

Sensis[®] *e-Business Report*

The Online Experience of Small and
Medium Enterprises

2011



Table of Contents

INTRODUCTION	1
ABOUT THE SURVEY.....	2
EXECUTIVE SUMMARY.....	4
LEVELS OF COMPUTER OWNERSHIP	6
Equipment ownership.....	6
Computer ownership trends	7
Expenditure in 2010 calendar year	8
Expected expenditure in 2011 calendar year	9
GETTING CONNECTED	10
Connection levels	10
Reasons for not connecting	111
Expectations for internet connection	111
Broadband connections	12
How the internet is used – current and expected usage	13
Current usage by business size	14
Trends in usage	15
What are the essential uses?.....	16
TECHNOLOGY IN AUSTRALIAN HOUSEHOLDS	17
Equipment ownership and internet connections.....	17
What Australians are doing online.....	18
Australians purchasing online.....	19
Internet usage on mobile phones.....	20
SOCIAL MEDIA IN BUSINESS	21
Incidence of use	21
USING WEBSITES	22
Website ownership	22
Website features, benefits and costs	23
ELECTRONIC COMMERCE AND SMALL AND MEDIUM BUSINESSES	24
Use of the internet for procurement.....	24
SME use of the internet to sell	26
Who businesses sell to online	28
Return on investment.....	29
Degree of interest in engaging in e-commerce	30
Concerns about online commerce.....	31
Online advertising.....	32
Digital business strategies	33

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 2011 Sensis® *Business Index* included questions on technology usage and electronic commerce (e-commerce). These questions formed the basis of the 2011 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 18 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.

About the survey

The information in this report was primarily sourced from the June 2011 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.

Location of business

	Total	Metro	Non-metro
New South Wales	300	240	60
Victoria	300	240	60
Queensland	300	165	135
South Australia	225	195	30
Western Australia	225	195	30
Tasmania	150	90	60
Northern Territory	150	90	60
Australian Capital Territory	150	150	-
Total	1800	1365	435

SOURCE: Sensis® e-Business Report
Sweeney Research - 2011

Division

Manufacturing	200
Building/Construction	250
Wholesale Trade	150
Retail Trade	250
Accommodation, Cafés and Restaurants	100
Transport/Storage	150
Finance and Insurance	100
Communication, Property and Business Services	300
Health and Community Services	150
Cultural, Recreational and Personal Services	150
Total	1800

SOURCE: Sensis® e-Business Report
Sweeney Research - 2011

Size of business

Number of full time employees

1-2 Employees	657
3-4 Employees	284
5-9 Employees	292
10-19 Employees	203
Total Small	1,436
20-99 Employees	317
100-200 Employees	47
Total Medium	364

SOURCE: Sensis® e-Business Report
Sweeney Research - 2011

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 on age, gender and location as detailed in the charts on the right.

The results have been weighted according to the latest Australian Bureau of Statistics (ABS) population figures (2006 Census) so that results more closely reflect the population distribution within each state and territory.

Consumer sample structure Demographics			
	Total	Male	Female
14 – 17 years	55	27	28
18 – 19 years	46	22	24
20 – 29 years	128	58	70
30 – 39 years	162	77	85
40 – 49 years	188	92	96
50 – 64 years	240	128	112
Over 64 years	183	94	89
Total	1002	498	504

SOURCE: Sensis® e-Business Report
Sweeney Research - 2011

Consumer sample structure Location			
	Total	Metro	Non-Metro
New South Wales	168	134	34
Victoria	168	134	34
Queensland	168	94	74
South Australia	128	106	22
Western Australia	128	106	22
Tasmania	80	48	32
Northern Territory	82	50	32
Australian Capital Territory	80	80	0
Total	1002	752	250

SOURCE: Sensis® e-Business Report
Sweeney Research - 2011

Executive summary

This special report examines a selection of small and medium sized enterprises 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 1,000 consumers.

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

Computer equipment

Overall, some 97 per cent of SMEs reported owning a computer of some description. This comprised of a 97 per cent ownership level for small businesses and 99 per cent ownership for medium businesses. There was a small increase in ownership of both desktop and notebook computers in the past year. Despite small fluctuations in these numbers, the overall level of computer ownership amongst SMEs has shown little variation over the past four years. Despite this, the levels of expenditure on both hardware and software by SMEs almost halved in the past year.

The main increases in technology ownership were for satellite navigation, advanced telephony systems and smartphones and mobile phones that were able to access the internet. Ownership of tablet devices, measured for the first time this year, was strong at 16 per cent.

The internet

The rate of internet connectivity among small and medium businesses was relatively unchanged during the year, with internet connectivity among small businesses increasing marginally from 94 per cent to 95 per cent.

While 95 per cent of all SMEs currently have internet access, only a further two per cent expect to connect within the next 12 months and the remaining three per cent do not expect to be connected within the year. Some 95 per cent of SMEs with internet access have broadband internet access, which was down one percentage point in the past year.

The single most important reason for use of the internet (as identified by 96 per cent of all internet-connected SMEs) remains email (to communicate with clients, customers and suppliers). The next most important uses of the internet were looking for information about products and services and internet banking, which were both used by 91 per cent of SMEs that were connected to the internet. The fastest growing applications in terms of usage for SMEs were using a website to advertise a business, internet banking and monitoring markets and competitors.

The applications that were considered essential by a majority of SMEs were e-mail communication, internet banking, looking for information about products and services, getting reference information and research data, paying for and receiving payments for products and services, placing orders for products and services and accessing directories such as the Yellow Pages™.

