conducted with approximately 1,800 small and medium business proprietors.

Businesses interviewed for the Sensis® *e-Business Report* were drawn from all metropolitan and major non-metropolitan regions within Australia. Quotas were set on geographical location and type of business in order to produce the standard sample structure shown opposite. Note that the sample excludes businesses in the agricultural sector. Where replacement businesses are recruited, this sample structure is maintained.

At the analysis stage, results were weighted by selected ANZSIC divisions within the metropolitan and non-metropolitan region of each state and territory, to help ensure the sample reflected the actual small and medium

business population distribution. The Australian Bureau of Statistics (ABS) Business Register, as at June 1998, was used to help weight the sample to be representative of the total business population.

The results in this report relating to consumer behaviour are based on a survey of 1,000 Australians.

To ensure a good cross representation across the states and territories and by demographics, quotas were set in relation to age, gender and location as detailed in the charts on the right.

The results have been weighted according to the Australian Bureau of Statistics (ABS) population figures (2011 Census) so they more closely reflect the population distribution within each state and territory.

Location of business

	Total	Metro	Non-metro
New South Wales	301	133	168
Victoria	299	194	105
Queensland	301	102	199
South Australia	225	134	91
Western Australia	226	129	97
Tasmania	150	41	109
Northern Territory	150	67	83
Australian Capital Territory	148	148	0
Total	1,800		

Division

Manufacturing	246
Building/Construction	226
Wholesale Trade	172
Retail Trade	260
Accommodation, Cafés and Restaurants	119
Transport/Storage	319
Finance and Insurance	73
Communication, Property and Business Services	161
Health and Community Services	113
Cultural, Recreational and Personal Services	111
Total	1,800

Size of business - number of full time employees

1-2 Employees	552
3-4 Employees	238
5-9 Employees	301
10-19 Employees	298
Total Small (1-19)	1,389
20-99 Employees	352
100-200 Employees	59
Total Medium (20+)	411

Consumer sample structure - demographics

	Total	Male	Female
14 – 17 years	62	30	32
18 – 19 years	55	30	25
20 – 29 years	167	81	86
30 – 39 years	165	79	86
40 – 49 years	176	88	88
50 – 64 years	203	101	102
Over 64 years	172	86	86
Total	1,000	495	505

Consumer sample structure - location

	Total	Metro	Non-Metro
New South Wales	164	125	39
Victoria	176	140	36
Queensland	173	93	80
South Australia	123	108	15
Western Australia	121	105	16
Tasmania	82	52	30
Northern Territory	81	48	33
Australian Capital Territory	80	80	0
Total	1,000	751	249

Chapter 1.2

Executive summary

This special report examines a selection of small and medium sized enterprises (SMEs) and their attitudes towards, and experiences with, e-business. Research with 1,800 SMEs was undertaken across a range of online technologies, including the internet and email. Results in this report also include data on Australian consumers, which was collected concurrently through a consumer survey of approximately 1,000 consumers.

While the findings of the research are outlined in detail throughout the report, below is an overview of the key findings.

Technology in SMEs

Overall, some 98 per cent of SMEs reported owning a computer of some description. There were slight falls in ownership of both desktop and notebook computers in the past year, but the overall result was unchanged due to more businesses opting for only one type of computer. Despite the increase in technology ownership, the levels of expenditure on both hardware and software by SMEs decreased in the past year. For the current year, expectations were also for declines in most areas, with the exception of small business software spend, which is expected to be stable. The only area where IT spends were increasing were maintenance.

The biggest growth in technology ownership was for tablets, with over half of all SMEs reporting ownership. Growth was also strong for smartphones and satellite navigation.

SMEs online

The rate of internet connectivity among small and medium businesses was virtually unchanged during the year, with internet connectivity among small businesses dropping marginally from 96 per cent to 95 per cent. Some 95 per cent of SMEs with internet access have broadband internet access, which was down one percentage point in the past year. Overall, 28 per cent of SMEs with an internet connection intend to get a faster connection within the next year, up six percentage points in the past year. This year, for the first time, businesses with an NBN connection were recorded in the sample, with two per cent of online businesses reporting connection through the NBN.

The single most important reason for use of the internet (as identified by 95 per cent of all internet-connected SMEs) remains email. The next most important uses of the internet were internet banking, looking for information about products and services and looking for suppliers of products and services, reflecting the importance of the internet for B2B transactions. Placing orders for products and services saw the greatest growth in SME usage in the past year, with around half of uses increasing.

The applications that were considered essential by a majority of SMEs were e-mail communication, internet banking, looking for information about products and services, looking for suppliers of products and services, paying and receiving payment for products, placing orders for products and services, getting reference information and research data, using online catalogues, streamlining communications and using websites to promote their business.

SME websites

The proportion of SMEs with a website was unchanged during the past year at 66 per cent. A further nine per cent of online SMEs indicated an intention to have one within the next 12 months. Some 69 per cent of SMEs with websites reported that having a website had improved the effectiveness of their business, mainly by increasing the exposure of their business. Expenditure on website maintenance was stable in the past year, with SMEs reporting an average spend of $3,600 last year on building and maintaining their websites, down $400 on average in the past year.

Social media and SMEs

Some 39 per cent of SMEs connected to the internet reported that they used social media in their business. The most common usage of social media was to have a Facebook page for their business. Over half of the SMEs that used social media reported that it had a positive impact on their business. Over half of SMEs that had a social media presence reported tracking activity, however only one in four SMEs reported updating it daily. Despite increasing numbers of SMEs using social media, only 40 per cent of SMEs allow their staff to access social media in the workplace.

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SME buying and selling online

The past year has seen a rise in the use of the internet for purchasing, however most other parts of the procurement process recorded falls. Some 78 per cent of SMEs reported purchasing online and, on average, SMEs that purchased online reported that they placed 41 per cent of their total procurement online, up two percentage points. The proportion of SMEs that indicated they did the majority of their business online rose five percentage points to 34 per cent of SMEs that purchase online. Equipment, office supplies, stock and merchandise, airline and accommodation bookings were the most commonly purchased items online by SMEs. SMEs reported making 14 per cent of their online purchases from overseas businesses, up one percentage point in the past year.

Online selling by SMEs decreased slightly during the past year. The percentage of SMEs taking orders online dropped two percentage points to 54 per cent. However, for those SMEs that sold online, online selling as a share of total sales activities rose during the year, increasing from 32 per cent to 37 per cent. Some 29 per cent of SMEs who used e-commerce to sell made the majority of their sales online, which was up four percentage points in the past year. The number of SMEs receiving payments online for sales made over the internet also fell, down five percentage points to 65 per cent in the past year.

Once again, SMEs were most likely to report that they were making sales online to customers in their local area, with 45 per cent reporting they mainly sold to customers in the same city or town. Of those SMEs that sold online, 26 per cent had made sales to customers overseas.

SMEs advertising online

There was solid growth in most areas of digital advertising by SMEs in the past year. Some 26 per cent of online SMEs undertook search engine optimisation activities in the past year, with 17 per cent of SMEs now reporting paying for SEO activities. Some 26 per cent of SMEs reported that they paid for search engine marketing, up five percentage points in the past year. The number of SMEs advertising on social networks increased to 31 per cent up from 29 per cent last year. Over three in ten SMEs felt that it was very important to be on page one of a Google search, in particular for those SMEs in the accommodation, café and restaurant sector.

Digital business strategies

While 95 per cent of SMEs reported that they were online, only 19 per cent of those reported that they had some form of strategy for their businesses digital activities, which was unchanged in the past year. However, most SMEs that did have a digital business strategy had a fairly comprehensive strategy compared to previous years, with most including internet, website, social and mobile components.

Australians use of technology

The strongest technology trend displayed by Australian consumers in the past year was the uptake and use of mobile devices. Some 94 per cent of households reported having a computer of some description, with growth particularly in notebook computers at the expense of desktop computers, and 93 per cent of households having access to the internet. However, for the second successive year internet use has been more prevalent than computer ownership, with Australians using other devices, including phones, tablets and televisions to access the internet. While 93 per cent of households had an internet connection, 99 per cent of Australians had used the internet in the past twelve months.

Consumer growth in tablet ownership was exceptionally strong in the past year, with 56 per cent of Australians now reporting tablet ownership, up 12 percentage points in the past year, almost meeting last's year's strong expectations and ahead of business ownership. Australians using the internet on their mobile phones continued to grow over the past year at 73 per cent, up from 68 per cent last year, and 56 per cent of Australians accessed the internet on a tablet. More than three in four Australians made purchases online in the past year, spending on average $2,600 a year, down $600 in the past twelve months. Some 26 per cent of purchases were reported to come from overseas businesses, down six percentage points since last year.

Levels of computer ownership

The Sensis® *e-Business Report* has monitored the penetration of computer technology in the small business sector since 1994 and for medium-sized businesses since 1998. This section provides an overview of the extent computer technology has been taken up in the work places of small and medium-sized businesses.

Levels of computer ownership for Australian SMEs

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98%
Of SMEs

own a computer

with

98% Owning a computer

In metro areas

+

97% Owning a computer

In regional areas
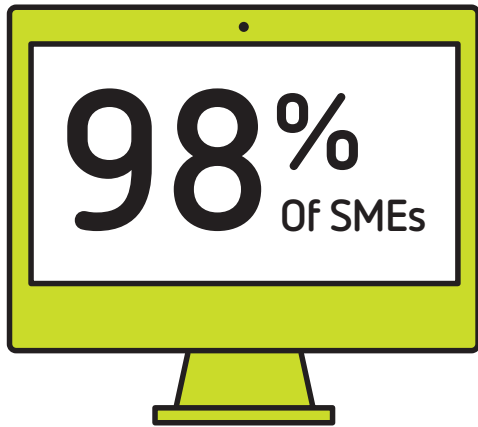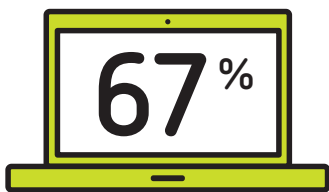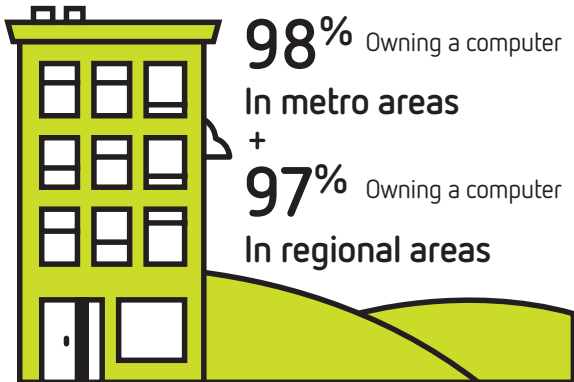
67%
Of SMEs have a notebook

Down **2** percentage points from 2013

and

52%
own tablets

76%
own smartphones

62%	2%	29%
Apple	Blackberry	Android

and

54%
own a Sat Nav

On average SMEs spent

$5,400 on hardware

and

$4,300 on software

but for small business

More than ¾ spent less than
$2,000

and

4 in **10** spent nothing

Chapter 2.1
Equipment ownership

The 2014 Sensis® *e-Business Report* found 98 per cent of SMEs reported owning a computer of some description, which was unchanged from the past year. Desktop computers were the most common, with 93 per cent of SMEs reporting they owned at least one desktop computer, however this was down one percentage point since last year. There was also a small fall in notebook computer ownership, with some 67 per cent of SMEs owning at least one notebook computer, down two percentage points (66 per cent of small businesses and 89 per cent of medium businesses). With both desktop and notebook ownership showing slight declines, the overall level of ownership was unchanged due to fewer businesses having both desktops and notebooks, the past year has seen more businesses deciding to go for either one or the other.

Ownership of computers was nearly identical in metropolitan and regional areas, with 98 per cent of SMEs reporting computer ownership in metropolitan areas, compared to 97 per cent in regional areas.

Whilst historically there has been a notable difference in computer ownership among businesses in different states and territories, this is now comparatively small. The highest level of computer ownership was in the Northern Territory (100 per cent each), while the lowest was in Tasmania (95 per cent each), making an overall gap in computer ownership of five percentage points.

Levels of computer ownership also varied across the industry sectors. While computer ownership was universal or near-universal in most sectors, the lowest level of computer ownership was in the transport and storage sector, where 93 per cent of SMEs reported having a computer of some type. This resulted in a seven percentage point gap in ownership between sectors, down a marginal one percentage point in the past year.

One of the strongest increases during the past year in telecommunication equipment ownership was in the proportion of SMEs reporting ownership of tablet devices, such as iPads (52 per cent), which was up 11 percentage points in the past year, and follows from a similar growth of 12 percentage points last year. Growth was evident for most telecommunications equipment, with the only exception being standard mobile phones, where ownership levels dropped by eight percentage points in the past year, and PABX systems, which fell one percentage point.

There was also an eight percentage point increase in smartphone ownership for SMEs, with over three-quarters of SMEs reported owning a smartphone this year, and of those, 62 per cent of SMEs that used smartphones owned an iPhone, down from 71 per cent last year, with 29 per cent of smartphone-using SMEs reporting Android phones (up five percentage points), and two per cent reported owning a Blackberry (down three percentage points).

Ownership of tablet devices, such as iPads, increased 11 percentage points in the past year.

Computer ownership - by business size and location

	Desktop computer	Notebook computer	Any computer
All Business	93%	67%	98%
1-2 Employees	89%	62%	97%
3-4 Employees	97%	70%	98%
5-9 Employees	97%	69%	99%
10-19 Employees	99%	79%	99%
20-99 Employees	100%	88%	100%
100-200 Employees	99%	94%	100%
Total Small (1-19)	93%	66%	98%
Total Medium (20+)	100%	89%	100%
Total Metropolitan	94%	68%	98%
Total Rural	91%	67%	97%

67% of all businesses own a notebook computer **67%** VS **93%** 93% of all businesses own a desktop computer
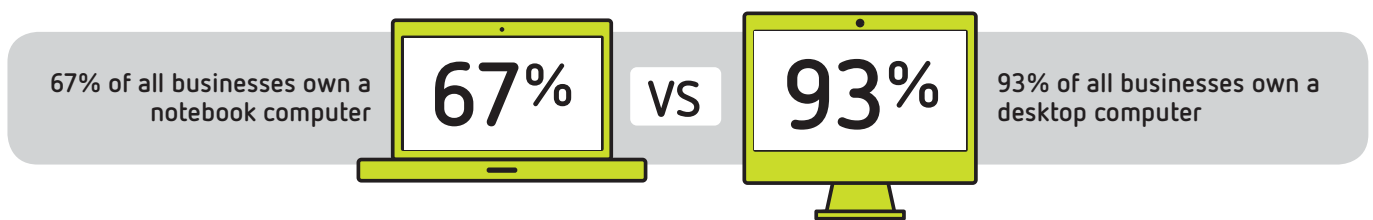
Computer ownership - by industry sector

	Desktop computer	Notebook computer	Any computer
All Business	93%	67%	98%
Manufacturing	96%	62%	98%
Building / Construction	90%	72%	98%
Wholesale Trade	96%	68%	98%
Retail Trade	92%	62%	96%
Transport / Storage	90%	49%	93%
Communication, Property & Business Services	95%	75%	100%
Finance and Insurance	92%	82%	100%
Health and Community Services	93%	62%	99%
Cultural, Recreational & Personal Services	95%	65%	99%
Accommodation, Cafés and Restaurants	93%	67%	95%

Telecommunication equipment ownership

	2010	2011	2012	2013	2014		
	All SMEs	All SMEs	All SMEs	All SMEs	All SMEs	Small Business	Medium Business
Satellite navigation system (in-car or hand-held)	42%	51%	46%	49%	54%	53%	65%
An advanced telephony system (eg. PABX or IVR)	26%	35%	28%	33%	32%	30%	83%
Smartphone (with internet access)	N/A	46%	63%	68%	76%	75%	94%
A LAN network supporting your business	59%	64%	60%	69%	69%	68%	91%
VOIP (Voice over internet protocol)	26%	30%	31%	35%	38%	36%	62%
Standard mobile telephone (no internet access)	61%	57%	61%	37%	29%	29%	34%
Tablet	N/A	16%	29%	41%	52%	51%	78%

Of the 76% of SMEs that own smartphones, **62%** own iPhones **29%** own Androids **2%** own Blackberries

Chapter 2.2
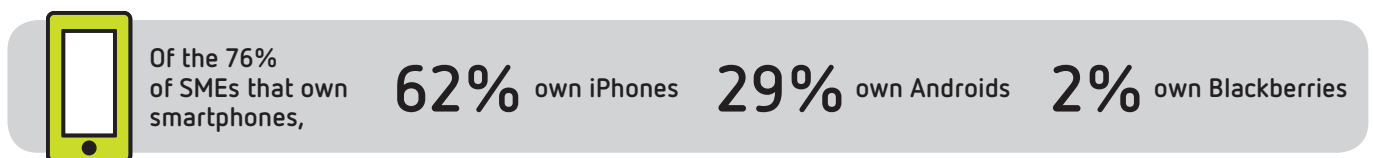
Computer ownership trends

With computer ownership at near universal levels for some years now, there is only scope for incremental growth. The proportion of SMEs that owned a desktop computer fell one percentage point to 93 per cent in the past year. In addition, there was also small fall in notebook ownership among SMEs, which rose from 69 per cent to 67 per cent over the past year. Despite these falls, the stability in overall computer ownership was due to more SMEs making a choice between desktops and laptops, rather than having both.

There was a seven percentage point difference in desktop computer ownership between small and medium businesses; however, there was a 23 percentage point gap in the level of notebook ownership. Both of these gaps have increased in the past year.

The incremental growth in the level of computer ownership in this year's data has brought computer ownership amongst SMEs to near universal levels.

Equipment ownership trends - small and medium business

- Desktop computer
- Notebook computer

90% 91% 91% 93% 94% 94% 94% 93% 92% 93% 95% 92% 94% 93%

26% 29% 35% 41% 44% 50% 51% 61% 63% 61% 64% 59% 69% 67%

May '01 May '02 May '03 May '04 May '05 May '06 May '07 May '08 May '09 May '10 May '11 May '12 May '13 May '14

Base = All businesses
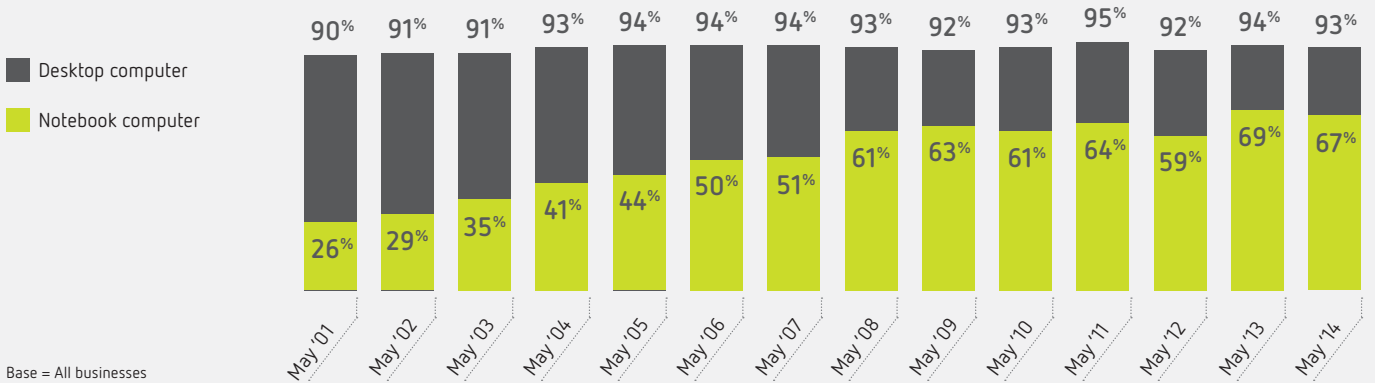
Equipment ownership trends - small business

- Desktop computer
- Notebook computer

90% 90% 90% 93% 94% 94% 94% 92% 92% 93% 95% 92% 94% 93%

26% 27% 33% 39% 42% 48% 50% 60% 62% 60% 63% 58% 68% 66%

May '01 May '02 May '03 May '04 May '05 May '06 May '07 May '08 May '09 May '10 May '11 May '12 May '13 May '14

Base = All businesses
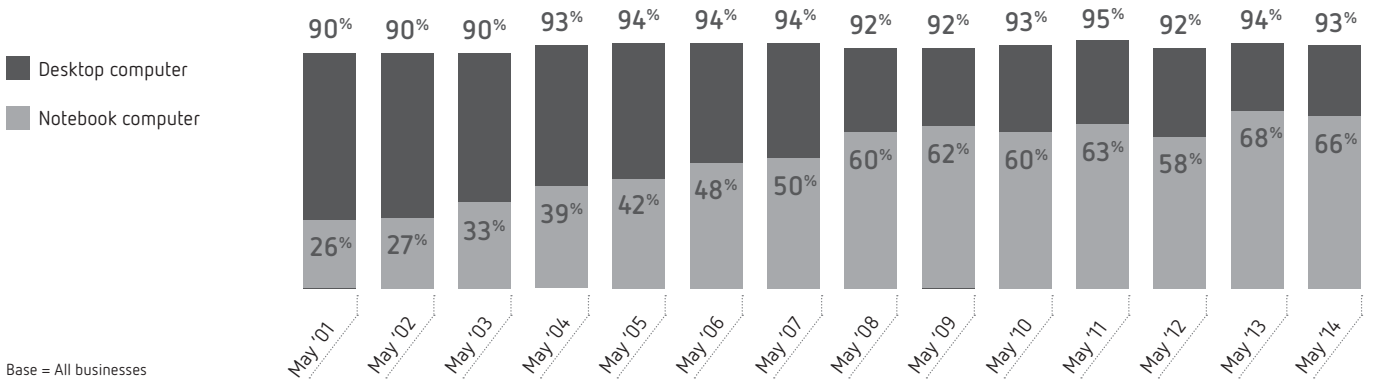
Equipment ownership trends - medium business

- Desktop computer
- Notebook computer

100% 97% 99% 98% 100% 99% 99% 99% 97% 98% 97% 100% 98% 100%

67% 68% 75% 81% 84% 83% 82% 85% 87% 79% 84% 80% 86% 89%

May '01 May '02 May '03 May '04 May '05 May '06 May '07 May '08 May '09 May '10 May '11 May '12 May '13 May '14

Base = All businesses

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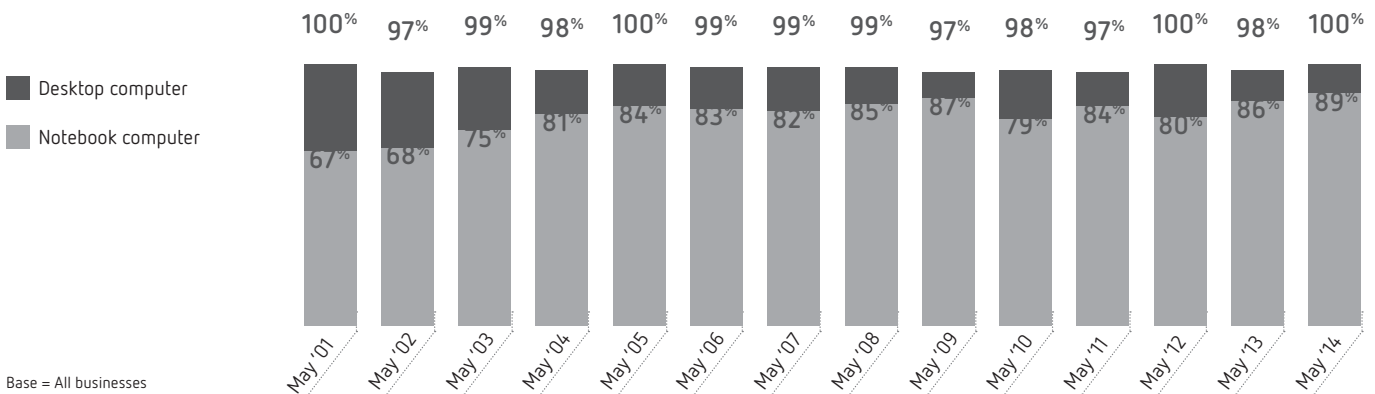
Chapter 2.3
Expenditure in 2014 calendar year

Overall average expenditure on computer hardware and software for SMEs in 2013 was $9,700. This represented a decrease of $1,000 from 2012 levels.

The average level of expenditure on computer hardware during 2013 by SMEs was approximately $5,400. This represents a decrease of $800 during the past year. The average spend of small business differed greatly from that of medium businesses. While the average spend for small businesses on computer hardware in 2013 was approximately $3,900, for medium businesses the spend on hardware was $34,100. Hardware spends decreased over the past year for both small and medium businesses.

While the average hardware spend for small businesses was $3,900, many spent far less than this. Over four in ten small businesses last year recorded no spend on computer hardware, with over three-quarters spending less than $2,000. Five per cent of small businesses reported spending more than $10,000 on computer hardware in 2013, which was down two percentage points in the past year. This compares to 46 per cent of medium businesses reporting a spend of more than $10,000 on hardware in 2013.

SMEs also decreased their spend on software in the past year. The average expenditure on software for SMEs was $4,300. This represents a small decrease of $100 over the past year. Again, this varied significantly between small and medium businesses, with the average spend for small businesses down $200 to $2,700, compared to $33,300 for medium businesses (a decrease of $1,100 over the past year).

The average spend for small businesses differed greatly from medium businesses.

As was the case with hardware, SMEs spend on software was skewed towards lower amounts. Over four in ten small businesses reported no spend on software in 2013, and an additional 23 per cent reported a software spend of up to $1,000. Nine per cent reported spending more than $5,000 on software in 2013 (down one percentage points in the past year). This compares with 40 per cent of medium businesses which reported spending in excess of $5,000 on computer software over the same period.

Expenditure in 2013 calendar year (%) - small business

Hardware

- No Computer: 3
- Over $10k: 5
- $5k - $10k: 7
- $2k - $5k: 20
- Nothing: 36
- Up to $2k: 29

Base = Small businesses

Software

- No Computer: 32
- Don't know: 9
- Over $5k: 10
- $2k - $5k: 9
- $1k - $2k: 23
- Nothing: 44
- Up to $1k

Expenditure in 2013 calendar year (%) - medium business

Hardware

- Nothing: 14
- Don't know: 10
- Over $50k: 10
- $20k - $50k: 18
- Up to $10k: 30
- $10k - $20k: 18

Base = Medium businesses

Software

- Don't know: 14
- Over $20k: 20
- $10k - $20k: 10
- Nothing: 22
- Up to $5k: 24
- $5k - $10k: 10
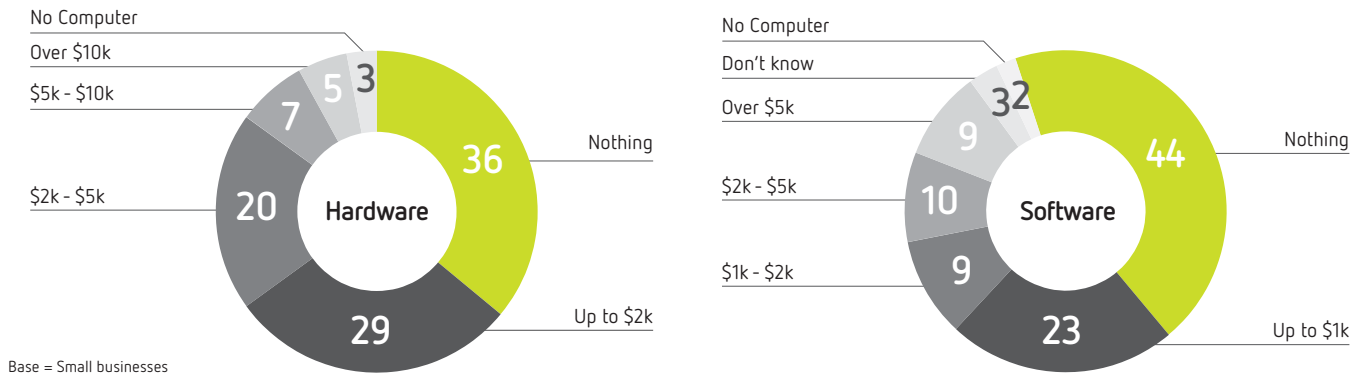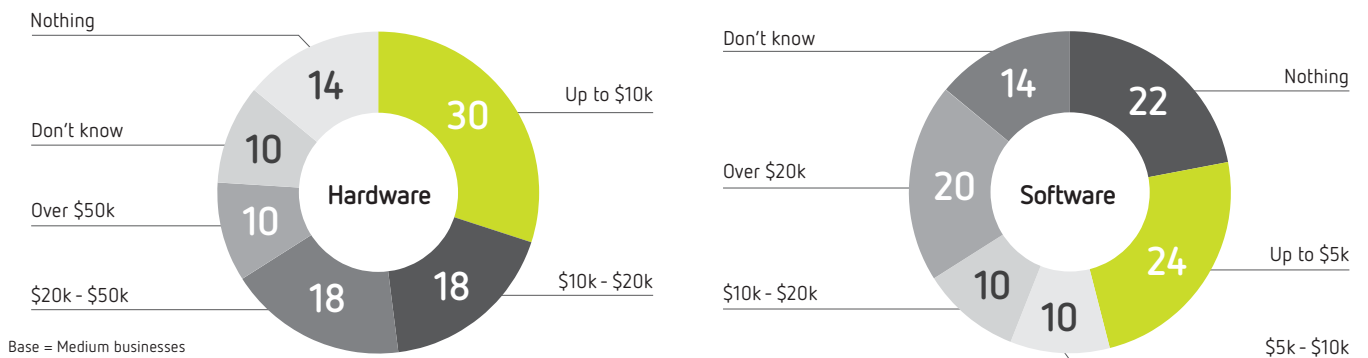
Trends in mean expenditure - small business

Hardware: 5.7 ('01), 3.9 ('02), 5.1 ('03), 4.4 ('04), 3.9 ('05), 3.9 ('06), 5.2 ('07), 4.8 ('08), 7.9 ('09), 4.2 ('10), 5.7 ('11), 4.5 ('12), 3.9 ('13)

Software: 1.8 ('01), 1.4 ('02), 2.1 ('03), 1.9 ('04), 1.8 ('05), 1.8 ('06), 3 ('07), 3 ('08), 3.9 ('09), 2.1 ('10), 2.5 ('11), 2.9 ('12), 2.7 ('13)

Base = All businesses with computers
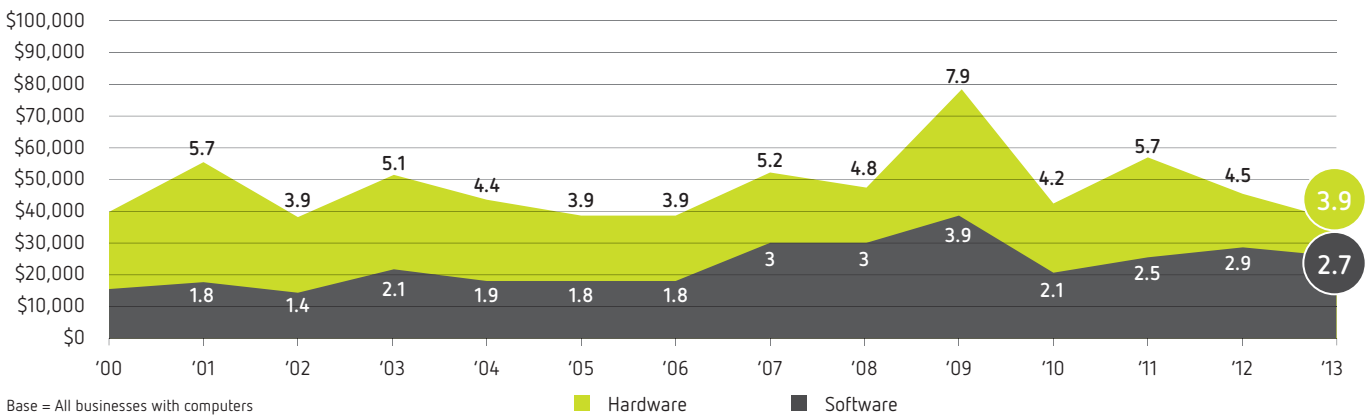
■ Hardware ■ Software

Trends in mean expenditure - medium business

Hardware: 49.1 ('01), 41.6 ('02), 59.2 ('03), 42.3 ('04), 43.2 ('05), 75.5 ('06), 45.6 ('07), 37 ('08), 89.9 ('09), 51.7 ('10), 49.8 ('11), 33.3 ('12), 34.1 ('13)

Software: 25.5 ('01), 23.2 ('02), 28 ('03), 31.6 ('04), 35.8 ('05), 43.9 ('06), 31.5 ('07), 30.9 ('08), 62.5 ('09), 29.4 ('10), 46.6 ('11), 34.3 ('12), 33.3 ('13)

Base = All businesses with computers

■ Hardware ■ Software

15
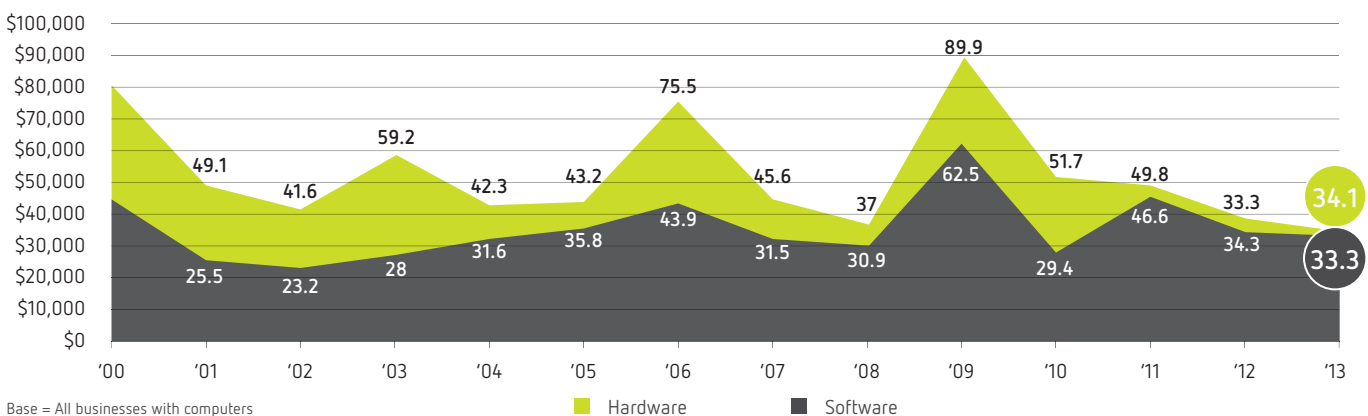
Chapter 2.4
Expected expenditure in 2014 calendar year

Overall, SMEs were expecting their spend on computer hardware and software in 2014 to be lower than 2013 levels, with only software spends for small businesses expecting to be maintained.

Total average expenditure on computer hardware and software for all SMEs in 2014 is expected to be $8,200. This would represent a fall of $1500 from the total spend of $9,700 SMEs reported spending on hardware and software in 2013.

On average, small businesses were expecting to spend $5,500, with medium businesses expecting to spend $58,500 on hardware and software in 2014.

Most of the decrease in expected spend was for hardware. SMEs are expecting to spend $4,200 on hardware in 2014, down from the $5,400 spent in 2013. Small businesses are expecting to spend $2,300 on hardware in 2014, down from $3,900 in 2013. However, medium businesses are expecting to spend $29,800 on hardware in 2014, down from the $34,100 they reported spending in 2013.

Expectations for software expenditure were smaller than those recorded for hardware, with the average expected spend across all SMEs of $4,000 reflecting a decrease of $300 per business on the levels recorded this year.

Small businesses maintained their expectations for their software spend, expecting to spend $2,700 in 2014, virtually unchanged from their reported spend in 2013. On the other hand, medium businesses are expecting to decrease their average software spend from the $33,300 recorded in 2013 to an expected $28,700 in 2014.

While expenditure on software and hardware saw declines, the amount small and medium businesses were spending on maintenance increased. Overall, SMEs reported having spent an average of $4,600 on maintaining their systems in 2013, with small businesses spending $2,900 on average and medium businesses spending $36,300 on average. The amount SMEs reported spend to maintaining their hardware and software increased slightly from $4,500 last year. Looking forward, SMEs were expecting to spend some $5,000 on IT systems maintenance in 2014, up $400 on the amount spent in 2013. Overall, 31 per cent of SMEs reported that maintenance was done in-house, with 41 per cent outsourcing and 28 per cent using a combination of in-house and outsourced IT support.

On average, small businesses were expecting to spend $5,000, and medium businesses expecting to spend $57,500 on hardware and software in 2014.

Expected expenditure in 2014 calendar year (%) – small business

Hardware

- No computer: 2
- Over $10k: 3
- $5k - $10k: 7
- $2k - $5k: 12
- Up to $2k: 26
- Nothing: 50

Software

- No Computer: 3
- Don't know: 9
- Over $5k: 8
- $2k - $5k: 13
- $1k - $2k: 10
- Up to $1k: 26
- Nothing: 31
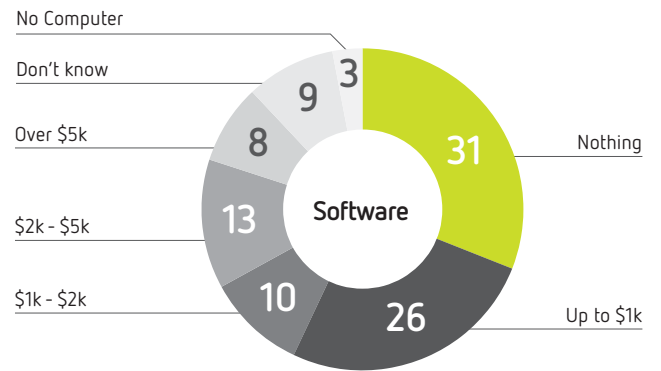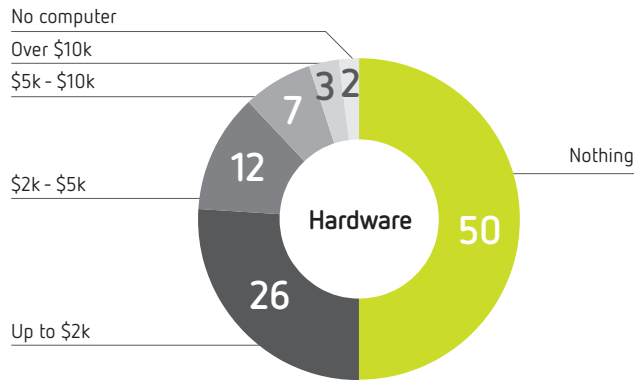
Base = Small businesses

Expected expenditure in 2014 calendar year (%) – medium business

Hardware

- Nothing: 18
- Don't know: 9
- Over $50k: 9
- $20k - $50k: 13
- $10k - $20k: 13
- Up to $10k: 38

Software

- Nothing: 18
- Don't know: 9
- Over $20k: 22
- $10k - $20k: 13
- $5k - $10k: 14
- Up to $5k: 24
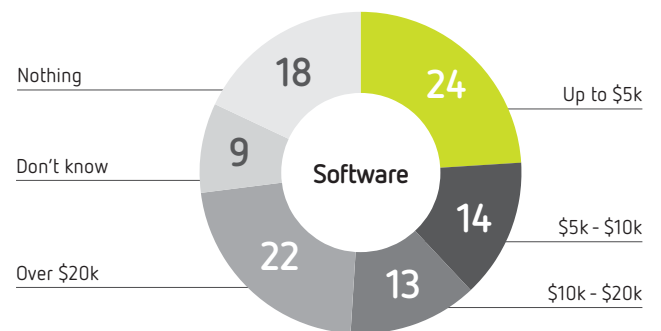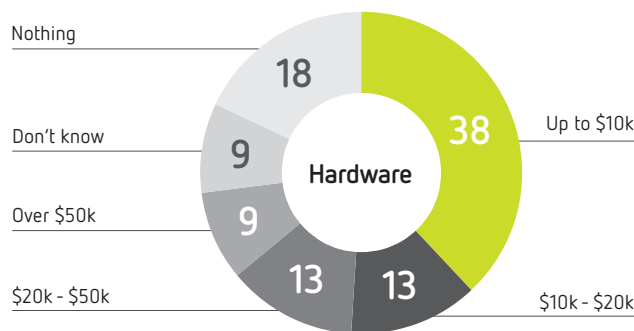
Base = Medium businesses

Average expenditure on software and hardware maintenance

	2013 actual expenditure	2014 expectations
Small Business	$2,900	$3,400
Medium business	$36,300	$34,300
All SMEs	**$4,600**	**$5,000**

Base = All businesses with computers

Getting connected

How SMEs are getting connected

sensis

95% of SMEs are online

of those not online

3% owned a computer *but weren't connected to the internet*

and

2% didn't have a computer

1997

Small business internet penetration has risen from

23% to **95%** **TODAY**
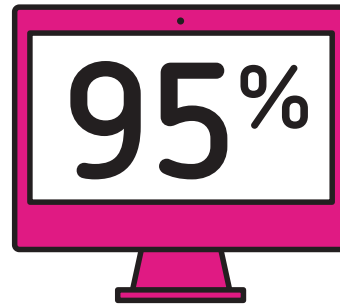
95% of online SMEs have broadband access

with

ADSL being the most popular

58%	35%	13%
DSL/ADSL	WIRELESS	CABLE

meanwhile

The strongest growth was the NBN
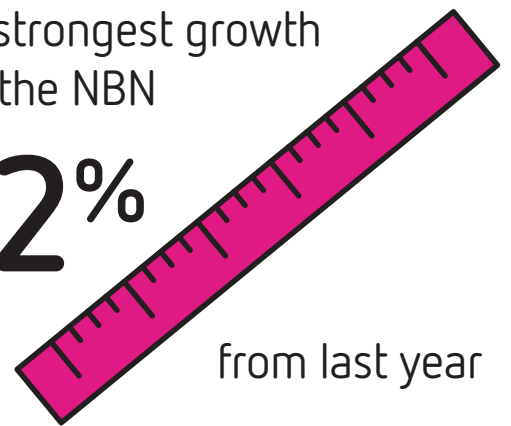
up **2%** from last year

24% of SMEs are dissatisfied with connection speeds

28% intend to go faster within the next 12 months

Chapter 3.1
Internet connection levels

The proportion of SMEs with computers connected to the internet was relatively stable during the year at 95 per cent. Of the five per cent of SMEs not connected to the internet, three per cent owned a computer but had not connected to the internet, while the remaining two per cent did not own a computer. These latest figures reflect that there has been relatively little change in the overall proportion of SMEs with computers connected to the internet in the past five years, which are at near saturation levels.