Australians use of technology

The uptake of technology in Australian households continued to be lower than was the case for SMEs. Some 89 per cent of households reported having a computer of some description, with 87 per cent of households being internet enabled. While overall internet connections changed little in the past year, there were increases in both broadband and wireless broadband, with increasing numbers of Australians having both types of broadband connection. Overall, 64 per cent of Australians had made purchases online in the past year. Some 12 per cent of Australians reported having an iPad or tablet device, with a further 15 per cent intending to purchase one in the next year.

Australians using the internet on their mobile phones continued to grow over the past year at 50 per cent, up from 41 per cent last year. Approximately two-thirds of Australians reported purchasing online, spending on average \$2,900 a year. Some 29 per cent of purchases were reported to come from overseas businesses. Four per cent of Australians purchased coupons in the past year, with just over half returning to businesses they had purchased coupons from.

Websites

The proportion of SMEs with a website continued to increase over the past year from 61 per cent to 67 per cent. A further six per cent of online SMEs indicated an intention to have one within the next 12 months. Over two-thirds of SMEs reported that having a website had improved the effectiveness of their business. Expenditure on website maintenance was one of the few areas of technology to record an increase in the past year.

Social media in SMEs

Some 18 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. Five in ten SMEs that used social media reported that it had a positive impact on their business. Almost nine in ten SMEs with social media maintained it internally, with over one in four reporting monitoring and updating on a daily basis.

Use of the internet for procurement

The past year has seen relatively stable use of the internet for procurement purposes, with ordering goods or services online the only part of the procurement process to record an increase in the past year. Despite little change in the proportion of SMEs purchasing online, there was an increase in the amount of business done online by SMEs as a proportion of their total purchasing activities in the past year. On average, SMEs that purchased online reported that they placed 34 per cent of their total procurement online (up four percentage points). The proportion of SMEs that indicated they did the majority of their business online rose five percentage points to 26 per cent of SMEs that purchase online. The most common online purchases made by SMEs during the year continued to be airline booking and accommodation.

Use of the internet to sell

Online selling by SMEs continued to grow during the past year. The percentage of SMEs taking orders online has increased one percentage point to 59 per cent. Online selling as a share of total sales activities also rose during the year among e-commerce oriented SMEs, increasing from 24 per cent to 27 per cent. Along with the rise in the average level of online sales, the average proportion of total sales that were made online rose from 24 per cent to 27 per cent. Some 18 per cent of SMEs who used e-commerce to sell made the majority of their sales online, which was up five percentage points in the past year. The number of SMEs receiving payments online for sales made over the internet also grew slightly, with the proportion of SMEs receiving payments for sales over the internet up one percentage point to 71 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 60 per cent reporting they mainly sold to customers in the same city or town. Of those SMEs that sold online, 27 per cent had made sales to customers overseas.

Online advertising

The past year continued to see growth in the proportion of SMEs using various forms of online advertising. One in four online SMEs undertook unpaid search engine optimisation activities in the past year, with 18 per cent reporting that they paid for search engine marketing. Advertising on social networks was reported by 15 per cent of SMEs.

Digital business strategies

While 95 per cent of SMEs reported that they were online, only 16 per cent of those reported that they had some form of strategy for their businesses digital activities. For most SMEs that did have a digital business strategy, it was most likely to be focused on internet and websites (90 and 89 per cent respectively), with 54 per cent including a mobile component and 53 per cent including a social media component.

Levels of computer ownership

Introduction

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.

Equipment ownership

The 2011 Sensis® e-Business Report found 97 per cent of SMEs reported owning a computer of some description, which was up a marginal one percentage point in comparison to the past year. Desktop computers were the most common, with 95 per cent of SMEs reporting they owned at least one desktop computer, up two percentage points. There was also a small increase in notebook computer ownership, with some 64 per cent of SMEs owning at least one notebook computer, up three percentage points (63 per cent of small businesses and 84 per cent of medium businesses).

There was little difference in equipment ownership between metropolitan and regional areas, with 97 per cent of SMEs reporting computer ownership in metropolitan areas compared to a marginally higher 98 per cent in regional areas.

Whilst historically there has been some difference in computer ownership among businesses in different states and territories, the overall difference changed little in the past year. The highest level of computer ownership was in Western Australia (99 per cent), while the lowest was in Tasmania (92 per cent), making an overall gap in computer ownership of seven percentage points, down from a gap of nine percentage points last year. Most states and territories recorded similar levels of computer ownership in the past year, with the largest change being recorded by SMEs in South Australia, where computer ownership increased six percentage points over the past year.

Levels of computer ownership also varied across the industry sectors. At the high end of the scale, SMEs in the wholesale trade and finance and insurance sectors reported a 100 per cent computer ownership result. By comparison, SMEs in the accommodation, cafes and restaurants sector recorded a result of 93 per cent of SMEs owning a computer of some description, resulting in a seven percentage point gap across industry sectors.