The overall proportion of SMEs with internet connected computers is near saturation.

The communications, property and business services sector recorded the highest rate of internet-connectivity at 100 per cent, closely followed by the finance and insurance sector at 98 per cent. The lowest levels of connectivity were in the transport and storage sector, with only 85 per cent of SMEs in the sector reporting they have an internet connection, the low level aligning with lower levels of computer ownership in the sector. All other sectors reported internet connection levels of 94 per cent of all businesses or more.

Regional businesses were just as likely to be connected to the internet as metropolitan businesses. It is worthwhile revisiting historical trends in order to fully appreciate just how significant the internet has become as a business tool. Since 1997, the proportion of small businesses that are connected to the internet has risen from 23 per cent. Over this time the trend among medium businesses has been nearly as impressive, rising from 65 per cent in 1998 to almost universal coverage in 2014.

The largest component of this increase occurred between 1997 and 2001, with increases recorded since then being comparatively small until reaching the 90 per cent level in 2006. While medium businesses have had connection rates of 95 per cent or more since 2001, small businesses are only seeing near universal connection levels in the last five years.

For the very small number of SMEs that were not connected, the main reason was that they had not found a need for it. Of the five per cent of SMEs that were not connected, some 26 per cent believed that they would connect in the coming year.

Internet connections - by business size and location

	No computers	Use internet	Do not use
All Businesses	2%	95%	3%
1-2 Employees	3%	93%	4%
3-4 Employees	1%	98%	1%
5-9 Employees	1%	98%	1%
10-19 Employees	0%	99%	1%
20-99 Employees	0%	100%	0%
100-200 Employees	0%	100%	0%
Total Small (1-19)	2%	95%	3%
Total Medium (20+)	0%	100%	0%
Total Metropolitan	2%	95%	3%
Total Rural	3%	95%	2%

Base = All businesses

95% of all SMEs are online

of those not online, 2% didn't have a computer

2% and... 2% had a computer but weren't online

Internet connections - by industry sector

	No computers	Use internet	Do not use
Manufacturing	1%	96%	3%
Building/Construction	2%	95%	3%
Wholesale Trade	2%	94%	4%
Retail Trade	3%	95%	2%
Transport/Storage	7%	85%	8%
Communications, Property & Business Services	0%	100%	0%
Finance and Insurance	0%	98%	2%
Health/Community Services	0%	94%	6%
Personal Services	1%	96%	3%
Accommodation, Cafés and Restaurants	4%	95%	1%

Base = All businesses

Trends in internet connections

	Feb '98	Feb '99	Feb '00	May '01	May '02	May '03	May '04	May '05	May '06	May '07	May '08	May '09	May '10	May '11	May '12	May '13	May '14
Total	65%	83%	89%	95%	95%	98%	99%	97%	99%	99%	98%	98%	100%	99%	99%	99%	100%
Small business	34%	48%	60%	75%	79%	81%	86%	87%	90%	92%	93%	95%	94%	95%	91%	96%	95%

◼ Small business   ◼ Medium business

sensis
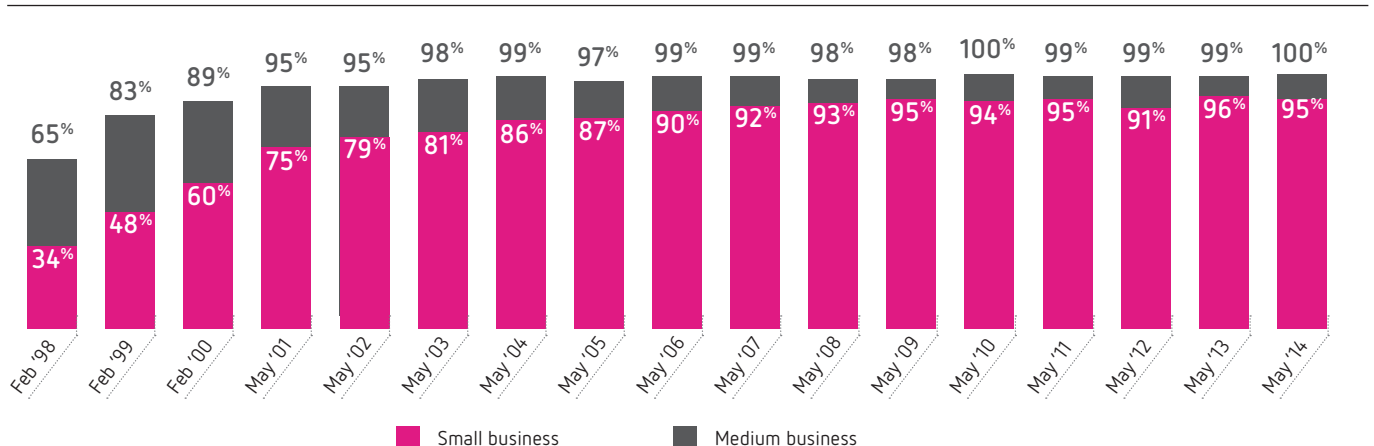
Chapter 3.2
Broadband connections

Despite a small decline, broadband remained the almost universal standard for internet in Australian businesses. Some 93 per cent of SMEs that were online currently reported having broadband access to the internet, down three percentage points since last year.

ADSL was the most popular form of broadband connection amongst SMEs, being the choice of 58 per cent of those with broadband access to the internet, followed by 35 per cent with a wireless connection and 13 per cent with a cable connection. Most connection types had decreased in the past year as businesses were less likely to have more than one type of connection compared to previous years.

Of those SMEs that did not have a wireless connection, some 23 per cent reported that they were intending to get one in the next twelve months. This year, for the first time, accessing the internet through the National Broadband Network (NBN) was reported by businesses, with two per cent of those with broadband access nominating the NBN as their connection type.

23% of SMEs without a wireless connection intend to get one in the next 12 months.

Overall, some 28 per cent of SMEs with an internet connection reported that they intended to get a faster internet connection in the next twelve months, up two percentage points in the past year. SMEs in metropolitan areas were slightly more likely than those in regional areas to report an intention to get a faster internet connection in the next twelve months (29 per cent compared to 26 per cent).

Of those businesses connected to the internet, the level of broadband connection was highest amongst SMEs in New South Wales (96 per cent) and lowest in Tasmania and the Australian Capital Territory (93 per cent).

In terms of industry sectors, the finance and insurance and cultural, recreational and personal services sectors had the greatest proportion of online businesses with broadband connections at 97 per cent each. The lowest level of broadband connection occurred in the transport and storage sector at 91 per cent.

Overall 65 per cent of SMEs reported being satisfied with the upload and download speeds of their internet service, which was composed of 19 per cent being very satisfied and 46 per cent being quite satisfied. Twenty-four per cent of SMEs reported feeling dissatisfied and 12 per cent were neither satisfied nor dissatisfied. Satisfaction levels with upload and download speeds were only slightly higher in metropolitan areas.

Accessing the internet

Do you currently have broadband access to the Internet?

	Total	Small Business	Medium Business
Yes – have broadband	95%	95%	93%
No – do not have broadband	4%	4%	4%
Don't know	1%	1%	4%

Base = SMEs with internet access

93% of SMEs have broadband internet access

58% DSL / ADSL **35%** WIRELESS **13%** CABLE
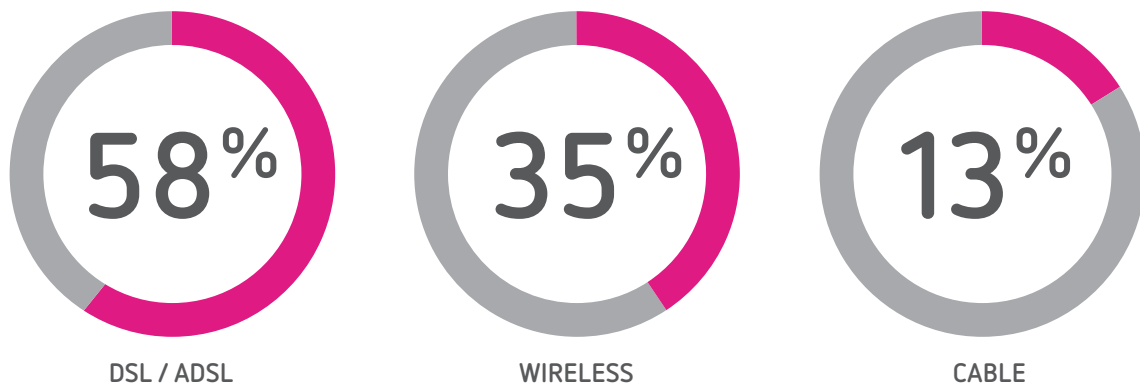
How do you currently access the Internet?

	2014	2013
DSL / ADSL	58%	60%
Wireless	35%	43%
Cable	13%	17%
Satellite	1%	2%
NBN	2%	0%
Don't know	5%	3%

2013 2014
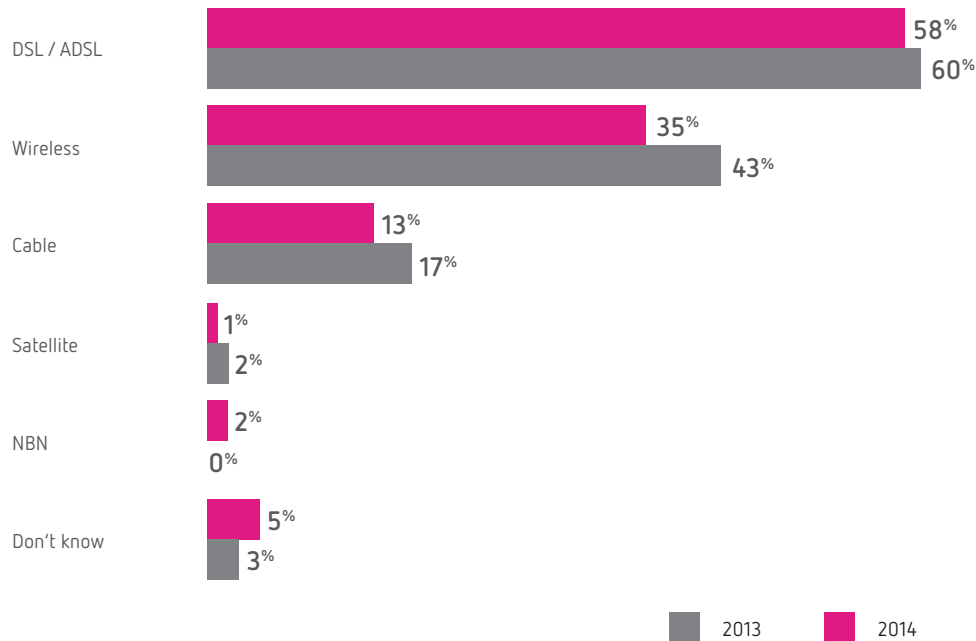
Base = SMEs with internet access

Using
the internet

How Online SMEs are using the internet

sensis

95% of SMEs use the internet for email

but

only **35%** use email marketing

90% use the internet for online banking

and

82% use it to buy products & services

and

57% take orders for products & services online

89% use the internet to find suppliers
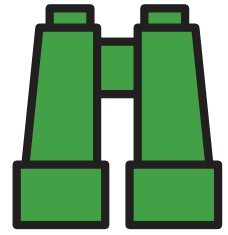
65% use a website to promote their business

and

16% advertise their business on other websites
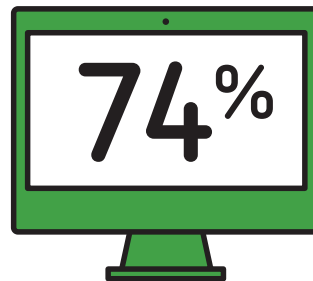
74% use the internet to access directories

46% use the internet to monitor the market or competitors
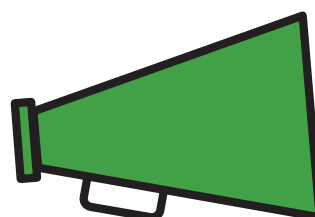
39% use social media

Chapter 4.1
How the internet is used — current and expected usage

For those SMEs with internet access, the number one use of the internet by SMEs was again communicating via email, identified by 95 per cent of internet connected businesses. Given the high level of penetration which exists among internet-connected businesses, only a further three per cent of SMEs expect to take up this application in the next year. Usage of this application by SMEs on the internet was down slightly in the past year.

The next most important applications of the internet reported by SMEs were internet banking and looking for information about products and services. Other strongly used internet applications by SMEs were looking for suppliers of products and services (89 per cent), paying for products or services (85 per cent), paying for products and services (82 per cent) and getting reference information or research data (79 per cent).

With these applications all reporting strong usage already, expectations for further usage for major applications was relatively low, with the exception of taking orders for products and services, where an additional 10 per cent of SMEs were expecting to be doing this in the next 12 months. The strongest expectations were largely for marketing activities, with the strongest expectation for future usage recorded for promoting a business using e-mail marketing, with an additional 11 per cent of SMEs with internet access expecting to start this in the next year.

Also expected to record strong growth in usage were using a website to promote a business and advertising a business on another website, with an additional nine per cent of internet-enabled SMEs each expecting to use these applications in the future.

Chapter 4.2
Current usage by business size

While usage of almost all applications was lower for small businesses compared to their medium counterparts, most of the major internet applications reported gaps in usage levels between small and medium businesses of less than ten percentage points.

For the most popular internet application, communication via e-mail, there was a four percentage point difference in usage by firm size. This application was used by 95 per cent of small businesses, compared to 99 per cent of medium businesses that were connected to the internet. This gap has increased marginally from three percentage points last year.

There was a three percentage point gap between small and medium businesses using the internet to look for information about products or services and internet banking, with medium businesses more likely to use these applications than small businesses.

The only application to record equal usage for both small and medium businesses was paying for products and services online, which was used by 85 per cent of online small and medium businesses.

The internet applications which demonstrated the greatest variation between small and medium business usage were using a website to advertise products and services and to advertise their business on other websites. There was a 24 percentage point gap between small and medium businesses using a website to promote their business, while there was a 19 percentage point gap in advertising their business on other websites.

Three applications reported near universal usage by medium businesses: e-mail communications, internet banking and looking for information on products and services, with all of these applications recording usage levels of at least 90 per cent for small businesses.

Current and expected uses of the internet - summary

	Currently use	Expect to use	Total
To communicate via email	95%	3%	2%
Internet banking	90%	2%	8%
To look for information about products and services	90%	4%	6%
To look for suppliers of products or services	89%	4%	8%
To pay for products and services	85%	3%	11%
To place orders for products and services	82%	4%	14%
To get reference information or research data	79%	5%	16%
To access and use online catalogues	77%	3%	19%
To access directories such as the Yellow Pages®	74%	5%	21%
To receive payments for products and services	68%	5%	27%
To streamline communications with customers and staff	68%	6%	26%
To use a website to advertise or promote your business	65%	9%	26%
To take orders for products and services	57%	10%	33%
To monitor your markets or the competition	46%	6%	48%
To promote the business using e-mail marketing	35%	11%	54%
To advertise your business on other websites	16%	9%	75%
To use online auction sites to sell goods or services	13%	4%	83%

Base = All businesses with broadband

Current uses of the internet - by business size

	All SMEs	Small business	Medium business
To communicate via email	95%	95%	99%
Internet banking	90%	90%	93%
To look for information about products and services	90%	90%	93%
To look for suppliers of products or services	89%	88%	93%
To pay for products and services	85%	85%	85%
To place orders for products and services	82%	82%	86%
To get reference information or research data	79%	79%	86%
To access and use online catalogues	77%	77%	82%
To access directories such as the Yellow Pages®	74%	74%	86%
To receive payments for products and services	68%	68%	72%
To streamline communications with customers and staff	68%	67%	77%
To use a website to advertise or promote your business	65%	64%	88%
To take orders for products and services	57%	56%	63%
To monitor your markets or the competition	46%	45%	58%
To promote the business using e-mail marketing	35%	34%	49%
To advertise your business on other websites	16%	15%	33%
To use online auction sites to sell goods or services	13%	13%	17%

Base = All businesses with broadband

Chapter 4.3
Trends in usage

While the previous section focused specifically on those SMEs that were connected to the internet, it is interesting to look at the trends in usage over time, across all SMEs. Over the past year almost half of the uses of the internet recorded increases in usage, with a similar number recording falls in usage.

The greatest increase in the past year was the proportion of SMEs that used the internet to streamline communications with customers and staff, which rose six percentage points in the past year, to record 65 per cent of all SMEs using this application.

The second highest increase in the past year was for accessing and using online catalogues, which increased five percentage points in the past year.

The largest decrease recorded for usage was for online auction sites, with the proportion of SMEs reporting usage down nine percentage points in the past year. This was followed by getting reference information or research data, which fell seven percentage points.

Paying for products and services and online banking were unchanged in their usage levels in the past year.

Chapter 4.4
What are the essential uses?

The most essential internet application for SMEs was again email communication. This was identified by 86 per cent of businesses as an essential application, up five percentage points in the last year. SMEs in the accommodation, cafes and restaurant sector were most likely to view communication with e-mail as an essential application (96 per cent) with those in the transport and storage sector the least likely (78 per cent each).

The next most important application identified as essential was internet banking at 82 per cent, up three percentage points in the past year. Of all industry sectors, SMEs in the transport and storage sector were most likely to identify internet banking as an essential internet application (90 per cent). This contrasts with SMEs in the accommodation, café and restaurant sector which were least likely to regard it as an essential application (66 per cent).

There were nine other applications considered essential by the majority of SMEs: looking for information about products and services businesses might buy (70 per cent, up 11 percentage points); looking for suppliers of products or services (69 per cent, up 14 percentage points); paying for products and services (67 per cent, up 10 percentage points); placing orders for products and services (65 per cent, up 16 percentage points); finding reference information or research data (58 per cent, down one percentage point); to access and use online catalogues (55 per cent, down four percentage points); receiving payment for products and services (55 per cent, up one percentage point); streamlining communications with customers and staff (54 per cent, up eight percentage points) and using a website to advertise or promote their business (51 per cent up seven percentage points).

Most applications recorded increases in the proportion of SMEs that considered them to be essential. Placing orders for products and services recorded the largest increase in essential status, increasing 16 percentage points in the past year.

Trends in current uses of the internet – all businesses

	2012	2013	2014	Change 2013 to 2014
To streamline communications with customers and staff	58%	59%	65%	6%
To access and use online catalogues	70%	69%	74%	5%
To promote the business using email marketing	28%	29%	33%	4%
To monitor your markets or the competition	38%	39%	43%	4%
To place orders for products or services	71%	76%	87%	2%
To use a website to advertise or promote business	58%	60%	62%	2%
To look for suppliers of products or services	79%	83%	84%	1%
To pay for products and services	73%	81%	81%	0%
Internet banking	83%	86%	86%	0%
To take orders for your products and services	51%	55%	54%	-1%
To look for information about products and services	82%	86%	85%	-1%
To communicate via email	90%	92%	91%	-1%
To advertise your business on other websites	14%	17%	15%	-2%
To receive payments for products and services	62%	69%	65%	-4%
To access directories such as the Yellow Pages®	75%	77%	71%	-6%
To get reference information or research data	80%	83%	76%	-7%
To use online auction sites	19%	21%	12%	-9%

Base = All businesses

What are the essential uses?