Computer ownership by industry sector			
	Desktop computer	Notebook computer	Any computer
All Business	95%	64%	97%
Manufacturing	95%	66%	98%
Building/Construction	94%	57%	98%
Wholesale Trade	97%	74%	100%
Retail Trade	92%	53%	95%
Transport/Storage	96%	70%	99%
Communication, Property & Business Services	99%	74%	99%
Finance and Insurance	93%	84%	100%
Health and Community Services	94%	57%	96%
Cultural, Recreational & Personal Services	92%	53%	96%
Accommodation, Cafés and Restaurants	90%	64%	93%

SOURCE: Sensis® e-Business Report
Sweeney Research - 2011

Computer ownership by business size and location			
	Desktop computer	Notebook computer	Any computer
All Businesses	95%	64%	97%
1-2 Employees	92%	55%	96%
3-4 Employees	95%	70%	98%
5-9 Employees	99%	71%	100%
10-19 Employees	100%	80%	100%
20-99 Employees	97%	83%	98%
100-200 Employees	94%	94%	100%
Total Small (1-19)	95%	63%	97%
Total Medium (20+)	97%	84%	99%
Total Metropolitan	95%	65%	97%
Total Rural	95%	61%	98%

SOURCE: Sensis® e-Business Report
Sweeney Research - 2011

The greatest increase during the past year in telecommunication equipment ownership was in the proportion of SMEs reporting ownership of satellite navigation systems (51 per cent) and advanced telephony systems (35 per cent), which were both up nine percentage points in the past year. While relatively new and not measured last year, the ownership of tablets by SMEs was also popular, with 16 per cent reporting ownership of a tablet device.

Strong growth was also seen in SMEs using internet-enabled mobile phones or smartphones, which grew by eight percentage points over the year. Some 72 per cent of SMEs reported having a smartphone or mobile phone with internet access, up from 62 per cent last year.

Mirroring this trend, the only area to report a decline in ownership levels was standard mobile phones which were not able to access the internet, which fell four percentage points in the last year, and is down nine percentage points in the past two years.

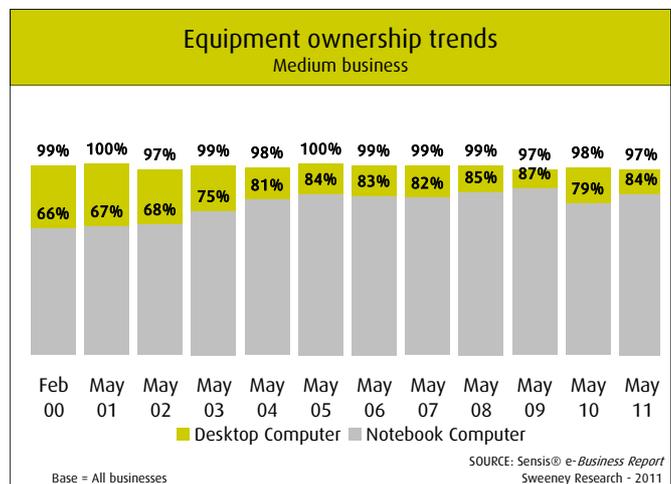
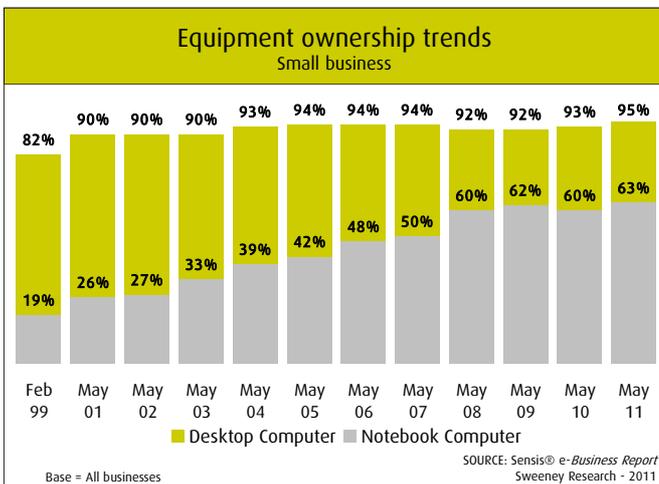
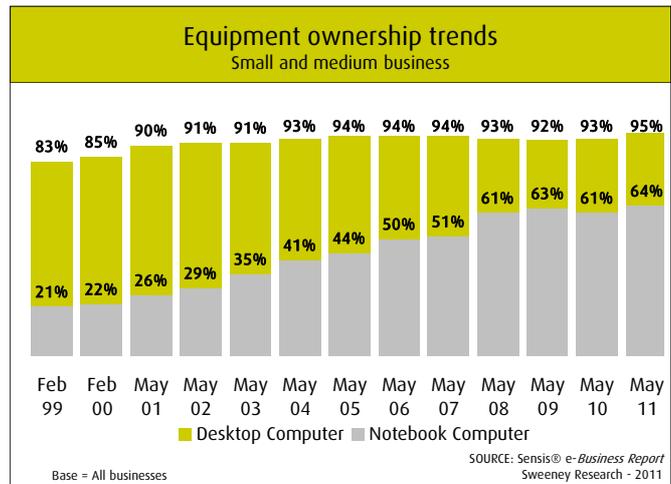
Telecommunication equipment ownership					
	2009	2010	2011		
	All SMEs	All SMEs	All SMEs	Small Business	Medium Business
Standard mobile telephone (no internet access)	66%	61%	57%	56%	66%
A LAN network supporting your business	56%	59%	64%	63%	91%
Mobile telephone/smartphone (with internet access)	62%	64%	72%	72%	92%
An advanced telephony system (eg. PABX or IVR)	30%	26%	35%	32%	81%
Satellite navigation system (in-car or hand-held)	36%	42%	51%	51%	57%
VOIP (Voice over internet protocol)	20%	26%	30%	29%	44%
Tablet	N/A	N/A	16%	16%	34%

SOURCE: Sensis® e-Business Report
Sweeney Research - 2011

Computer ownership trends

The proportion of SMEs that owned a desktop computer increased to 95 per cent in the past year. In addition, there was also an increase in notebook ownership among SMEs, which rose from 61 per cent to 64 per cent over the past year.

The level of computer ownership has been relatively consistent despite the small rise this year, reflecting a plateau of computer ownership over the past four years. There was little difference in desktop computer ownership between small and medium businesses, however, there was a 21 percentage point gap in the level of notebook ownership, with only small changes in notebook ownership by small businesses over the past four years.



Expenditure in 2010 calendar year

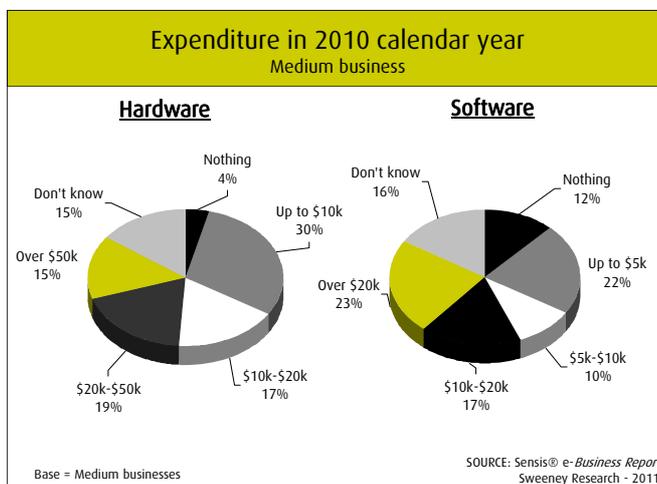
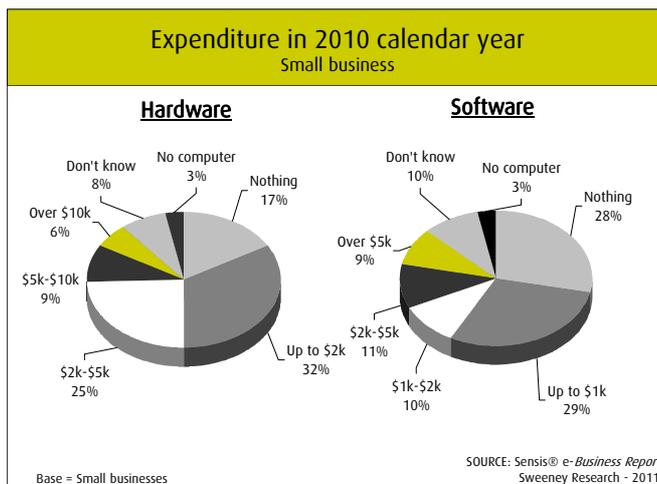
Overall average expenditure on computer hardware and software for SMEs in 2010 was \$9,700. This represented a significant decline, being almost half the expenditure recorded of \$18,800 in 2009.

The average level of expenditure on computer hardware during 2010 by SMEs was approximately \$6,300. This represents a decrease of \$5,700 during the past year. The average spend of small business differed greatly from medium businesses. While the average spend for small businesses on computer hardware in 2010 was approximately \$4,200, for medium businesses the spend on hardware was \$51,700. In both cases this represented a significant decline.

While the average hardware spend for small businesses was \$4,200, many small businesses spent far less than this. Almost one in five small businesses last year recorded no spend on computer hardware, with almost half spending less than \$2,000. Six per cent of small businesses reported spending more than \$10,000 on computer hardware in 2010, which was down five percentage points in the past year. This compares to 51 per cent of medium businesses reporting a spend of more than \$10,000 on hardware in 2010.

SMEs also decreased their spend on software significantly in the past year. The average expenditure on software for SMEs was \$3,300. This represents a decrease of almost \$3,400 over the past year. Again, this varied significantly between small and medium businesses, with the average spend for small businesses down \$1,800 to \$2,100, compared to \$29,400 for medium businesses (a decrease of \$33,100 over the past year).

As was the case with hardware, SMEs spend on software was skewed towards lower amounts. Some 28 per cent of small businesses reported no spend on software in 2010, and an additional 29 per cent reported a software spend of up to \$1,000. Nine per cent reported spending more than \$5,000 on software in 2010 (up one percentage point in the past year). This compares with 50 per cent of medium businesses which reported spending in excess of \$5,000 on computer software over the same period.



Trends in mean expenditure

(\$000's)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Small Business												
Hardware	4.0	4.0	5.7	3.9	5.1	4.4	3.9	3.9	5.2	4.8	7.9	4.2
Software	0.9	1.5	1.8	1.4	2.1	1.9	1.8	1.8	3.0	3.0	3.9	2.1
Medium business												
Hardware	47.0	80.1	49.1	41.6	59.2	42.3	43.2	75.5	45.6	37.0	89.9	51.7
Software	30.1	44.1	25.5	23.2	28.0	31.6	35.8	43.9	31.5	30.9	62.5	29.4

Base = All businesses with computers
SOURCE: Sensis® e-Business Report Sweeney Research - 2011

Expected expenditure in 2011 calendar year

Overall, SMEs were expecting a small decrease in their spend on computer hardware and software in 2011 compared to 2010 levels.