	All SMEs	Small Business	Medium Business
To communicate via email	86%	86%	92%
Internet banking	82%	82%	84%
To look for information about products and services	70%	71%	64%
To look for suppliers of products or services	69%	70%	65%
To pay for products and services	67%	67%	65%
To place orders for products and services	65%	65%	66%
To get reference information or research data	58%	58%	59%
To access and use online catalogues	55%	56%	51%
To receive payments for products and services	55%	55%	58%
To streamline communications with customers and staff	54%	54%	60%
To use a website to advertise or promote your business	51%	50%	56%
To access directories such as the Yellow Pages®	49%	49%	51%
To take orders for products and services	45%	45%	52%
To monitor your markets or the competition	31%	30%	41%
To promote the business using e-mail marketing	24%	24%	34%
To advertise your business on other websites	9%	8%	15%
To use online auction sites to sell goods or services	7%	7%	9%
None	3%	3%	1%

Base = All businesses with internet

sensis

Using websites

For some businesses, design and construction of a website is the next step after connecting to, and using, the internet. This section examines the attitudes of SMEs to websites.

Australian SMEs and websites
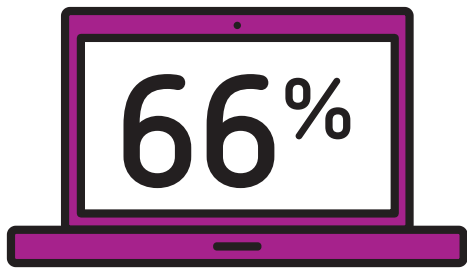
66% of SMEs have a website

of those who don't

9% intend to build one within the next year

and

22% of small businesses have no plans to build a website

26% of SMEs have a mobile specific site or optimised site

with 27% intending to in a years time

Almost **69%** of SMEs said that a website increased business effectiveness

with

33% seeing increased customer awareness
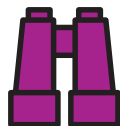
and

16% seeing increased sales/orders
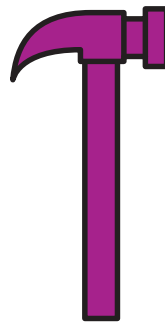
In the last year SMEs spent an average of **$3,600** building and maintaining websites

Website features used

23% of SMEs use video
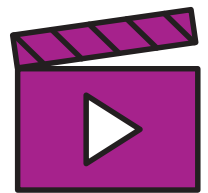
73% of SMEs use product images on their website
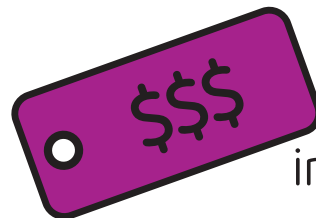
38% include pricing

73% use location maps

23% have transaction functionality

40% use ratings

Chapter 5.1
Website ownership

Overall, 66 per cent of all SMEs reported that they had a website for their business. This was unchanged from last year. A further eight per cent of SMEs reported that they intended to get a website in the next year.

The proportion of small businesses with a website was unchanged in the past year at 64 per cent of all small businesses (68 per cent of online small businesses). Another nine per cent of small businesses indicated they intend to get a website within the next 12 months. The remaining 22 per cent of small businesses indicated that while they were connected to the internet they had no intention of getting a website this year.

While the proportion of small businesses with websites was unchanged over the past year, there was a small increase in the proportion of medium businesses with a website. While 100 per cent of medium businesses had an internet connection, 95 per cent reported they had a website, up five percentage points. However only further one per cent of medium businesses expect to get a website within the next 12 months. The remaining four per cent of medium businesses had no intention of getting a website, which was down one percentage point from the previous year.

The highest rates of website penetration by industry sector were in the accommodation, cafes and restaurant sector at 87 per cent, up one percentage point.

While growth in websites was relatively stable, the real growth was in the proportion of SMEs that had their sites optimised for mobile. Some 26 per cent of SMEs with websites reported that they had a mobile specific website, up from 17 per cent last year, and a further 27 per cent were planning on getting one in the coming year.

It is important to recognise that websites are not the only form of internet presence that businesses have. For those SMEs that were connected to the internet but did not have a website, half had some other form of internet presence, with 32 per cent having a listing in a business directory, 23 per cent having a presence on a third-party website, and 11 per cent having a social media presence. Fifty per cent of SMEs that were connected to the internet but did not have a website reported that they had no form of internet presence at all, down five percentage points in the past year.

26% of SMEs with websites reported that they had a mobile specific website, up from 17% last year.

Website ownership - small business

3%
No internet

2%
No computer

% 95

Have internet

64 — Have website

9 — Intend to have

22 — No intention

%
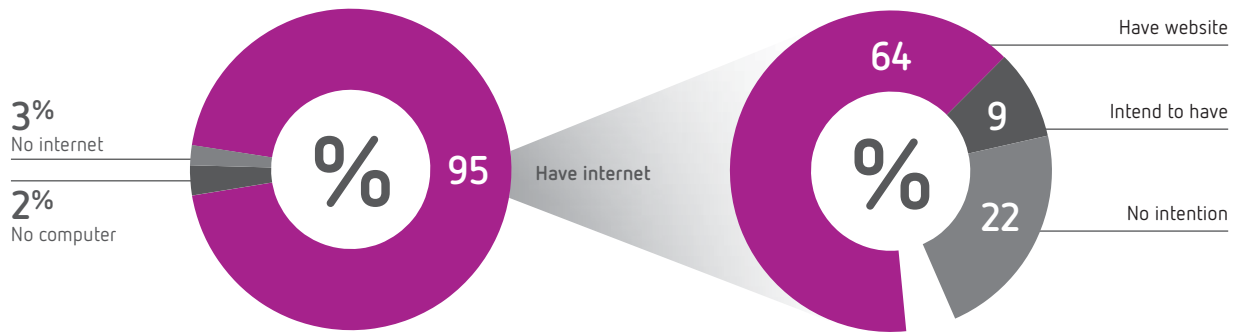
Base = Small businesses

Website ownership - medium business

0%
No internet

% 100

Have internet

95 — Have website

1%
Intend to have

4%
No intention

%
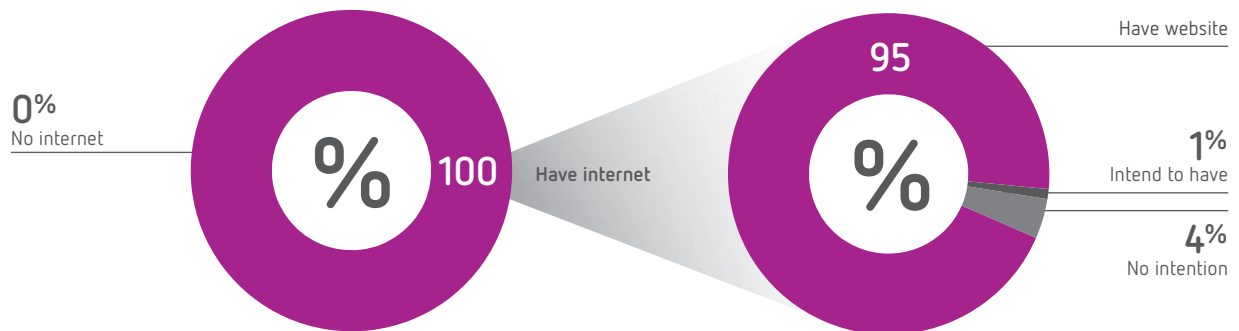
Base = Medium businesses

Website use and intention by business size

	2010	2011	2012	2013	2014	
	Have website				Have website	Intend to have
All Businesses	**61%**	**67%**	**62%**	**66%**	**66%**	**9%**
1-2 Employees	53%	55%	49%	53%	55%	9%
3-4 Employees	57%	72%	75%	70%	71%	11%
5-9 Employees	78%	78%	69%	84%	76%	7%
10-19 Employees	86%	93%	90%	87%	90%	2%
20-99 Employees	89%	87%	93%	89%	95%	2%
100-200 Employees	96%	98%	100%	92%	91%	0%
Total Small (1-19)	**60%**	**66%**	**60%**	**64%**	**64%**	**9%**
Total Medium (20+)	**89%**	**88%**	**94%**	**90%**	**95%**	**1%**

Base = All businesses

sensis

Sensis® *e-Business Report*, Sweeney Research - 2014

Chapter 5.2
Website features, benefits and costs

SMEs reported having a wide range of information and features on their websites. Almost all SMEs had their contact details on their website (99 per cent), with most sites also having e-mail addresses (94 per cent). Of those SMEs with websites, 92 per cent reported that they put product descriptions on their websites with 73 per cent of SMEs reporting they put product pictures on their sites. Some 38 per cent reported putting prices on their websites (down two percentage points) with 37 per cent saying they included special offers on their sites (up four percentage points).

The feature which increased the most in uptake in the past year was e-mail contact forms, with 80 per cent of SMEs with websites now including them on their site, up nine percentage points in the past year. Putting company news on websites was also a key trend, with 47 per cent of SMEs with websites including pictures, up seven percentage points. There was a two percentage point fall in the proportion of SMEs putting pricing information on their website, with 38 per cent now doing this, and transaction functionality fell one percentage point, to 23 per cent of SMEs.

92% of Australians use the internet to look for product/service information, but only 64% of SMEs have a website.

Website features used by SMEs

Feature	Percentage
Contact details	99%
Email address	94%
Product descriptions	92%
Company history and information	89%
Email enquiry form	80%
Location maps	73%
Product pictures	73%
Management team	52%
Company news	47%
Independent reviews / testimonials	40%
Prices	38%
Special offers	37%
Video	23%
Transaction Functionality	23%
Ability to accept credit card payments	23%
Warranties	21%
Stockists	16%
Lifestyle information	15%
Investor information	8%
Games	2%

Base = All businesses with a website

Trends in website features used by SMEs

	2010	2011	2012	2013	2014	Change 2013 to 2014
Email enquiry form	69%	70%	73%	71%	80%	9%
Company news	36%	41%	46%	40%	47%	7%
Warranties	21%	21%	24%	16%	21%	5%
Independent reviews/testimonials	30%	29%	27%	36%	40%	4%
Location maps	64%	66%	76%	69%	73%	4%
Video	N/A	N/A	18%	19%	23%	4%
Special offers	35%	36%	42%	33%	37%	4%
Stockists	13%	17%	14%	15%	16%	1%
Games	2%	1%	2%	2%	3%	1%
Product descriptions	91%	92%	92%	92%	92%	0%
Contact details	99%	99%	100%	99%	99%	0%
Ability to accept credit card payments	N/A	N/A	25%	23%	23%	0%
Company history and information	88%	88%	93%	89%	89%	0%
Transaction functionality	N/A	N/A	21%	24%	23%	-1%
Investor information	7%	10%	9%	9%	8%	-1%
Email address	95%	97%	95%	95%	94%	-1%
Prices	38%	41%	37%	40%	38%	-2%
Lifestyle information	14%	14%	14%	17%	15%	-2%
Product pictures	74%	73%	72%	76%	73%	-3%
Management team	54%	55%	59%	55%	52%	-3%

Base = All businesses with a website

sensis

Chapter 5.2 (continued)

Website features, benefits and costs

Sixty-nine per cent of SMEs with websites stated having a website improved the effectiveness of their business, down three percentage points in the past year. SMEs in the accommodation, cafes and restaurant sector were most likely to say that their website had increased the effectiveness of their business (84 per cent). The most common reason given for increased business effectiveness from their website was that they had more exposure to the market, customers were able to access information and their orders and sales had increased.

In the past year, 46% of SMEs outsourced their website.

SMEs reported spending $3,600 on building and maintaining their website last year, down $400 compared to last year. Small businesses reported spending an average of $2,400 on their website (down $900 from last year), compared to an average figure of $22,000 for medium businesses (up $7,800). SMEs in the manufacturing sector had the highest average spends on their website, averaging $7,200. Almost half of SMEs with a website (46 per cent) outsourced its build, but almost half (49 per cent) had internal responsibility for website maintenance. While 30 per cent of SMEs with websites reported updating them at least once a week, 32 per cent reported that they only updated them a few times a year, with 11 per cent reporting that they had never updated their website.

Have websites increased business effectiveness?

	All SMEs	Small business	Medium business
Yes – increased	69%	70%	65%
No – not increased	31%	30%	35%

Base = All businesses with a website

Has the website increased business effectiveness?

YES — 69% of all SMEs said yes

NO — 31% of all SMEs said no

Reasons for increased business effectiveness

Reason	%
Increased exposure / awareness	33%
Customers have access to information	20%
Orders / sales have increased	16%
Makes it easy to find / locate us	7%
Get more enquires / hits	7%
More efficient communication	5%
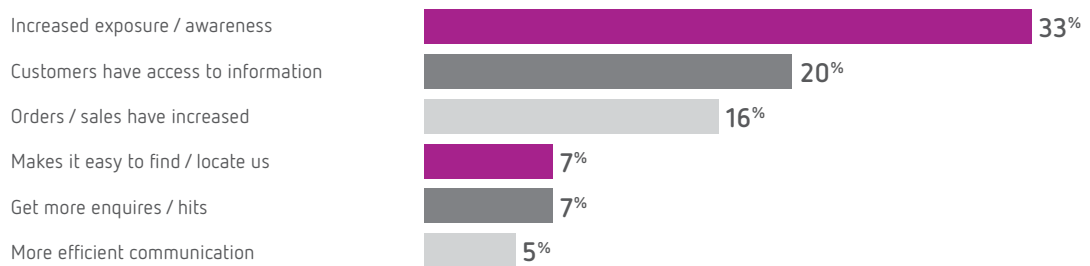
Base = All businesses with a website

How often do SMEs update their websites?

Legend: 2012, 2013, 2014

	2012	2013	2014
Everyday	10%	11%	10%
A few times a week	4%	6%	6%
About once a week	15%	14%	14%
A few times a month	7%	7%	10%
Once a month	16%	18%	17%
A few times a year	38%	35%	32%
Never	10%	9%	11%

Base = All businesses with a website

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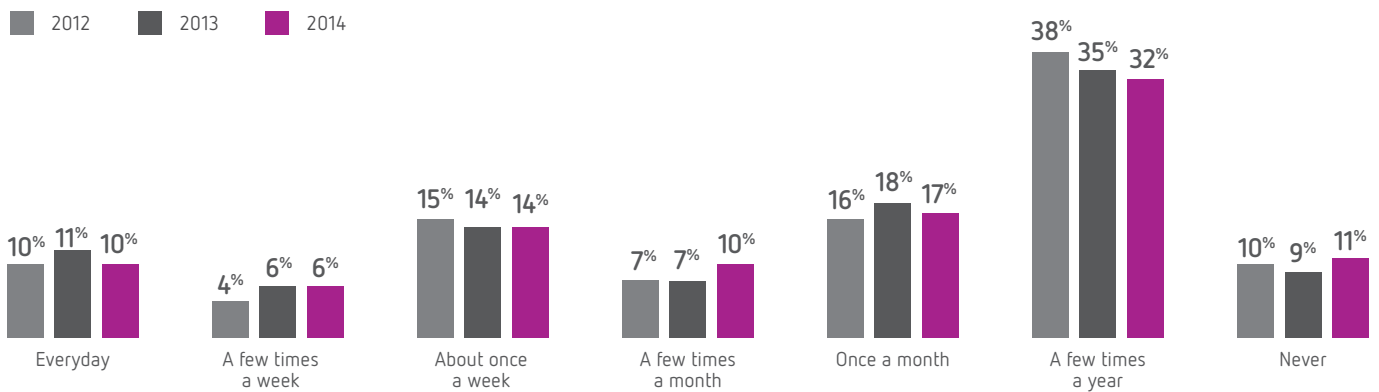
Social media in businesses

How SMEs use social media

39% of online SMEs use social media for business

91% use Facebook

27% use Twitter

27% use Linkedin

8% use Google+

but they're less likely to have

2%	6%	6%
A blog	Youtube	Pinterest

Of SMEs using social media

57% experience a positive impact on business

5% see a negative impact

but

41% experience no impact

How often SMEs update social media

25% everyday

61% at least once a week

12% a couple of times a year

SMEs cited positive impact such as

Good customer feedback

$$$ Increased sales

Good advertising opportunities
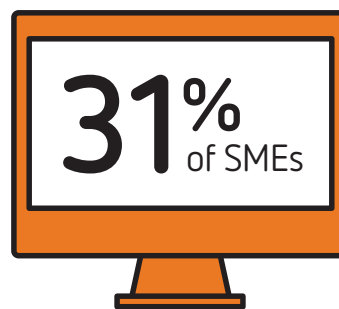
31% of SMEs used paid advertising on **social networks**

SMEs using social spent **$1900** on average on their social media prescence

Chapter 6.1
Incidence of use

Overall, 39 per cent of SMEs that are online use social media for business purposes. SMEs use of social media continues to grow, rising from 35 per cent in 2013 and 27 per cent in 2012. SMEs reported spending, on average, $1900 on their social media presence, an increase of $800 in the past year.

There was considerable variation by sector, with those SMEs in the accommodation, café and restaurant sector almost twice as likely as average to use social media (76 per cent). The lowest propensity to use social media for business purposes was in building and construction sector at 20 per cent, although this has risen eight percentage points in the past year.

For those SMEs that reported having a social media presence, the presence was most likely to include a Facebook page (91 per cent). This was followed by Twitter and LinkedIn (27 per cent each), with eight per cent having an Instagram or Google+ presence.

Just over one in four (25 per cent) of SMEs reported monitoring and updating their social media presence everyday, up five percentage points in the past year, with a further 36 per cent updating their presence at least once a week, but not daily. However, at the other end of the scale three per cent of SMEs reported never updating their social media presence, with 12 per cent reporting that they updated just a few times a year.

Over half of SMEs that used social media tracked it, with 52 per cent tracking it in-house and seven per cent outsourcing this activity. For those that tracked it in-house, 27 per cent reported having a specific tool to help them do this. Overall, responsibility for the business' social media presence was kept in-house (82 per cent) however, mostly with the business owner or manager (68 per cent), and only six per cent outsourcing the overall responsibility, usually to a digital agency.

Most SMEs reported a positive impact from social media (54 per cent), with only five per cent of SMEs reporting a negative impact. The main positive feedback reported from SMEs included increased sales, good customer feedback, increased networking opportunities and that it provided good advertising opportunities. Despite the increased uptake of social media, only 40 per cent of SMEs allow their employees to use social media while at work, up two percentage points in the past year.

Despite the increased uptake of social media, only 40% of SMEs allow their employees to use social media while at work.

Social networking in SMEs

Does your business have a social media presence?

	2011	2012	2013	2014		
	All SMEs			All SMEs	Small Business	Medium Business
Yes	18%	27%	35%	**39%**	**39%**	**51%**
No	90%	73%	65%	**61%**	**61%**	**49%**

Base = Businesses with internet

What does social media presence include?