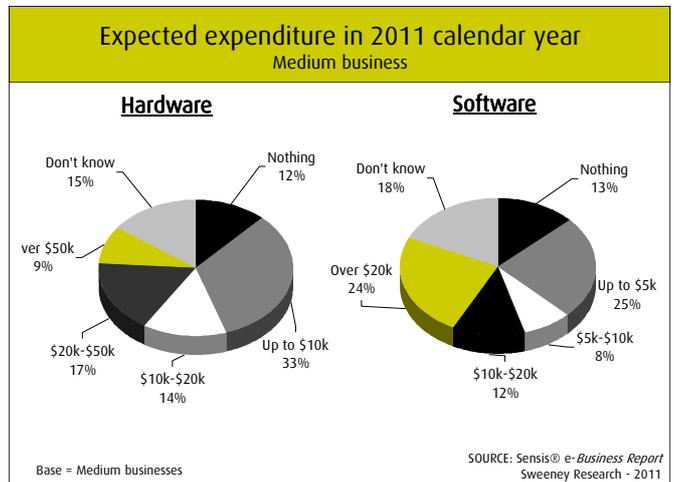
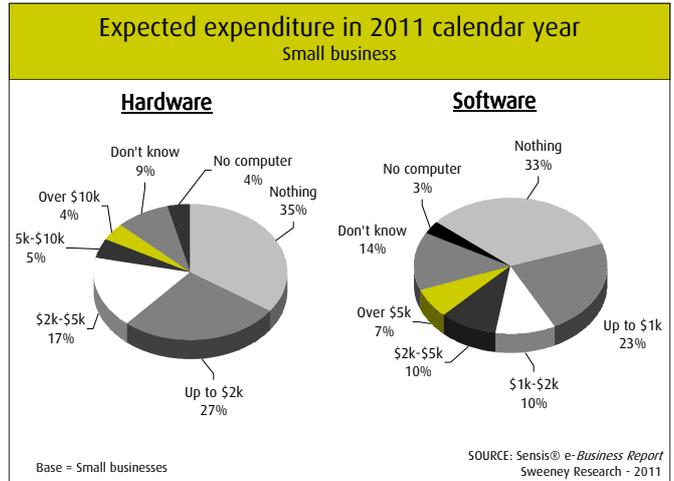
Total average expenditure on computer hardware and software for all SMEs in 2011 is expected to be \$9,500. This would represent a small decrease of \$200 from the total spend of \$9,700 SMEs reported spending on hardware and software in 2010.

On average, small businesses were expecting to spend \$6,400, with medium businesses expecting to spend \$75,800 on computer hardware and software in 2011.

In terms of expenditure on computer hardware, SMEs were expecting to spend less in 2011 than they did in 2010. SMEs are expecting to spend \$5,400 on hardware in 2011, considerably less than the \$6,300 spent in 2010. Small businesses are expecting to spend \$3,600 on hardware in 2011, down from \$4,200 in 2010. However, medium businesses are expecting to spend \$42,800 on hardware in 2011, much lower than the \$51,700 they reported spending in 2010.

Despite expectations for a lower hardware spend, SMEs were expecting to increase their spend on computer software in 2011. The average expected spend across all SMEs was \$4,100 reflects an increase of \$800 per business on the levels recorded this year. Small businesses are expecting to spend \$2,800 in 2011, up from \$2,100 reported in 2010. This trend was also recorded for medium businesses, which are expecting to increase their average software spend from the \$29,400 recorded in 2010 to an expected \$33,000 in 2011.

On top of hardware and software, SME expenditure on maintaining their IT systems was also significant, however at decreased levels from last year. In order of magnitude, maintenance and support for IT systems is only marginally lower than hardware spend and significantly higher than software spend. Overall, SMEs reported having spent an average of \$5,400 on maintaining their systems in 2010, with small businesses spending \$3,100 on average and medium businesses spending \$53,300 on average. The amount SMEs reported spending on hardware and software decreased from \$9,500 last year. Looking forward, SMEs were expecting to spend some \$5,200 on IT systems maintenance in 2011, down \$200 on the amount spent in 2010.



Average expenditure on software and hardware maintenance

	2010 actual expenditure	2011 expectations
Small Business	\$6,300	\$6,400
Medium business	\$81,100	\$75,800
All SMEs	\$9,700	\$9,500

Base = All businesses with computers
SOURCE: Sensis® e-Business Report Sweeney Research - 2011

Getting connected

Connection levels

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

The finance and insurance sector again recorded the highest rate of internet-connectivity at 100 per cent, closely followed by the transport and storage sector at 99 per cent. The lowest levels of connectivity were in the health and community services and accommodation, café and restaurant sectors, with 90 per cent of SMEs in each sector reporting they have an internet connection. For the health and community services sector this represented an increase of two percentage points over the past year, while it was a one percentage point increase for the accommodation, café and restaurant sector. The health and community services sector was also the sector most likely to have computers without an internet connection. This sector reported six per cent of SMEs with computers that were not connected to the internet (down two percentage points in the past year), in addition to four per cent of SMEs in that sector with no computer at all (unchanged in the past year).

Regional businesses reported a rate of 96 per cent internet penetration which was slightly higher than the result for metropolitan businesses at 95 per cent. The connection levels amongst metropolitan SMEs has remained stable for the past two years, however the connection level for SMEs in regional areas increased by three percentage points in the past year.

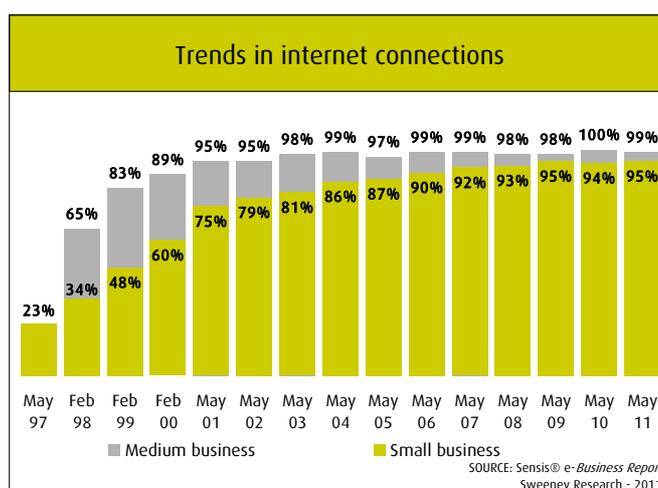
It is worthwhile revisiting recent historical trends in order to fully appreciate just how significant the internet has become as a business tool. Since 1997, the proportion of small businesses that are connected to the internet has risen from 34 per cent. Over this time the trend among medium businesses has been nearly as impressive, rising from 65 per cent in 1998 to 99 per cent in 2011. 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. Since then changes in the levels of internet connection by small businesses has been incremental.

Internet connections by business size and location			
	No computers	Use internet	Do not use
All Businesses	3%	95%	2%
1-2 Employees	4%	93%	4%
3-4 Employees	2%	96%	2%
5-9 Employees	0%	99%	1%
10-19 Employees	0%	99%	1%
20-99 Employees	2%	98%	0%
100-200 Employees	0%	100%	0%
Total Small (1-19)	3%	95%	2%
Total Medium (20+)	1%	99%	0%
Total Metropolitan	3%	95%	2%
Total Rural	2%	96%	2%

Base = All businesses
SOURCE: Sensis® e-Business Report
 Sweeney Research - 2011

Internet connections by industry sector			
	No computers	Use internet	Do not use
Manufacturing	2%	95%	3%
Building/Construction	2%	96%	2%
Wholesale Trade	0%	98%	2%
Retail Trade	5%	92%	3%
Transport/Storage	1%	99%	0%
Communications, Property & Business Services	1%	98%	1%
Finance and Insurance	0%	100%	0%
Health/Community Services	4%	90%	6%
Personal Services	4%	92%	4%
Accommodation, Cafés and Restaurants	7%	90%	3%

Base = All businesses
SOURCE: Sensis® e-Business Report
 Sweeney Research - 2011

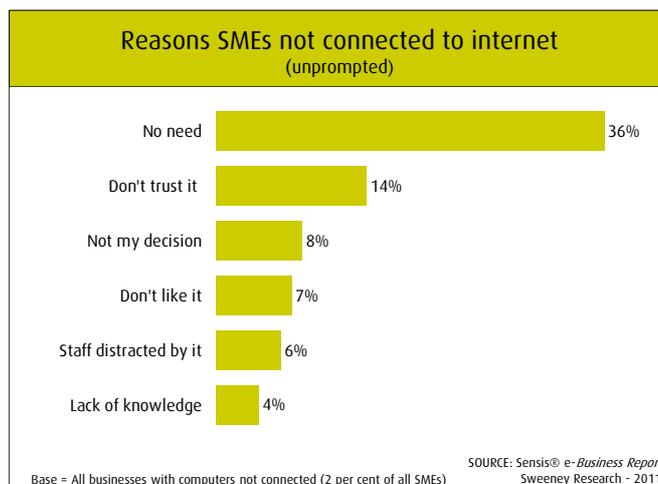


Reasons for not connecting

Among the very small number of businesses that had computers but were not connected to the internet, the overwhelming reason given by SMEs that were not connected to the internet was a view that they had no need for it (36 per cent).

The other key reasons given for not connecting to the internet despite owning a computer included not trusting it (14 per cent), as well as it not being their decision, a view that they did not like it, that their staff might be distracted by it and that they lacked knowledge of it. Interestingly a lack of knowledge was the second most likely reason last year, reported by 20 per cent of those SMEs that had computers that were not connected to the internet.

Overall, 93 per cent of SMEs reported being connected to the internet at home, unchanged in the past year.



Expectations for internet connection

While 95 per cent of SMEs are already connected to the internet, this leaves some five per cent of SMEs that are not. Of those businesses, only an additional two per cent believe they will connect their businesses to the internet within the next 12 months, unchanged from last year. The remaining three per cent of businesses do not expect to do so in the next 12 months.

The strongest resistance to future internet connectivity, by SME size, again came among those businesses with one to two employees, which was also the business size with the lowest level of internet connectivity. Five per cent of these businesses stated they were not expecting to connect to the internet in the next 12 months, down one percentage point in the past year.

For SMEs expecting to connect to the internet for the first time within the next 12 months, the number one reason was to advertise to find new customers, followed by increasing their business performance, so that their customers could contact them and to do banking online.

	Use internet	Expect to connect	*Do not expect
All Businesses	95%	2%	3%
1-2 Employees	92%	3%	5%
3-4 Employees	96%	1%	3%
5-9 Employees	99%	0%	1%
10-19 Employees	99%	1%	0%
20-99 Employees	98%	0%	2%
100-200 Employees	100%	0%	0%
Total Small (1-19)	95%	2%	3%
Total Medium (20+)	99%	0%	1%
Total Metropolitan	95%	2%	3%
Total Rural	96%	2%	2%

Base = All businesses
 *Includes "Not sure"
 SOURCE: Sensis® e-Business Report Sweeney Research - 2011

Broadband connections

Broadband remained the almost universal standard for internet in Australian businesses. Some 95 per cent of SMEs that were online currently reported having broadband access to the internet, which is down a marginal one percentage points from the past year.

ADSL was the most popular form of broadband connection amongst SMEs, being the choice of 53 per cent of those with broadband access to the internet, followed by 25 per cent with a wireless connection and 18 per cent with a cable connection. There was a three percentage point drop in DSL/ADSL connections and a two percentage point drop in cable connections in the past year, however there was an eight percentage point increase in the proportion of SMEs using a wireless internet connection in the past year.

Overall, some 20 per cent of SMEs with an internet connection reported that they intended to get a faster internet connection in the next twelve months, down two percentage points in the past year. SMEs in metropolitan and regional areas were equally likely to report an intention to get a faster internet connection in the next twelve months.