Facebook	91%
Twitter	27%
LinkedIn	27%
Instagram	8%
Google+	8%
Youtube	6%
Pinterest	6%
Blog	2%
Other	6%
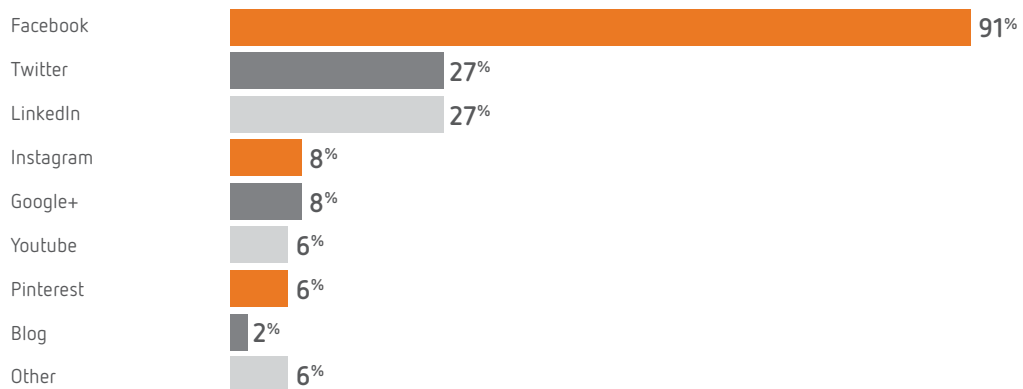
Base = Use social media

Impact of social network sites on business

No SMEs reported negative impacts

Negative 5%
Positive 54%
No impact 41%

%
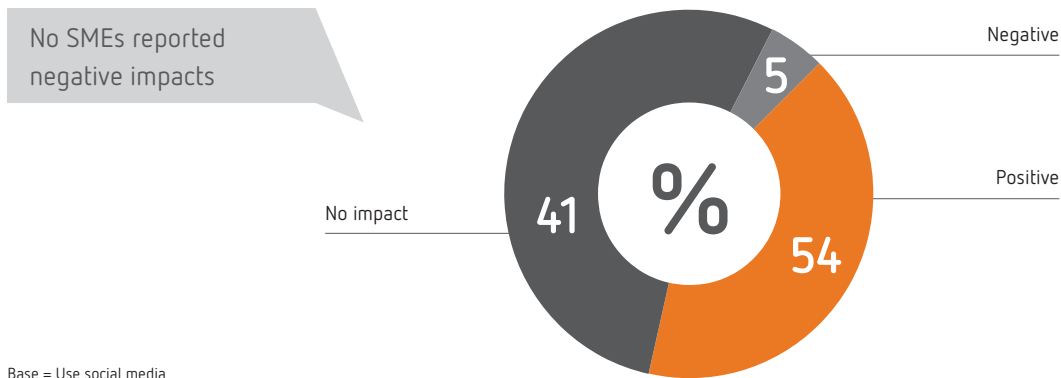
Base = Use social media

Frequency SMEs monitor and update social media

	Everyday	A few times a week	About once a week	A few times a month	Once a month	A few times a year	Never
2012	21%	9%	30%	9%	15%	14%	6%
2013	20%	16%	28%	5%	10%	16%	6%
2014	25%	18%	18%	10%	14%	12%	3%

Base = All businesses with a website

■ 2012   ■ 2013   ■ 2014

41

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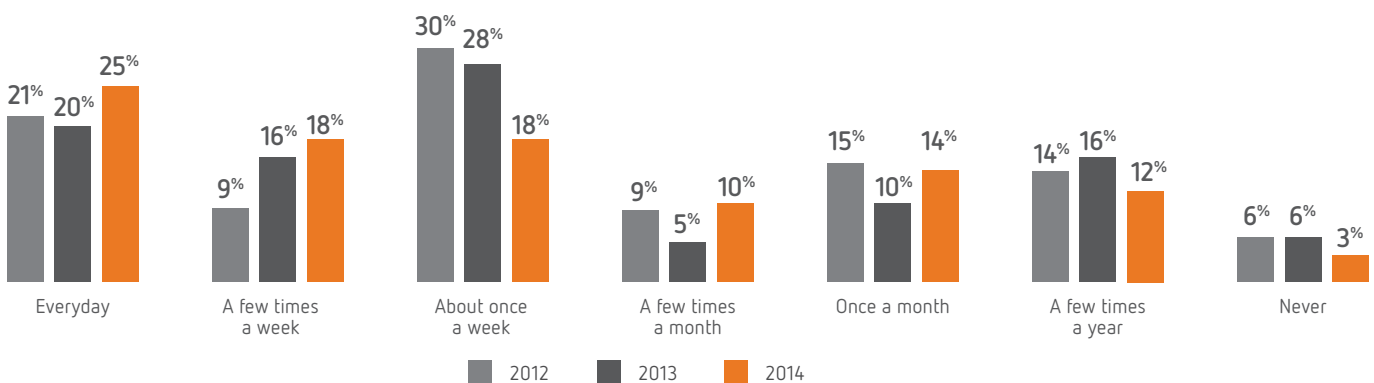
E-commerce and small and medium businesses

This section examines key elements and trends of e-commerce usage and experience of small and medium enterprises (SMEs).

How Australian SMEs are using e-commerce

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54% of SMEs currently sell online

and
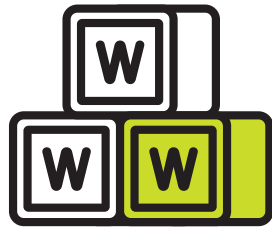
10% intend to in **2014**

54% take orders online

and

65% receive payments online

Where do SMEs sell to?

84% make local sales with 45% saying most of their sales are local

52% make interstate sales

26% make overseas sales

11% are specifically targeting international customers

29% of SMEs using ecommerce made most of their sales online

Top 4 reasons SMEs take up ecommerce

83%	61%	57%	55%
To provide better customer service	Said customers wanted it	To improve delivery	To promote business more effectively

30% of SMEs use digital display advertising

26%	26%	31%
use SEO	use SEM	use social media ads

Industry most likely to sell online?

71% Accommodation, cafés & restaurants

Industry least likely to sell online?

36% Health & community services

Chapter 7.1

Use of the internet for procurement

During the past year, SMEs use of the internet for placing orders increased, however there was little shift in other components of the procurement activity. The largest increase was in the proportion of SMEs that used the internet to place orders for products and services, which rose 11 percentage points in the past year. The proportion of SMEs using the internet to pay for products and services was unchanged while looking for information on products and services fell one percentage point.

For small businesses, there was a one percentage point fall in the proportion of small businesses using the internet to look for information about products and services, with 85 per cent of small businesses reporting having done this in the past year. The only increase was a two percentage point rise in the proportion of small businesses placing orders over the internet (78 per cent), and no change in the proportion of small businesses using the internet to pay for goods and services (81 per cent).

For medium businesses, decreases were recorded at each stage of the procurement process. There was a three percentage point fall in the proportion of medium businesses looking for information on products and services, a one percentage point decrease in the proportion of medium businesses placing orders for products and services, and a five percentage point drop in the proportion of medium businesses paying online.

There was also considerable variation by industry sector as to whether businesses used the internet to place orders for goods and services. SMEs in the communications, property and business services sector were the most likely to place orders for products and services on the internet (89 per cent), while those SMEs in the transport and storage sector were the least likely to place an order online (45 per cent).

Metropolitan SMEs were more likely to do most of these activities than regional SMEs, however the differences were small. The one activity regional SMEs were more likely to do was to use the internet to look for information on products and services.

81% of SMEs pay for products and services online.

Buying over the internet - by business size

	Connected to internet	Look for information	Place orders	Pay
All Businesses	95%	85%	78%	81%
1-2 Employees	93%	83%	75%	77%
3-4 Employees	98%	89%	83%	87%
5-9 Employees	98%	86%	81%	86%
10-19 Employees	99%	89%	79%	80%
20-99 Employees	100%	92%	86%	84%
100-200 Employees	100%	97%	84%	90%
Total Small (1-19)	95%	85%	78%	81%
Total Medium (20+)	100%	93%	86%	85%

Base = All businesses

Buying over the internet - trends for small business

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Connected to internet	75%	79%	81%	86%	87%	90%	92%	93%	95%	94%	95%	91%	95%	95%
Look for information on products or services	51%	64%	67%	75%	76%	82%	78%	82%	87%	86%	86%	82%	86%	85%
Place orders for products or services	26%	41%	45%	55%	51%	60%	58%	66%	74%	73%	75%	70%	76%	78%
Pay for products or services	23%	40%	47%	58%	62%	65%	66%	70%	74%	76%	76%	73%	81%	81%

Base = Small businesses

95% of small businesses were connected to the internet in 2014

85% were looking for information on products and services

78% were placing orders for products and services

81% were paying for products and services

Buying over the internet - trends for medium business

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Connected to internet	95%	94%	98%	99%	97%	99%	99%	98%	98%	100%	99%	99%	99%	100%
Look for information on products or services	79%	82%	91%	94%	92%	93%	93%	96%	94%	94%	93%	90%	96%	93%
Place orders for products or services	49%	61%	64%	74%	72%	75%	72%	82%	84%	90%	86%	85%	87%	86%
Pay for products or services	39%	55%	66%	73%	72%	80%	77%	81%	79%	81%	85%	75%	90%	85%

Base = Medium businesses

Chapter 7.1 (continued)
Use of the internet for procurement

SMEs in New South Wales were the most likely to place orders for goods or services online (83 per cent), with those in South Australia least likely (69 per cent).

The average proportion of total SME procurement made online increased two percentage points this year to 41 per cent. Some 34 per cent of SMEs that placed orders online reported that they placed the majority of their orders over the internet, which is up five percentage points from last year.

Overall, SMEs reported making 14 per cent of their purchases from overseas businesses, up one percentage point in the past year. Purchasing from overseas businesses online was most predominant amongst SMEs in the wholesale trade sector, where the SMEs in that sector reporting 36 per cent of their purchases came from overseas businesses. The finance and insurance sector reported the lowest proportion of overseas online purchases, at three percentage points.

Small businesses reported higher proportions of their purchases coming from overseas businesses than their medium counterparts (13 per cent compared to 10 per cent).

The most common item purchased online by SMEs during the year was equipment, which was purchased by 55 per cent of SMEs that ordered goods and services online. The largest increases this year were recorded for equipment, which rose six percentage points

The most common items SME's purchased online in the past year was equipment.

Buying over the internet - by industry

	Connected to internet	Look for information	Place orders	Pay
All Businesses	95%	85%	78%	81%
Manufacturing	96%	87%	80%	83%
Building / Construction	95%	85%	67%	79%
Wholesale Trade	94%	87%	72%	82%
Retail Trade	95%	81%	84%	80%
Transport / Storage	85%	71%	45%	70%
Communications / Property / Business Services	100%	94%	89%	88%
Finance and Insurance	98%	73%	72%	71%
Health / Community Services	94%	84%	74%	78%
Personal Services	96%	88%	84%	82%
Accommodation / Cafés / Restaurants	95%	88%	87%	81%

Base = All businesses

Percentage of orders placed over the internet

41%

Average percentage of orders placed over the internet

Don't know 3
Up to 5% 25
6% to 10% 10
11% to 50% 27
Over 50% 35
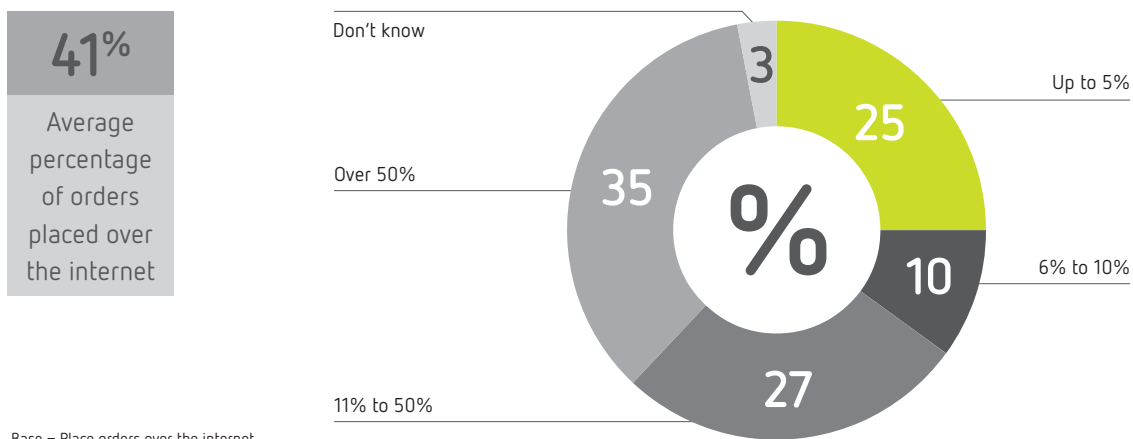
Base = Place orders over the internet

Items bought over the internet

Item	Percentage
Equipment	55%
Office supplies	50%
Stock / merchandise	47%
Airline bookings	47%
Accommodation bookings	47%
Stationery	45%
Software	44%
Books / magazines	33%
Machinery / tools	32%
Hardware	32%

Base = Place orders over the internet

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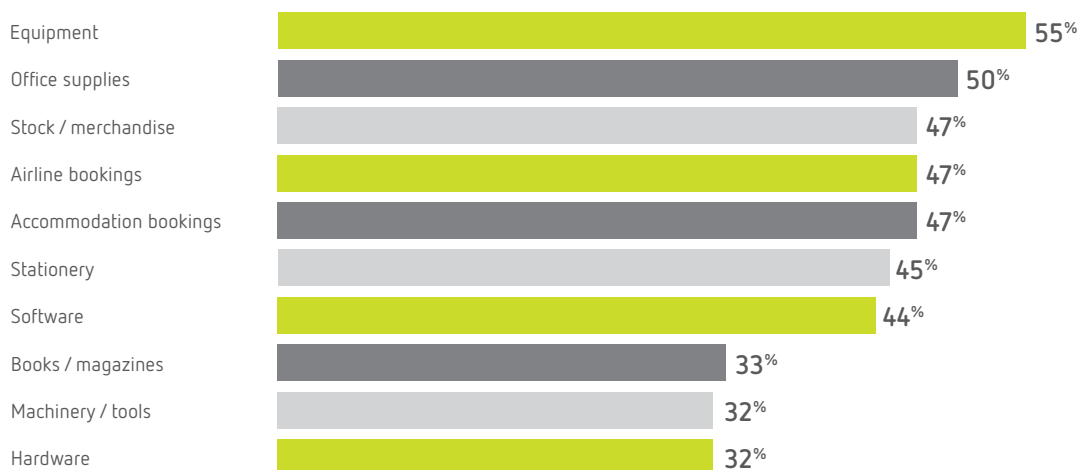
Chapter 7.2
SME use of the internet to sell

Despite the small rise in the proportion of SMEs purchasing online, there was a drop in the number of SMEs using e-commerce to sell goods and services. This is reflected in the decrease from 56 per cent of all SMEs that reported taking orders online last year to 54 per cent for this year. This trend was also reinforced by the drop in the proportion of SMEs that receive payments online from 70 per cent to 65 per cent.

In line with this overall trend, there were falls recorded by both small and medium businesses. Small businesses reported a decrease of one percentage point in the proportion of businesses taking orders online, and a five percentage point decrease in receiving payments online.

Likewise, the number of medium businesses that reported taking orders online during the year also fell from 66 per cent to 63 per cent, and the proportion of medium businesses taking payments online dropped 10 percentage points to 72 per cent.

The accommodation, café and restaurant sector recorded the strongest proportion of SMEs taking orders online with 74 per cent of businesses in this sector reporting this experience. This was in contrast to the health and community services sector, where only 36 per cent of SMEs in the sector reported they took orders online.

SMEs in metropolitan areas were significantly more likely to report having taken orders online (58 per cent) than those in regional areas (46 per cent). SMEs in Victoria were more likely than those in other states and territories to report taking orders online (61 per cent) with those in Queensland the least likely (45 per cent).

The proportion of SMEs receiving payments online fell from 70 per cent to 65 per cent in the past year. Some 64 per cent of small businesses reported taking payments online, down five percentage points. Medium businesses were more likely to report receiving payments online than their smaller counterparts, at 72 per cent.

SMEs in the accommodation, cafes and restaurant and wholesale trade sectors were most likely to report that they had received payments online, at 75 per cent each. SMEs in the finance and insurance sector were least likely to report having received payments online, at 46 per cent.

Selling over the internet - by business size

	Connected to internet	Take orders	Receive payments
All Businesses	95%	54%	65%
1-2 Employees	93%	50%	62%
3-4 Employees	98%	58%	69%
5-9 Employees	98%	53%	65%
10-19 Employees	99%	62%	70%
20-99 Employees	100%	63%	71%
100-200 Employees	100%	68%	78%
Total Small (1-19)	95%	54%	64%
Total Medium (20+)	100%	63%	72%

Base = All businesses
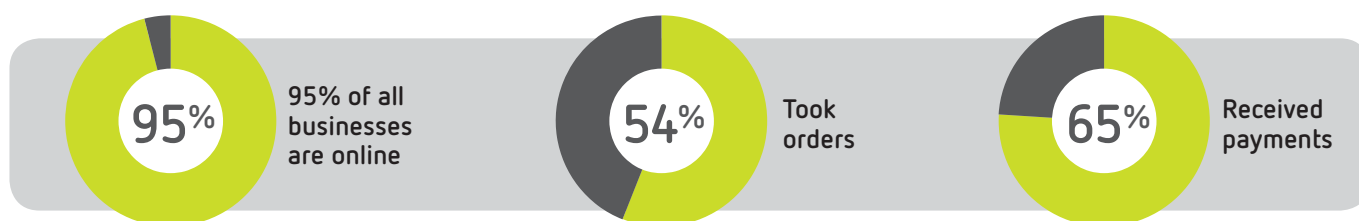
95% — 95% of all businesses are online

54% — Took orders

65% — Received payments

Selling over the internet - trends for small business

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Connected to internet	75%	79%	81%	86%	87%	90%	92%	93%	95%	94%	95%	91%	95%	95%
Take orders	19%	29%	32%	39%	41%	46%	47%	53%	57%	58%	59%	50%	55%	54%
Receive payments	13%	26%	32%	44%	50%	52%	54%	62%	67%	70%	71%	62%	69%	64%

Base = Small businesses

Selling over the internet - trends for medium business

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Connected to internet	95%	94%	98%	99%	97%	99%	99%	98%	98%	100%	99%	99%	99%	100%
Take orders	35%	47%	49%	50%	51%	54%	54%	56%	56%	66%	63%	69%	66%	63%
Receive payments	29%	50%	63%	60%	59%	63%	62%	72%	70%	75%	76%	76%	82%	72%

Base = Medium businesses

Chapter 7.2 (continued)

SME use of the internet to sell

The Sensis® *e-Business Report* has compared the rate at which industry sectors have evolved their internet strategies from basic internet connectivity to a comprehensive e-commerce strategy involving taking orders online.

The largest gap in any industry sector between internet penetration and taking orders online was in the finance and insurance sector. This sector recorded a gap of 58 percentage points between internet connectivity and taking orders online, however this gap has decreased from 62 per cent over the past year.

The most narrow gap was in the accommodation, cafes and restaurant sector at 21 percentage points, with the gap narrowing from 28 percentage points last year. A strong decline in the gap was also reported in the cultural, recreational and personal services sector, which recorded a five percentage point decline in the gap between being online and taking orders online.

While there was a fall in the proportion of SMEs taking orders online, the proportion of total online activity these orders increased strongly, with the average proportion of orders taken online up five percentage points to 37 per cent. Those SMEs in the manufacturing sector that took orders online reported the highest average proportion of their business online at 50 per cent, compared to those in the retail sector taking only 17 per cent of their orders online, at the other end of the scale.

Twenty-six per cent of SMEs taking orders over the internet reported internet orders accounted for up to five per cent of their total orders, down five percentage points in the past year.

At the upper end, 29 per cent of SMEs who took orders over the internet reported online orders made up more than half of their total orders, up four percentage points in the last year. SMEs in the manufacturing sector were most likely to report online orders made up the majority or their orders (49 per cent), with the retail trade sector least likely to report receiving the majority of their orders online (four per cent).

Around the nation, of those SMEs that took orders over the internet, SMEs in New South Wales and Queensland were the most likely to report taking the majority of their orders online, with those in the Northern Territory least likely.

Selling over the internet – by industry sector

	Connected to internet	Take orders	Receive payments
All Businesses	95%	54%	65%
Manufacturing	96%	71%	73%
Building / Construction	95%	50%	74%
Wholesale Trade	94%	58%	75%
Retail Trade	95%	55%	63%
Transport / Storage	85%	45%	54%
Communications / Property / Business Services	100%	59%	66%
Finance and Insurance	98%	40%	46%
Health / Community Services	94%	36%	49%
Personal Services	96%	46%	61%
Accommodation / Cafés / Restaurants	95%	74%	75%

Base = All businesses

Of the industries selling over the internet...

Accommodation / Cafés / Restaurants takes the most orders with **78%**

Wholesale Trade receive the most payments with **80%**
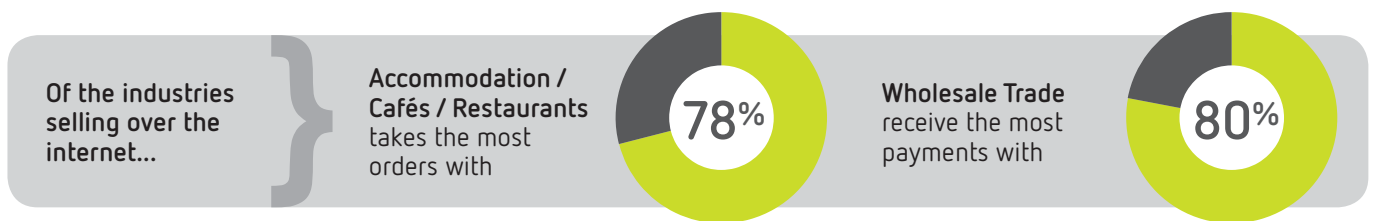
Percentage of orders taken over the internet – by businesses which take orders over the net (54%)

37%
Average percentage of orders taken over the internet

Base = Have taken orders

Don't know 3
Over 50% 29
11% to 50% 29
Up to 5% 26
6% to 10% 13

%

Chapter 7.3
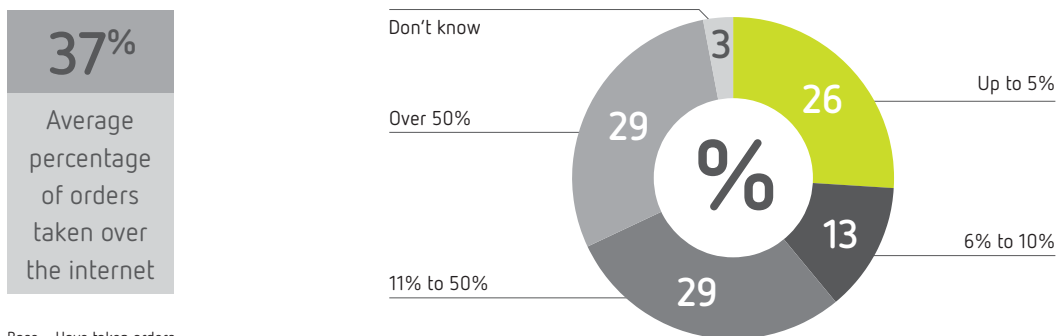
Who businesses sell to online

With e-commerce offering SMEs the opportunity to reach a potentially global market, it is interesting to note most sales made using e-commerce are still relatively close to home. In most cases, the further away a customer was located, the less likely a SME would make a sale to them.