Of those businesses connected to the internet, the level of broadband connection was highest amongst SMEs in the Australian Capital Territory (97 per cent each) and lowest in the Northern Territory (88 per cent).

In terms of industry sectors, the health and community services sector had the greatest proportion of online businesses with broadband connections at 99 per cent. The lowest level of broadband connection occurred in the transport and storage sector at 91 per cent.

Overall 83 per cent of SMEs reported being satisfied with their internet service, which was composed of 37 per cent being very satisfied and 46 per cent being quite satisfied. Nine per cent of SMEs reported feeling dissatisfied and eight per cent were neither satisfied nor dissatisfied. SMEs in regional areas were slightly more likely to report feeling satisfied than those in metropolitan areas (86 per cent compared to 82 per cent). Their connection being too slow was the main reason for SMEs to report feeling dissatisfied with their internet connection, with this response being given by over two-thirds of dissatisfied SMEs.

Accessing the internet			
<i>Do you currently have broadband access to the internet?</i>			
	Total	Small Business	Medium Business
Yes – have broadband	95%	95%	99%
No – do not have broadband	4%	4%	1%
Don't know	1%	1%	0%
<i>How do you currently access the internet? (Amongst those with broadband access)</i>			
			2011
DSL/ADSL			53%
Wireless			25%
Cable			18%
Satellite			1%
Don't know			2%
Base = SMEs with internet access			SOURCE: Sensis® e-Business Report Sweeney Research - 2011

Using the internet

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 96 per cent of internet connected businesses. Given the high level of penetration which exists among internet-connected businesses, only a further two per cent of SMEs expect to take up this application in the next year. Usage of this application was down by a marginal two percentage points over the past year, with this use at almost saturation level.

The next most important applications of the internet reported by SMEs were looking for information about products and services and internet banking. These applications were is a current use for 91 per cent of SMEs connected to the internet each. Looking for information on products and services was unchanged in the past year, with internet banking having increased by three percentage points.

Other strongly used internet applications by SMEs were looking for suppliers of products and services (88 per cent), getting reference information or research data (86 per cent), accessing directories such as the Yellow Pages™ (82 per cent) and paying for products or services (80 per cent).

With these applications all reporting strong usage already, expectations for further usage were relatively low. The strongest expectation for future usage was recorded for promoting a business using e-mail marketing, with an additional 10 per cent of SMEs expecting to take this up. Also recording strong expectations were using online auction sites to sell products and advertising a business on another website, with an additional nine and eight per cent of SMEs respectively expecting to use these applications in the future.

Current and expected uses of the internet - summary

	Currently use	Expect to use	Total
To communicate via email	96%	2%	98%
To look for information about products and services	91%	5%	96%
Internet banking	91%	2%	93%
To look for suppliers of products or services	88%	4%	92%
To get reference information or research data	86%	3%	89%
To access directories such as the Yellow Pages	82%	4%	86%
To pay for products and services	80%	4%	84%
To place orders for products and services	79%	4%	83%
To access and use online catalogues	76%	5%	81%
To receive payments for products and services	75%	5%	80%
To use a website to advertise or promote your business	67%	6%	73%
To take orders for products and services	62%	5%	67%
To streamline communications with customers and staff	61%	4%	65%
To monitor your markets or the competition	44%	6%	50%
To promote the business using e-mail marketing	31%	10%	41%
To advertise your business on other websites	21%	8%	29%
To use online auction sites to sell goods or services	21%	9%	30%

Base = All businesses with internet

SOURCE: Sensis® e-Business Report
Sweeney Research - 2011

Current usage by business size

Most of the major internet applications reported fairly similar usage levels between small and medium businesses in the past year.

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.

There was also a four percentage point gap between small and medium businesses using the internet to look for information about products or services. There was slightly more difference in the use of this application between medium businesses (94 per cent) and small businesses (90 per cent). This was similar to internet banking, where there was a three percentage point gap in usage between small and medium businesses.

The internet application which demonstrated the greatest variation between small and medium business usage was again using a website to promote their business. Some 83 per cent of medium businesses with the internet identified this, compared to 66 per cent of small businesses with the internet. This gap of 17 percentage points was the highest for any internet application; however it was down from a 22 percentage point gap last year, due to an increase in the number of small businesses using this application in the past year.

The internet applications with the smallest usage gaps between small and medium businesses were taking orders and receiving payments for products and services. Both of these applications saw a two percentage point gap in usage between small and medium businesses. No internet applications reported a higher usage level by small businesses this year.

Current uses of the internet by business size			
	All SMEs	Small business	Medium business
To communicate via email	96%	95%	99%
To look for information about products and services	91%	90%	94%
Internet banking	91%	91%	94%
To look for suppliers of products or services	88%	88%	93%
To get reference information or research data	86%	85%	89%
To access directories such as the Yellow Pages	82%	81%	90%
To pay for products and services	80%	80%	86%
To place orders for products and services	79%	79%	87%
To access and use online catalogues	76%	75%	83%
To receive payments for products and services	75%	75%	77%
To use a website to advertise or promote your business	67%	66%	83%
To take orders for products and services	62%	62%	64%
To streamline communications with customers and staff	61%	60%	76%
To monitor your markets or the competition	44%	43%	55%
To promote the business using e-mail marketing	31%	30%	42%
To advertise your business on other websites	21%	21%	31%
To use online auction sites to sell goods or services	21%	21%	24%

Base = All businesses with internet

SOURCE: Sensis® e-Business Report
Sweeney Research - 2011

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 the largest rise during the year was recorded for SMEs using a website to advertise or promote their business. Use of this application rose by five percentage points each in the last year, on top of a four percentage point increase the previous year. Overall, 64 per cent of SMEs reported using a website to advertise or promote their business, with the greatest usage among SMEs in the communications, property and business services and manufacturing sectors at 76 per cent each.