Overall, businesses were most likely to make a sale to customers relatively close to them − in total 84 per cent of SMEs that sold online reported making sales to local customers, with 45 per cent of businesses mainly selling online to local customers. This year saw a fall of 14 percentage points in the proportion of SMEs that mainly sell online in their local area but an increase of one percentage point in the total proportion of SMEs that sold in their local area online.

Customers interstate and elsewhere in their state or territory were the next most frequent responses, with 52 per cent of SMEs selling to customers outside their town but elsewhere in their state or territory and 53 per cent selling to customers interstate. The proportion of SMEs selling elsewhere in their state rose two percentage points in the past year, and there was also a marginal increase of one percentage point in the proportion of SMEs making sales interstate.

Overseas customers were identified by three per cent of SMEs as the main e-commerce customer group for their business. This was unchanged from last year. However, the total scope for exporting through e-commerce was more significant, with 26 per cent of SMEs who made sales through e-commerce having made at least some sales to overseas customers. The proportion of SMEs making sales overseas rose four percentage points in the past year.

Of SMEs selling online, 45% said they mostly sell to local customers.

With 26 per cent of SMEs making some sales to overseas customers, it is interesting to note some 11 per cent of SMEs that took orders online used the internet to target international customers. This figure has decreased marginally in the past year. Small businesses were slightly less likely than medium businesses to use the internet to target overseas customers. Some 24 per cent of SMEs that exported in the past year used the internet to target overseas customers, down from 51 per cent last year, and interestingly, three per cent of SMEs which did not currently export also tried to get customers in overseas markets by using the internet, down slightly in the past year.
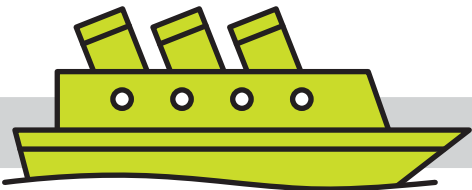
Location of customers sold to

	Mainly sell to	Total sell to	Total sell to	
			Small business	Medium business
Local – same city or town	45%	**84%**	84%	86%
Elsewhere in State	21%	**52%**	51%	60%
Interstate	24%	**53%**	52%	55%
Overseas	3%	**26%**	26%	33%

Base = Take orders over the internet

Use of internet to target overseas customers

All Businesses	11%
1 - 2 Employees	14%
3 - 4 Employees	7%
5 - 9 Employees	6%
10 - 19 Employees	17%
20 - 99 Employees	12%
100 - 200 Employees	18%
Total Small (1-19)	11%
Total Medium (20+)	13%
Exported in last year	24%
Did not export	3%
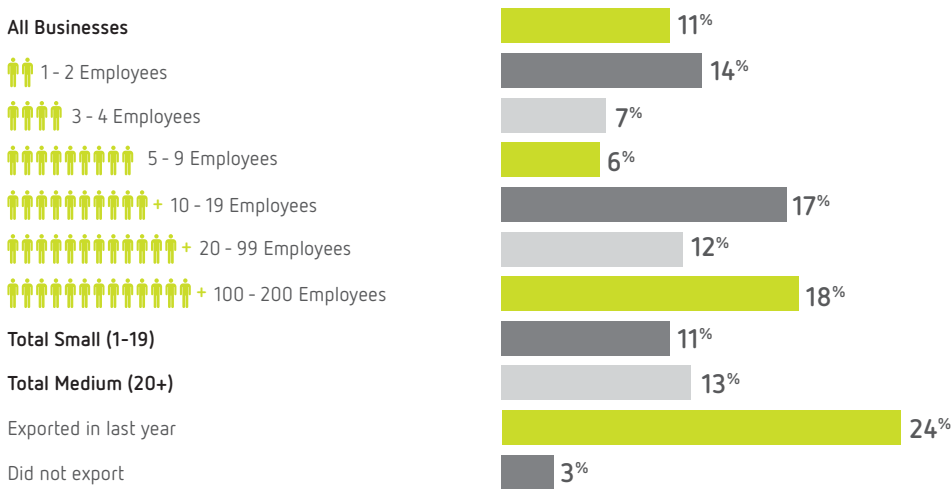
Of SMEs selling online, 26% make overseas sales.

Base = Take orders over the internet

Chapter 7.4
Degree of interest in engaging in e-commerce

The proportion of SMEs online and intending to introduce e-commerce into their businesses increased in the past year, and there was a decrease in the proportion of SMEs that reported no interest in using e-commerce to sell in their business. For those SMEs that had taken up online selling, providing better service to customers was the main reason driving their decision.

The intention to introduce e-commerce among SMEs that were online but not already using e-commerce increased four percentage points over the past year to 10 per cent. Among those firms connected to the internet, some 57 per cent currently make sales using e-commerce,with 33 per cent reporting that they currently had no intention of introducing e-commerce to their business. While the proportion of SMEs already making sales online fell marginally over the past year, the proportion with no intention to sell online also fell three percentage points.

For SMEs that took up online selling, providing better service to customers was the main reason driving their decision.

Of the remaining 10 per cent of online businesses that felt they could use e-commerce, almost four in ten indicated they were either extremely interested or very interested in using e-commerce within their businesses, up three percentage points in the past year. This was divided between 16 per cent that were extremely interested (down from 18 per cent) and 23 per cent that were very interested (up from 18 per cent). Thirty-eight per cent were only slightly interested, unchanged from last year.

For those SMEs that were online but not selling online, those in the Australian Capital Territory were most likely to express some degree of interest in using e-commerce, as were SMEs in the wholesale trade sector.

There was a strong increase in the proportion of SMEs looking to introduce e-commerce immediately, at 34 per cent, up eight percentage points. The proportion that were looking at introducing it at some stage in the next year also rose three percentage points. Correspondingly, there was a drop in the proportion of SMEs that were looking to introduce e-commerce into their businesses in the next two to five years, which fell from 28 per cent of interested SMEs last year to nine per cent this year, however there was also eight per cent of interested SMEs that felt it would be more than five years before they could implement e-commerce in their business.

Degree of interest in e-commerce

Some intention

Currently sell

57

%

10

33

No intention

Extremely interested

16

%

23

Very interested

38

22

Fairly interested

Slightly interested
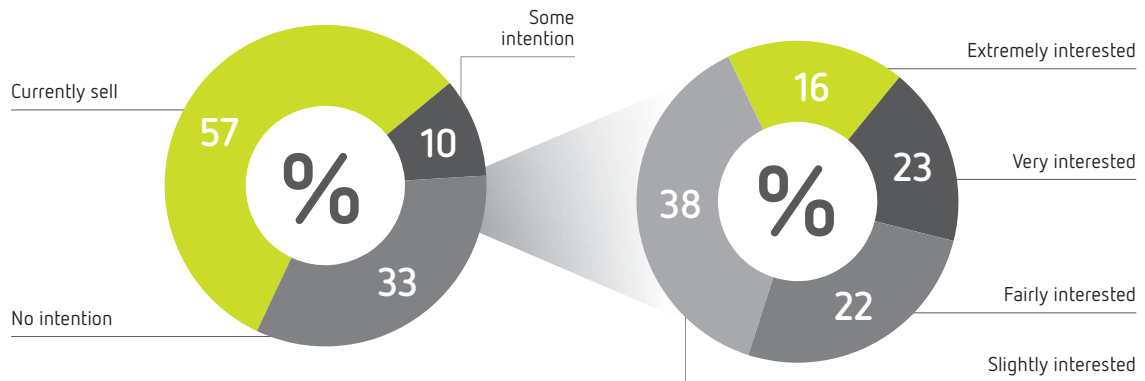
Base = All businesses with internet

Timescale for decision on implementation

Immediately

34

%

49

Within next year

Within 2 - 5 years

9

8

More than 5 years
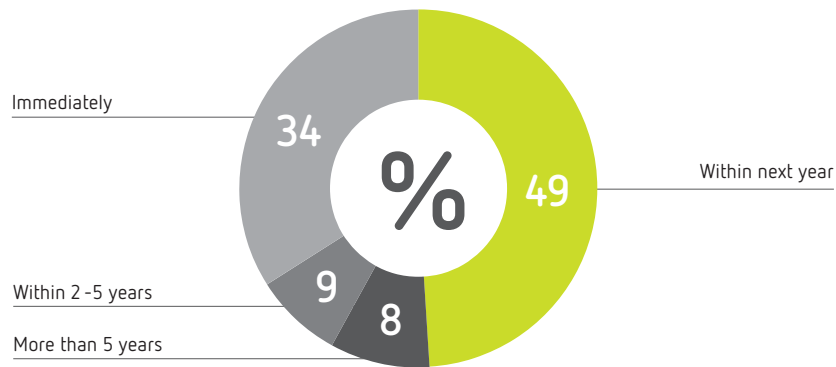
Base = Extremely / very / fairly interested in e-commerce

Reasons for using e-commerce

To provide better service to our customers	83%
Because our customers requested it	61%
To help us improve our delivery	57%
To promote the company more effectively	55%
To give / maintain competitive advantage	49%
To enable us to deliver a 24 x 7 service	47%
To make our business transactions cheaper	44%
In order to increase our market share	43%
Because of requests from our suppliers	42%
To improve our cash flow	41%
To reduce our advertising costs	39%
To distinguish our company	37%
Because our competitors introduced it	31%
Due to Government e-commerce initiatives	9%

Base = Place orders over the internet

55

Chapter 7.5
Concerns about online commerce

When SMEs were asked what concerned them about e-commerce from a range of prompted options, security concerns relating to hacking remained the number one concern for SMEs, with an increase in concern levels over the past year. Some 44 per cent of online businesses identified this as a major concern, an increase of three percentage points. A further 30 per cent identified this as a minor concern, which was down one percentage point over the past year.

The second most important concern this year was a lack of expertise and knowledge with computers (up five percentage points to 25 per cent). The next most important concerns included the cost and time to introduce new technologies (identified by 23 per cent as a major concern, up one percentage point in the past year); and a lack of personal contact with the customer. This was identified by 22 per cent as a major concern (down one percentage point in the past year), with a further 28 per cent identifying this as a minor concern.

The issues least likely to be identified as a major concern among SMEs, of all the prompted responses, were that customers weren't ready yet, which fell three percentage points in concern levels. This was closely followed by a feeling that customers would not be prepared to carry out transactions online, with 10 per cent identifying this issue as a major concern, down two percentage points in the past year.

Fears about security and hacking remain the number one concern about e-commerce for SMEs.

Chapter 7.6
Online advertising

For those SMEs that were online, some 30 per cent reported that they used the internet for display advertising. Unpaid search engine optimisation (SEO) was reported by 26 per cent of SMEs, down from 32 per cent last year, however some 17 per cent of SMEs reported that they now paid for SEO services. Paid search engine marketing (SEM) was being done by 26 per cent of online SMEs, up from 21 per cent last year. Social media continued to see strong growth, with some 31 per cent of SMEs reported advertising on social networks, up from 29 per cent last year. Ten per cent of SMEs reported using mobile advertising, up from five per cent in the past year.

With the growth in SEM by SMEs in recent years, it is interesting to look at how essential it is viewed by businesses to appear on page one of a Google search. Over three in ten SMEs felt it was very important to be on page one of a Google search. This was balanced by a quarter of SMEs that felt it was completely unimportant. There was a large divergence in views by industry, with 65 per cent of SMEs in the accommodation, café and restaurant sector feeling it was very important to appear on page one, compared to only 19 per cent of SMEs in the building and construction sector.

SMEs in the accommodation, café and restaurant sector were also the most likely to undertake paid SEM, however there was a fall in this activity in the past year (35 per cent, down from 42 per cent last year).

The accommodation, cafes and restaurant sector also showed the strongest use of online display advertising overall, and were strong in all categories of digital advertising. They were also the most likely to report advertising on social networks (63 per cent of SMEs in the sector, up from 56 per cent last year).

SMEs in the finance and insurance sector were the most likely to use unpaid SEO to advertise their business (33 per cent of online SMEs). This compared with SMEs in the transport and storage sector, who were most likely to undertake paid SEO services (26 per cent). Mobile advertising was most likely to be undertaken by SMEs in the cultural, recreational and personal services sector (18 per cent).

Concerns about e-commerce

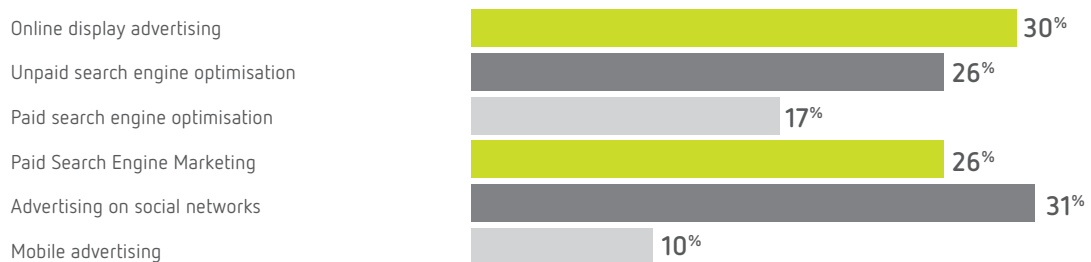|	Major concern	Minor concern	No concern
People being able to hack into your computer system	44%	30%	26%
Your lack of expertise and knowledge in computers	25%	35%	40%
Cost and time with introducing new technologies	23%	41%	36%
Lack of personal contact with the customer	22%	28%	51%
The cost of hardware and software	20%	38%	41%
Incompatibility with your existing systems	20%	33%	47%
Being able to measure your return on investment	14%	29%	57%
Customers can more easily compare your product offer with that of your competitors	12%	27%	60%
Customers not being prepared to carry out financial transactions over the Internet	11%	30%	59%
A feeling that most of your customers aren't yet ready	9%	29%	63%

Base = All businesses with internet

Concerns about e-commerce - trends

Rate as major concern	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
People able to hack into system	34%	42%	41%	43%	40%	49%	42%	46%	43%	46%	44%	46%	41%	44%
Lack of personal contact	39%	36%	27%	17%	16%	22%	22%	22%	22%	24%	26%	26%	23%	25%
Cost and time to introduce	10%	9%	4%	17%	12%	22%	15%	25%	19%	23%	24%	23%	22%	23%
Lack of expertise and knowledge	28%	30%	28%	19%	19%	28%	24%	26%	21%	23%	22%	27%	20%	22%
Cost of hardware and software	19%	24%	20%	18%	13%	19%	16%	20%	18%	18%	21%	21%	18%	20%
Being able to measure your return on investment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	16%	14%	20%
Customers can more easily compare your product	N/A	N/A	11%	9%	9%	12%	9%	11%	10%	12%	12%	14%	14%	14%
Incompatibility with existing systems	N/A	N/A	8%	10%	5%	16%	15%	13%	13%	12%	16%	14%	13%	12%
A feeling that most of your customers aren't ready	33%	31%	27%	11%	12%	14%	12%	15%	10%	12%	12%	13%	12%	10%
Customers not prepared to transact on net	34%	23%	23%	9%	12%	18%	12%	13%	10%	14%	12%	12%	12%	9%

Base = All businesses with internet

SMEs advertising online

Online display advertising	30%
Unpaid search engine optimisation	26%
Paid search engine optimisation	17%
Paid Search Engine Marketing	26%
Advertising on social networks	31%
Mobile advertising	10%

Base = All businesses with internet

How important is it to be on the page?

Very important	31%
Somewhat important	20%
Neither important nor unimportant	9%
Somewhat unimportant	15%
Completely unimportant	25%

Base = All businesses with internet

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Chapter 7.7
Digital business strategies

With 95 per cent of SMEs using the internet in their business, it is interesting to look at how SMEs strategically plan their digital business strategy, including all online aspects of their business, such as internet, website and mobile sites.

Of those SMEs that are on the internet, only 19 per cent reported having an actual digital business strategy, with 77 per cent reporting that they did not have one and four per cent not sure. There was no change in the proportion of SMEs with a digital strategy since last year.

Medium businesses were more likely to have a digital business strategy than small businesses (35 per cent compared to 18 per cent). SMEs in metropolitan areas were slightly more likely to have a digital strategy than regional SMEs (20 per cent compared to 17 per cent). SMEs in the Australian Capital Territory were the most likely to report having a digital business strategy at 25 per cent, with those in the Northern Territory the least likely at only 14 per cent. SMEs in the communications, property and business services sector were the most likely to report having a digital business plan (27 per cent).

While the proportion of SMEs with a digital business strategy was unchanged over the past year, there was an increase in the comprehensiveness of strategies amongst those SMEs that had one, with most elements now likely to be included in the overall strategy. Almost all strategies included components on the company website, and approximately four in five included other components. The only area to decrease in the past year was the overall internet strategy, with 79 per cent of SMEs including that in their digital strategy, down from 86 per cent last year.

Some 76 per cent of SMEs that had a digital business strategy reported that it had been developed in-house, with the next most common responses being their head office/ franchise (12 per cent) and their normal advertising adviser (11 per cent). SMEs that had a digital business strategy were most likely to report having developed it over two years ago, with 34 per cent reporting that they had developed it in the last year, compared to 39 per cent having developed it within the past two to five years and a further 39 per cent reporting that they have had a digital business strategy for more than five years.

With the increasing emphasis on mobile strategies as part of a businesses broader digital strategy it is interesting to look at the adoption of mobile applications by SMEs.

While only seven per cent of SMEs reported having developed a mobile application or "app" for their business, this has increased from five per cent last year and three per cent the year before. Medium businesses were much more likely to have developed an app for their business (16 per cent compared to six per cent for small businesses). SMEs in the cultural, recreational and personal services sectors were also more likely to report having developed an app for their business (11 per cent). Businesses that had developed an app were most likely to have developed that on the Apple platform (72 per cent of SMEs that had developed an app, up from 55 per cent last year).

Looking at devices, there was a distinct shift in the past year, with the popularity of responsive application development resulting in over half (54 per cent) of applications being developed for both smartphones and tablet devices. Just over four in ten apps were developed for smartphone devices specifically. Only three per cent of SMEs that had developed an app for their business has developed a tablet only application.

Despite the small numbers of SMEs that had developed an app for their business, there was considerable interest in developing an app in the near future. A further 12 per cent of SMEs were planning to develop an app in the next twelve months. SMEs that were aiming for significant growth were more likely to be intending to develop an app in the next year (20 per cent), with 20 per cent of SMEs in the cultural, recreational and personal services sector aiming to develop an app in the next year.

For those SMEs that had a website, 26 per cent had a website that was optimised for mobile, up from 17 per cent last year. In addition, 17 per cent of those that did not have their website mobile-optimised were planning on doing this in the next year, up from 24 per cent last year. SMEs in the accommodation, café and restaurant sector were most likely to report that their website was currently optimised for mobile (44 per cent of those with a website, up from 37 per cent last year).

Digital business strategies in SMEs

Q. Has your business developed a strategic plan for your digital business?

Not sure what a digital business strategy is — 4

Yes — 19

No — 77
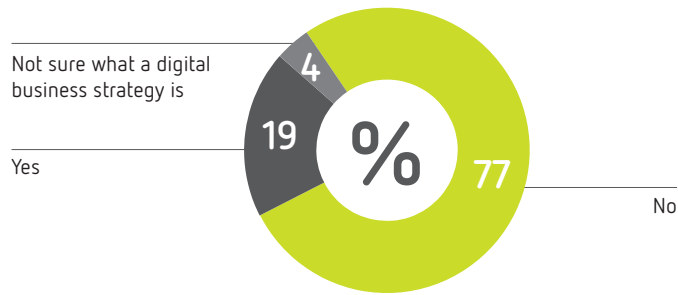
Base = All businesses with internet

How long have you had a digital business strategy?

Over five years — 39

Within the last year — 34

Two to five years — 27
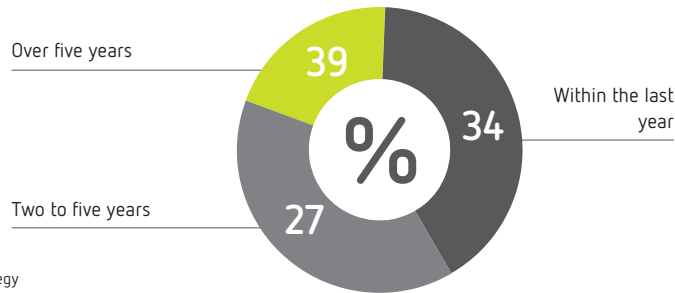
Base = All businesses with a digital business strategy

Components included in digital business strategies

Internet strategy		
2014		79%
2013		86%
2012		91%

Website strategy		
2014		100%
2013		85%
2012		89%

Social media strategy		
2014		80%
2013		67%
2012		62%

Mobile strategy		
2014		82%
2013		58%
2012		64%
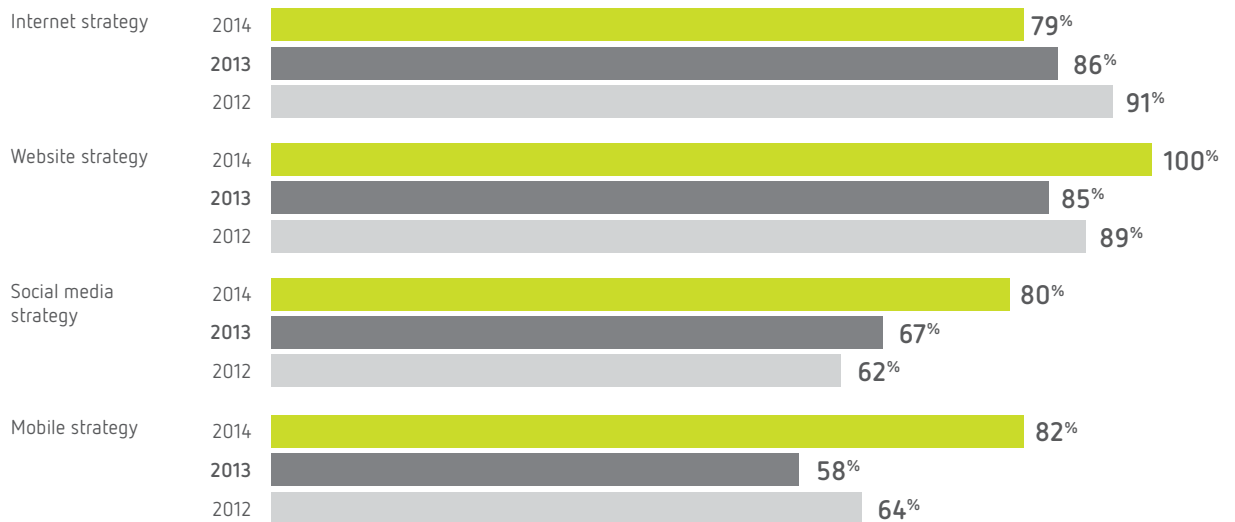
Base = All businesses with a digital business strategy

Mobile applications ("App")

Have you developed an app for your business?

Yes — 7

No — 93
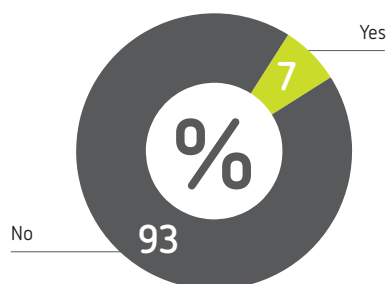
Base = All businesses with internet

What platforms is it available in?

Apple / iTunes	72%
Android	56%
Windows	20%
Blackberry	20%
Other (specify)	1%
Don't know	25%

Is that a...?

Smartphone App — 58

Both — 37

iPad / Tablet App — 3

59

Sensis® e-Business Report, Sweeney Research - 2014
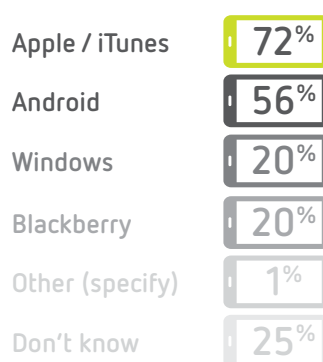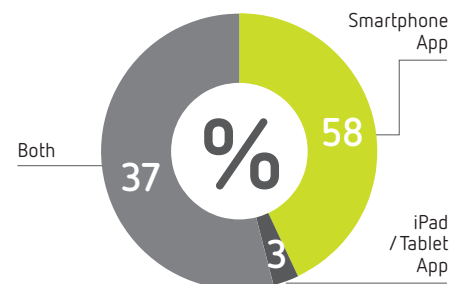
Technology in Australian households

While this report focuses on the online journey of Australia's SMEs, it is interesting to also look at the other side of the economy — Australian households — to see how they compared to Australian businesses.

How Australians use mobile technology

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95% of Australian households are online

96% of Australians in their 20's use mobile phones to access the internet

62% of Australians in their 40's have accessed the internet on a tablet

47% of Australians in their 50's have accessed the internet on a tablet

56% of Australians own a tablet

and
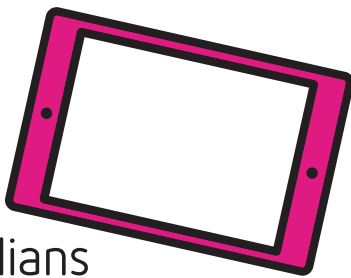
77% own a smartphone

45% of tablet users are paying for purchases or bills
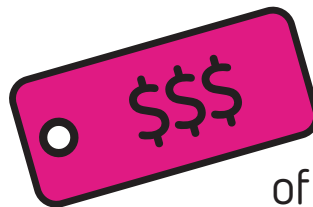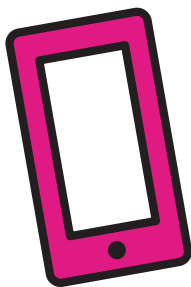
vs

40% of mobile users

42% of mobile users are ordering goods & services
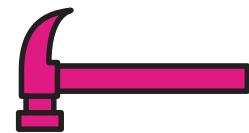
vs

48% of tablet users

To access the internet

56% are using a tablet

73% are using mobiles

Maps and directions are mostly used by mobiles

80% mobiles

60% tablets

Equipment ownership and internet connections

While Australian consumers continued to report a lower level of computer ownership and internet connectivity, the gaps were relatively small in general, and overall trends, particularly of mobile devices by consumers will continue to have important implications for Australian businesses.

Some 94 per cent of Australian households reported having a computer of some description in 2014, up three percentage points over the past year. Underlying this was a continued shift towards notebooks. Some 64 per cent reporting desktop computer ownership (down two percentage points), and notebook ownership currently at 75 per cent (up eight percentage points in the past year). This compares with 93 per cent of SMEs with a desktop computer, 67 per cent with a laptop computer.

64% of Australians own a desktop computer, 75% own a notebook, 56% own a tablet and 77% own a smartphone.

Growth in the proportion of Australians reporting ownership of tablet devices such as iPads continued to be very strong, the strongest of any technology, and still lead business adoption. Currently some 56 per cent of Australians reported owning a tablet device, up 12 percentage points in the past year and close to last year's expectations for adoption of 14 percentage points. The proportion of Australians that reported owning a smartphone also grew strongly, up five percentage points over the year to 77 per cent. The most popular smartphone was the iPhone, with 58 per cent smartphone users reporting they had an iPhone, up from 53 per cent last year and 58 per cent the year before. Some 34 per cent of smartphone users reported having an Android phone, down slightly from 36 per cent last year.

In terms of internet connection, 99 per cent of households were internet-enabled (up seven percentage points in the past year), compared with 95 per cent of SMEs. This was the second successive year that the proportion of households with internet connections was higher than the proportion of households with computers, reflecting that Australians are now connecting through other devices, including smartphones, tablet and internet-enabled TVs.

Computer and internet ownership in the home

	2014		Change 2013 to 2014
	Currently have	Expect to get in next 12 months	Currently have
A desk top computer or PC	64%	8%	66%
A notebook computer	75%	13%	67%
Total computer	**94%**	**20%**	**91%**
Dial-up internet	3%	0%	3%
Broadband internet	58%	4%	62%
Wireless broadband	57%	4%	51%
Total internet	**93%**	**6%**	**92%**

Base = All Australians

Technology in the Home

	2014		Change 2013 to 2014
	Currently have	Expect to get in next 12 months	Currently have
Digital TV or set top box	89%	8%	86%
Pay TV	30%	2%	30%
Mobile phone - standard	28%	3%	28%
Internet enabled TV, DVD or Blu-ray player	51%	5%	46%
Mobile phone – smartphone	77%	17%	72%
In-car navigation device	42%	2%	38%
Personal / hand-held navigation device	25%	2%	22%
Tablet (such as an iPad)	56%	11%	44%
VOIP (voice over internet protocol) phone	17%	1%	12%

Base = All Australians

Internet usage in the last 12 months

Total	99%
Male	99%
Female	98%
14 - 17 years	100%
18 - 19 years	100%
20 - 29 years	100%
30 - 39 years	100%
40 - 49 years	100%
50 - 64 years	100%
65+ years	91%
Employed full time	100%
Employed part time	99%
Not in workforce	100%
Studying	100%
Retired	96%

Base = All Australians

① ② ③ ④ ⑤ ⑥ ⑦ **⑧**

Chapter 8.2
What Australians are doing online

Looking for information on products or services continued to be by far the most used internet application, used by 92 per cent of Australians, up five percentage points in the past year. The second most popular online activity was looking for maps and directions (89 per cent of Australians, up eight percentage points). Some 85 per cent of Australians reported looking for suppliers of products and services online, up three percentage points in the last year. There was a decline in the proportion of Australians that reported providing personal information online, which was down four percentage points.

The largest growth over the past year was for streaming video content, which was reported by an additional nine per cent of Australians in 2014, closely followed by the proportion of Australians that reported searching for maps and directions.

92% of Australians look for information on products and services online.

Internet applications used in the last 12 months

Q. In the last twelve months which of the following have you done on the Internet– either on a computer, a mobile phone or a tablet?

	Households with internet connection	All Australians
Looked for information on products and services	93%	92%
Looked for maps and/or directions	90%	89%
Looked for suppliers of products and services	86%	85%
Looked for weather information	84%	83%
Paid for purchases or bills with credit card or other means	83%	82%
Browsed news sites	82%	81%
Undertaken banking	80%	79%
Ordered goods/services	78%	77%
Used a social networking site	73%	72%
Made bookings	69%	68%
Downloaded a mobile app	65%	64%
Downloaded or streamed video content	67%	66%
Used satellite navigation on the mobile phone	58%	58%
Searched through an auction site	58%	57%
Read a blog	53%	52%
Read a newspaper	53%	52%
Checked sports results	48%	48%
Supplied personal information online (e.g. Financial, health etc.)	42%	41%
Bought or sold through an auction site	40%	39%
Checked financial results	33%	33%
Uploaded video content	38%	38%
Read an e-book	36%	36%
Bought discount/group buying coupons	16%	16%
Written a blog	12%	12%
Tweeted (used social networking site Twitter)	11%	11%

Internet applications in the last 12 months - key trends for all Australians

Q. In the last twelve months which of the following have you done on the Internet – either on a computer, a mobile phone or a tablet?

	2009	2010	2011	2012	2013	2014	Change 2013 to 2014
Downloaded or streamed video content	36%	47%	48%	52%	57%	66%	9%
Downloaded a mobile app	N/A	N/A	N/A	45%	58%	64%	6%
Used satellite navigation on a mobile phone	N/A	N/A	N/A	39%	53%	58%	5%
Looked for information on products or services	78%	82%	80%	87%	87%	92%	5%
Paid for purchases or bills	62%	65%	66%	75%	78%	82%	4%
Undertaken banking	60%	64%	63%	72%	75%	79%	4%
Read a newspaper	N/A	N/A	N/A	51%	48%	52%	4%
Used a social networking site	41%	56%	59%	62%	69%	72%	3%
Ordered goods/services	61%	64%	67%	71%	74%	77%	3%
Looked for suppliers of products or services	N/A	N/A	N/A	81%	82%	85%	3%
Made bookings	60%	63%	60%	67%	67%	68%	1%
Bought discount/group buying coupons	N/A	N/A	14%	18%	16%	16%	0%
Supplied personal information online	37%	40%	39%	40%	45%	41%	-4%

Chapter 8.3
What Australians are doing on different devices

Australians now have many options to access the internet. While accessing the internet on a computer was still the most common, almost three-quarters of all Australians accessed the internet on their mobile phone, with half using a tablet to get online. Accessing the internet on a tablet continued to see the greatest growth in the past year.

Accessing the internet with a tablet device saw the greatest growth in the past year.

Analysis of the results found that mobile phones were favoured to access location or information based information, while tablets were favoured for reading and shopping activities. Despite mobile phone ownership being higher than tablet ownership, the gap in ownership levels has decreased in the past year. Despite the gap however, many applications are now seeing tablet access close to mobile phone access, with some exceeding mobile phone usage, in particular reading newspapers, e-books, making bookings and supplying personal information online.

How Australians access the internet

	2012	2013	2014
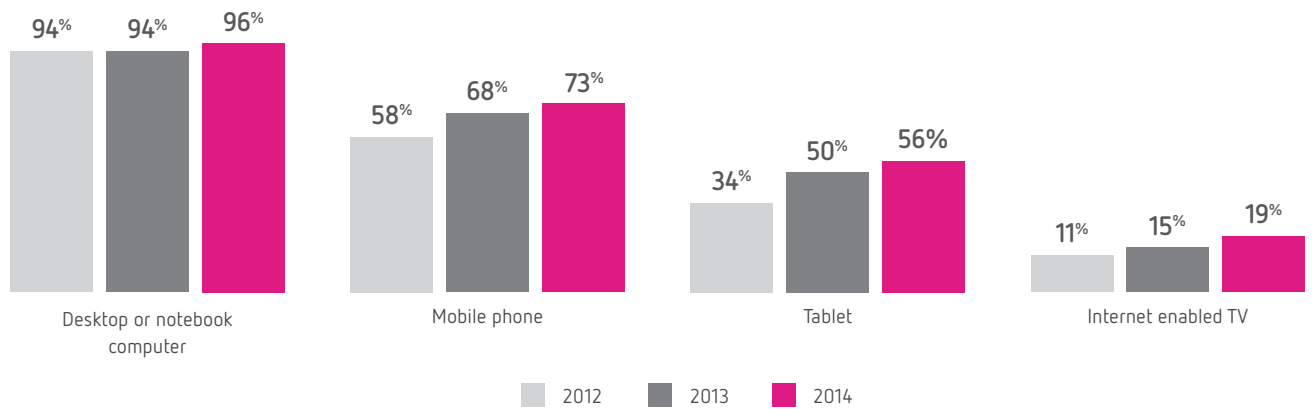
Base = All Australians

Australians use of the internet in the last 12 months - by device

	By any means	On a mobile phone	On a tablet
Looked for information on products and services	92%	49%	41%
Looked for suppliers of products and services	89%	58%	34%
Looked for maps and/or directions	85%	45%	37%
Paid for purchases or bills with credit card or other means	83%	53%	37%
Looked for weather information	82%	29%	25%
Browsed news sites	81%	43%	35%
Undertaken banking	79%	38%	26%
Ordered goods/services	77%	30%	27%
Used a social networking site	72%	51%	36%
Made bookings	68%	23%	24%
Downloaded a mobile app	64%	53%	35%
Downloaded or streamed video content	66%	36%	29%
Used satellite navigation on the mobile phone	58%	50%	17%
Searched through an auction site	57%	25%	23%
Read a blog	52%	25%	24%
Read a newspaper	52%	21%	22%
Checked sports results	48%	32%	24%
Supplied personal information online (e.g. Financial, health etc.)	41%	16%	17%
Bought or sold through an auction site	39%	15%	14%
Checked financial results	33%	17%	14%
Uploaded video content	38%	16%	12%
Read an e-book	36%	12%	20%
Bought discount/group buying coupons	16%	6%	6%
Tweeted (used social networking site Twitter)	12%	5%	5%
Written a blog	11%	8%	5%

Base = All Australians

Chapter 8.4
Internet usage on mobile phones

Australians continued to increase their usage of internet on their mobile phones over the past year.

Mobile penetration is near universal amongst Australian consumers, with 96 per cent reporting they owned a mobile phone. On average, 73 per cent of Australians with mobile phones now use their phone to access the internet, up from 68 per cent last year. The five percentage point increase this year comes on top of last year's 10 percentage point increase, with the use of internet on mobile phones. Internet usage on mobile phones was highest amongst those aged in their 20s, but was above 80 per cent for every age group except those over 50.

While we have already examined application usage on mobile phones as a proportion of all Australians, it is also useful to look at application usage for mobiles as a proportion of those that used mobile phones to access the internet. Accessing information was a key use of internet on mobile phones, with looking for maps and weather the top applications reported by Australians. Social networking was equal with these information-related activities.

Business-related use of mobile phones also featured strongly, with 68 per cent looking for information on products and services, 62 per cent looking for suppliers of products and services and 42 per cent ordering goods and services.

73% of Australians with mobile phones use their mobile to access the internet.

Australians accessing the internet on mobile phones

Total	73%
Male	70%
Female	77%
Under 20 years	93%
20 - 29 years	96%
30 - 39 years	83%
40 - 49 years	83%
50 - 64 years	63%
65+ years	29%
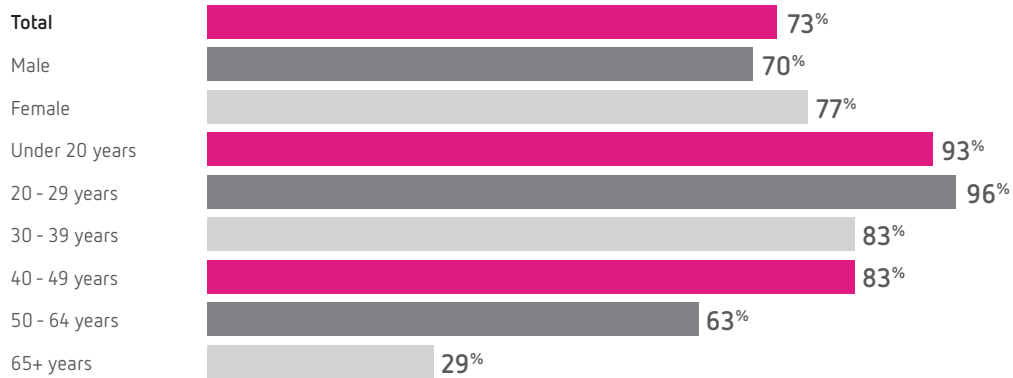
Base = All Australians

Internet applications used on a mobile phone in the past 12 months

Looked for maps and / or directions	80%
Downloaded a mobile app	74%
Looked for weather information	73%
Used a social networking site	70%
Used satellite navigation on the mobile phone	69%
Looked for information on products and services	68%
Looked for suppliers of products and services	62%
Browsed news sites	59%
Undertaken banking	52%
Downloaded or streamed video content	50%
Checked sports results	44%
Ordered goods / services	42%
Paid for purchases or bills with credit card or other means	40%
Read a blog	35%
Searched through an auction site	35%
Made bookings	31%
Read a newspaper	29%
Checked financial results	24%
Uploaded video content	23%
Supplied personal information online	22%
Bought or sold through an auction site	20%
Read an e-book	17%
Tweeted (used social networking site Twitter)	11%
Bought discount / group buying coupons	8%
Written a blog	7%

Base = Have accessed internet by mobile phone (73%)

Chapter 8.4 (continued)
Internet usage on mobile phones

News applications were also popular, with 59 per cent of Australians that accessed the internet on their mobile phones browsing news sites and 29 per cent reporting having read a newspaper. More Australians reported paying for news content on their phones, with only 10 per cent reporting that they would be happy to do so, up two percentage points in the past year. Nine per cent of Australians that accessed the internet on mobile phones reported that they were already paying for news content.

The most frequently nominated place for Australians to use the internet on their mobile was at home.

The most frequently nominated places for Australians to use the internet on their mobile phones was at home (71 per cent, up 10 percentage points), highlighting the fact that Australians are using the mobile phone to access the internet as a distinct preference rather than a necessity. There was relative stability in the frequency that Australians were accessing the internet on their mobile phones, with 20 per cent of users reporting that they accessed it 15 times or more a day, down one percentage point, and the proportion reporting that they accessed it less than five times a day increasing a marginal one percentage point in the past year.

Where Australians use the internet on their phones

At home	71%
At work / school	40%
On the way to or from work / school	28%
Out and about	8%
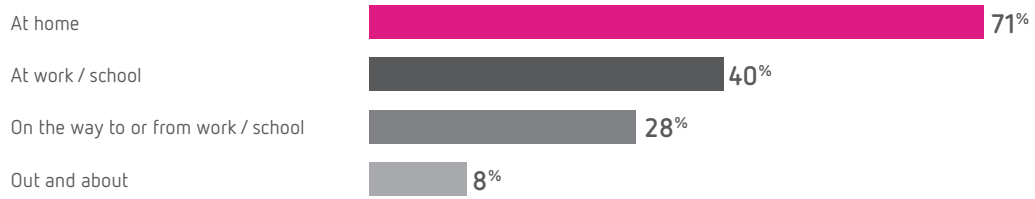
Base = Have accessed internet by mobile phone (68%)
*All other responses under 5%

How often Australians access the internet on their phones each day

	Less than 5 times a day (%)	Five to nine times a day (%)	Ten to 14 times a day (%)	Fifteen or more times a day (%)
2012	50%	21%	12%	15%
2013	46%	20%	11%	21%
2014	47%	17%	16%	20%

■ 2012   ■ 2013   ■ 2014

Base = Have accessed internet by mobile phone

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Chapter 8.5
Internet usage on tablets

Australians also continued to increase their usage of internet on tablets over the past year, with over half the Australian population now using tablets to access the internet.

While accessing the internet on mobile phones was strongest amongst the younger age demographics, usage of internet on tablets was over 60 per cent for those aged under 50 years, reflecting a significant value proposition.
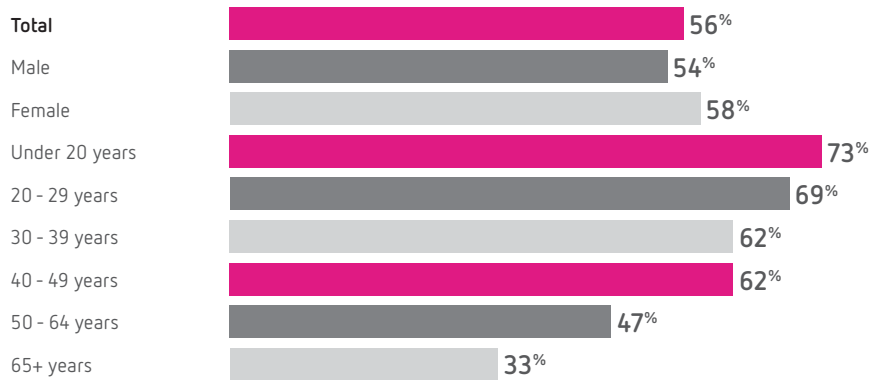
With the age demographic of tablet internet users varying from that of mobile phone internet users, so too did the range of activities that they did on their tablets.

General purchasing and shopping activities saw higher usage on tablets than on mobile phones.

Business and commercial-related uses came to the fore as some of the top applications that people used tablets for, with looking for information on products and services the top use at 73 per cent, followed by looking for suppliers of products and services in third position at 65 per cent. General purchasing and shopping activities also ranked higher on tablets, with 48 per cent reporting ordering products and services, compared to 42 per cent reporting that they did this on a mobile phone.
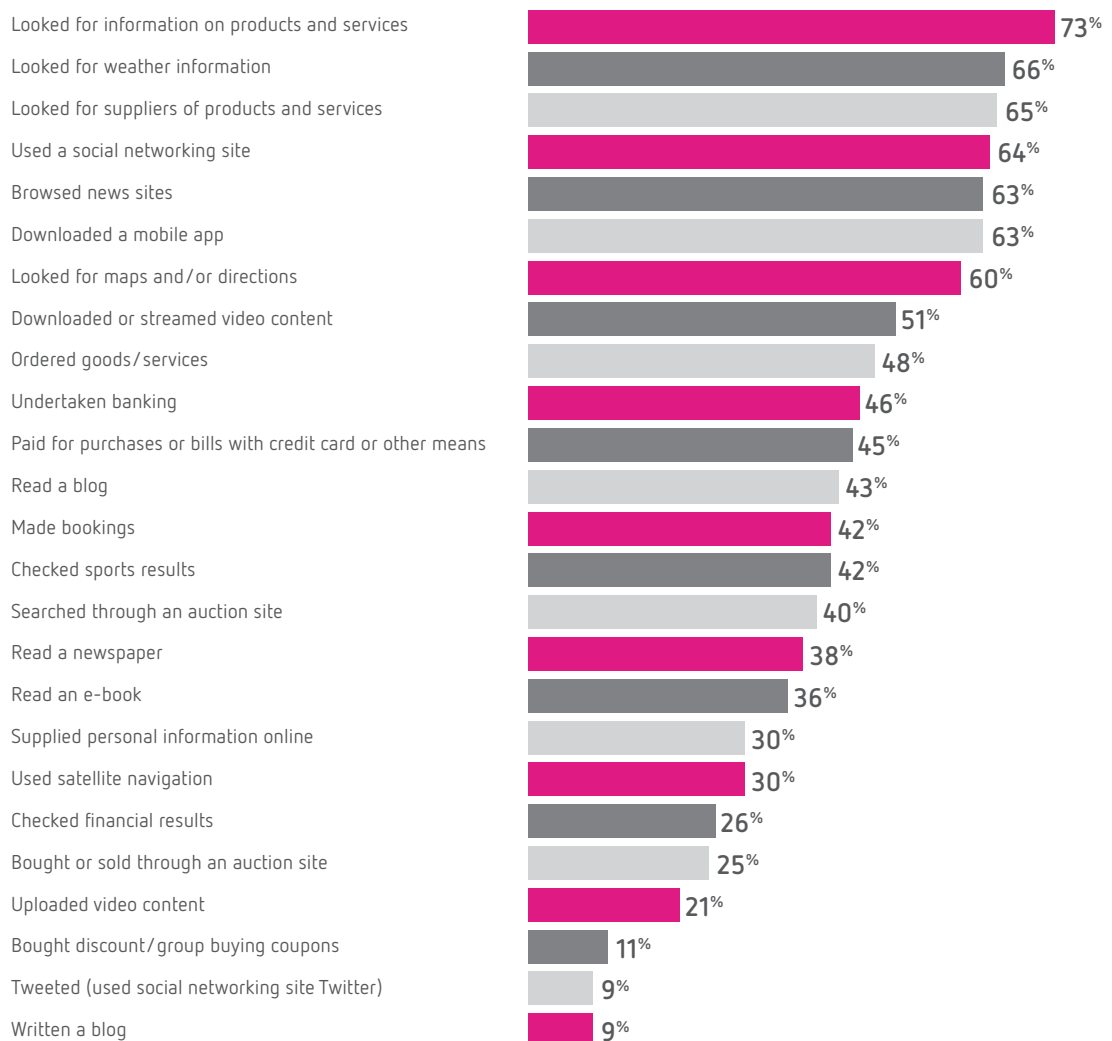
Using a tablet to browse news sites was strong at 63 per cent of those that accessed the internet on a tablet, with reading newspapers also more popular on tablets than mobile phones. Reading activities were generally more favoured on tablets, with 36 per cent of tablet users reporting that they read e-books, compared to 17 per cent of those that reported doing this on a mobile phone.

Australians accessing the internet with a tablet - by demographic

Demographic	%
Total	56%
Male	54%
Female	58%
Under 20 years	73%
20 - 29 years	69%
30 - 39 years	62%
40 - 49 years	62%
50 - 64 years	47%
65+ years	33%

Base = All Australians

Internet applications used on a tablet in the past 12 months

Application	%
Looked for information on products and services	73%
Looked for weather information	66%
Looked for suppliers of products and services	65%
Used a social networking site	64%
Browsed news sites	63%
Downloaded a mobile app	63%
Looked for maps and/or directions	60%
Downloaded or streamed video content	51%
Ordered goods/services	48%
Undertaken banking	46%
Paid for purchases or bills with credit card or other means	45%
Read a blog	43%
Made bookings	42%
Checked sports results	42%
Searched through an auction site	40%
Read a newspaper	38%
Read an e-book	36%
Supplied personal information online	30%
Used satellite navigation	30%
Checked financial results	26%
Bought or sold through an auction site	25%
Uploaded video content	21%
Bought discount/group buying coupons	11%
Tweeted (used social networking site Twitter)	9%
Written a blog	9%

Base = Have accessed internet by tablet (50%)

Australians' social networking behaviour

Overall, 73 per cent of Australians reported that they used social media, an increase of four percentage points in the past year.
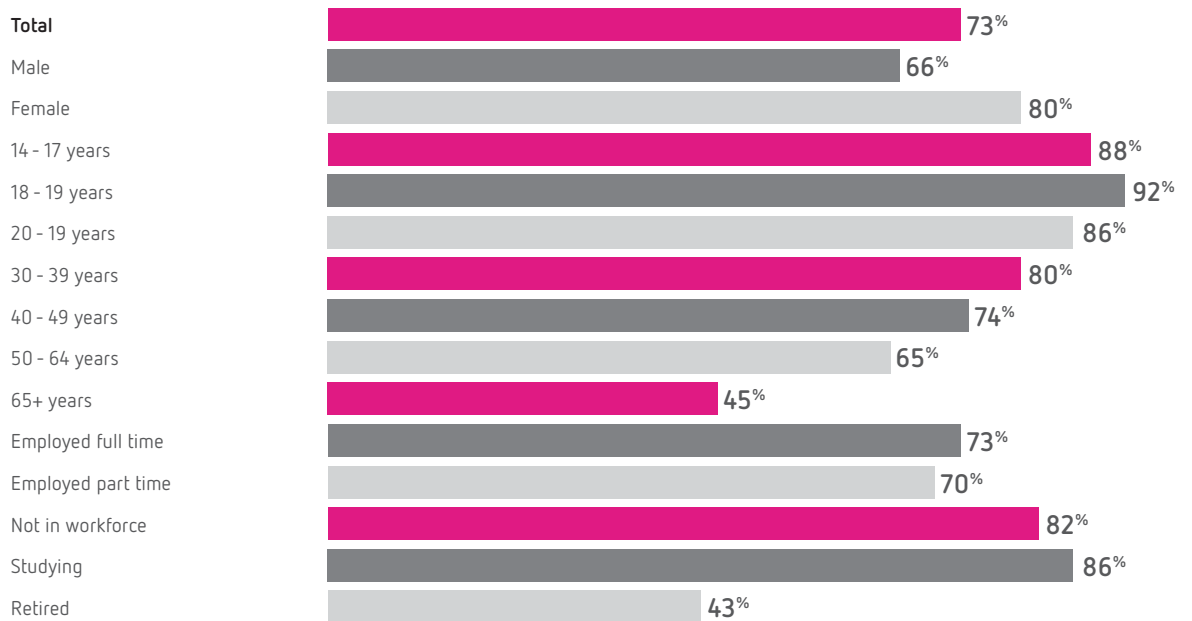
Age continued to influence social networking activity, with younger Australians reporting near universal usage of social networking sites. Despite having the lowest usage levels overall, those Australians aged 65 and above saw the greatest growth in social media usage, up 11 percentage points over the past year, with close to half this demographic now active social media users.

Frequency of using social networking sites also increased over the past year, with 55 per cent of those that used social networking accessing it several times a day. The five percent increase in frequent usage was balanced by falls in the proportion of people reporting that they accessed social media less than weekly. Females were slightly more likely to report accessing social media several times a day compared to males (56 per cent compared to 54 per cent). There was a significant age bias, with the most frequent usage reported by those under 20, where 82 per cent of social media users reported accessing social media sites several times a day.

Home was the most popular place to access social networking sites, nominated by 97 per cent of those that use social networking sites. Thirty-three per cent of those that used social networking sites accessed them in the workplace, with 51 per cent of full-time employees reported accessing social networking sites in the workplace, compared with 29 per cent of part-time employees. The Northern Territory reported the lowest proportion of social networking users that accessed social networking sites at home (83 per cent), but the second highest proportion that accessed sites in the workplace (42 per cent), just behind Queensland at 43 per cent.
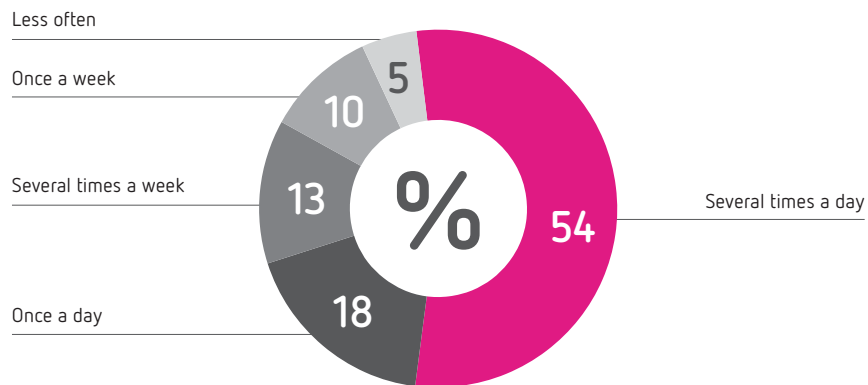
The greatest growth in social media usage was amongst those aged 65 and above.
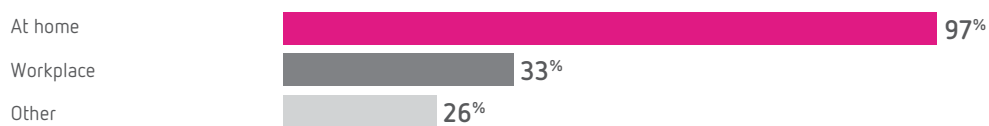
Use of social networking sites

Total	73%
Male	66%
Female	80%
14 - 17 years	88%
18 - 19 years	92%
20 - 19 years	86%
30 - 39 years	80%
40 - 49 years	74%
50 - 64 years	65%
65+ years	45%
Employed full time	73%
Employed part time	70%
Not in workforce	82%
Studying	86%
Retired	43%

Base = All Australians

Frequency of using social networking sites

Less often 5
Once a week 10
Several times a week 13
Once a day 18
Several times a day 54
%

Base = Australians that use social network sites

Where Australians use social networking

At home	97%
Workplace	33%
Other	26%

Base = Use social networking (73%)

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Chapter 8.7
Australians purchasing online

Over three in four Australians reported making purchases online, with online purchasing behaviour much less dependent on age than other online activities. There was also little difference by gender, with males only slightly more likely than females to report purchasing online. The Australian Capital Territory reported the highest proportion of Australians purchasing online (84 per cent), and residents of the Northern Territory were least likely to do so (71 per cent).
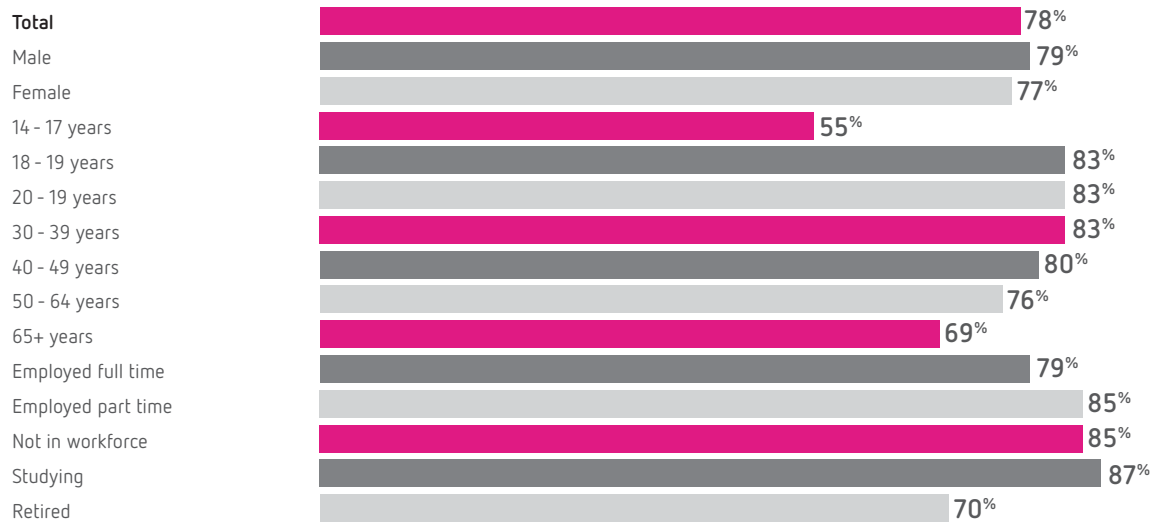
While 78 per cent of Australians reported that they had purchased goods or services online in the past year, the trends of purchasing on mobile devices were interesting, as almost as many Australians reported purchasing on tablets (27 per cent) as mobile phones (30 per cent), despite higher ownership of mobile phones. The increasing trends towards purchasing on tablets compared to mobile phones is an important trend for retailers, as growth in ownership of tablet devices continues to outstrip other technology trends.

The most popular items bought online were clothing, accessories and shoes, with 53 per cent of online shoppers reporting purchasing these items, up four percentage points in the past year. This was closely followed by airline tickets (52 per cent), books (49 per cent) and hotel reservations (48 per cent). All of these items saw increases in the proportion of Australians that reported purchasing them online in the past year.

The average amount that Australians reported spending online in the past 12 months was $2,600, which has fallen $600 in the past year. Males reported spending on average $3,100 compared to $2,100 for females. Those earning over $85,000 a year reported spending $3,700 a year online, almost double the online spend of $2,000 for those earning up to $85,000. Those Australians that purchased online reported making, on average, 26 per cent of their purchases from businesses located overseas, which has fallen from 32 per cent last year. Australians in the younger age demographics tended to report higher proportions of their online purchases coming from overseas.
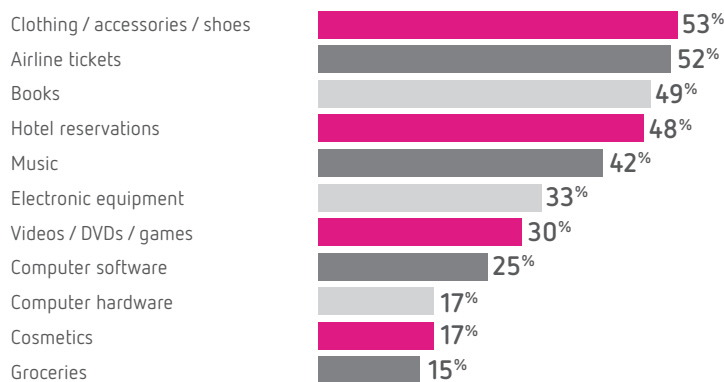
78% of Australians have purchased goods or services online in the past year.

Australians purchasing online

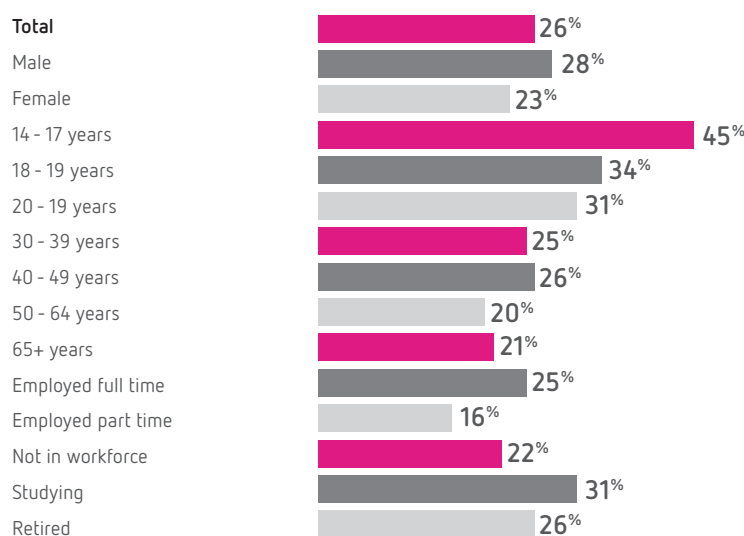|	
Total	78%
Male	79%
Female	77%
14 - 17 years	55%
18 - 19 years	83%
20 - 19 years	83%
30 - 39 years	83%
40 - 49 years	80%
50 - 64 years	76%
65+ years	69%
Employed full time	79%
Employed part time	85%
Not in workforce	85%
Studying	87%
Retired	70%

Base = All Australians

What Australians purchase online

Clothing / accessories / shoes	53%
Airline tickets	52%
Books	49%
Hotel reservations	48%
Music	42%
Electronic equipment	33%
Videos / DVDs / games	30%
Computer software	25%
Computer hardware	17%
Cosmetics	17%
Groceries	15%

Base = Have made purchases online in past twelve months (74%)
*All other responses under 5%

Percentage of online purchases from overseas

Total	26%
Male	28%
Female	23%
14 - 17 years	45%
18 - 19 years	34%
20 - 19 years	31%
30 - 39 years	25%
40 - 49 years	26%
50 - 64 years	20%
65+ years	21%
Employed full time	25%
Employed part time	16%
Not in workforce	22%
Studying	31%
Retired	26%

Base = Made purchases online in past twelve months

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· Sensis® Environment Report — September 2007

· Teleworking - June 2005

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· Attitudes to Changes in FBT — July 1999

· Workers Compensation and Workplace Safety — November 1998

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