The applications which saw the next highest increases in usage amongst SMEs in the past year were internet banking (up three percentage points) and monitoring markets or competition (up two percentage points).

Overall, 86 per cent of all SMEs reported that they used internet banking, with this application having increased three percentage points in the last year, on top of a two percentage point increase the previous year. Internet banking was most likely to be used by SMEs in the transport and storage sector (95 per cent).

Some 42 per cent of SMEs reported that they used the internet for monitoring markets and competition. While this application was up two percentage points this year, this represented somewhat of a fluctuation as it had declined one percentage point the previous year. SMEs in the finance and insurance sector were most likely to report using the internet to monitor markets and competitors (61 per cent).

The application which saw the greatest decline in the past year was using the internet to streamline communications with customers and staff. Overall 58 per cent of SMEs reported that they used this application, a drop of six percentage points in the past year.

Trends in current uses of the internet – based on all businesses				
	2009	2010	2011	Change 2010 to 2011
To use a website to advertise or promote business	55%	59%	64%	5%
Internet banking	81%	83%	86%	3%
To monitor your markets or the competition	41%	40%	42%	2%
To receive payments for products and services	67%	70%	71%	1%
To place orders for products and services	74%	74%	75%	1%
To take orders for your products and services	56%	58%	59%	1%
To look for suppliers of products or services	N/A	83%	84%	1%
To look for information about products and services	87%	86%	86%	0%
To pay for products and services	74%	76%	76%	0%
To promote the business using email marketing	31%	30%	29%	-1%
To communicate via email	91%	92%	91%	-1%
To advertise your business on other websites	23%	21%	20%	-1%
To get reference information or research data	86%	83%	82%	-1%
To access and use online catalogues	74%	74%	72%	-2%
To use online auction sites	18%	22%	20%	-2%
To access directories such as the Yellow Pages® directories	78%	82%	78%	-4%
To streamline communications with customers and staff	62%	64%	58%	-6%

Base = All businesses

SOURCE: Sensis® e-Business Report
Sweeney Research - 2011

What are the essential uses?

The most essential internet application for SMEs was again email. This was identified by 84 per cent of businesses as an essential application, up three percentage points in the last year. SMEs in the finance and insurance sector were most likely to view communication with e-mail as an essential application (93 per cent) with those in the transport and storage sector the least likely (69 per cent).

The next most important application identified as essential was internet banking at 82 per cent, up eight 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 (92 per cent). This contrasts with SMEs in the wholesale trade sector which were least likely to regard it as an essential application (74 per cent).

There were six other applications considered essential by the majority of SMEs: looking for information about products and services businesses might buy (67 per cent, up four percentage points); finding reference information or research data (66 per cent, unchanged); paying for products and services (59 per cent, up two percentage points); receiving payment for products and services (59 per cent, up six percentage points); placing orders for products and services (55 per cent up two percentage points) and accessing directories such as the Yellow Pages (52 per cent, up four percentage points).

The greatest increase in applications considered essential was online banking, which rose eight percentage points over the past year. Only three applications saw fewer SMEs regard them as essential in the past year: streamlining communications (down seven percentage points), advertising a business on other websites and using online auction sites (both down one percentage point).

What are the essential uses?			
	All SMEs	Small Business	Medium Business
To communicate via email	84%	84%	93%
Internet banking	82%	82%	87%
To look for information about products and services	67%	67%	72%
To get reference information or research data	66%	66%	72%
To pay for products and services	62%	61%	67%
To receive payments for products and services	59%	59%	66%
To place orders for products and services	55%	55%	63%
To access directories such as the Yellow Pages	52%	51%	63%
To use a website to advertise or promote your business	49%	49%	62%
To access and use online catalogues	47%	47%	56%
To take orders for products and services	45%	45%	51%
To streamline communications with customers and staff	44%	43%	64%
To monitor your markets or the competition	30%	30%	39%
To promote the business using e-mail marketing	22%	21%	33%
To advertise your business on other websites	12%	12%	20%
To use online auction sites to sell goods or services	10%	10%	14%

Base = All businesses with internet

SOURCE: Sensis® e-Business Report
Sweeney Research - 2011

Technology in Australian households

Introduction

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.

Equipment ownership and internet connections

Overall, Australian consumers continued to report a lower level of computer ownership, internet connectivity and usage than Australian SMEs.

Some 89 per cent of Australian households reported having a computer of some description in 2011, down two percentage points over the past year. Some 70 per cent had a desktop computer (down five percentage points), with notebook ownership currently at 58 per cent (unchanged in the past year). This compares with 95 per cent of SMEs with a desktop computer, 64 per cent with a laptop computer.

One of the interesting areas of ownership over the past year was the proportion of Australians reporting ownership of tablet devices such as iPads. Currently some 12 per cent of Australians reported owning a tablet device, with an additional 15 per cent expecting to get one in the next twelve months. Whilst most age groups reported similar levels of tablet ownership, the level of ownership was almost double for Australians aged in their 30s, where 29 per cent reported ownership. The proportion of Australians that reported owning a smartphone was down three percentage points over the year. The most popular smartphone was the iPhone, with almost six in ten smartphone users reporting they had an iPhone.

In terms of internet connections, 87 per cent of households were internet-enabled (down one percentage point in the past year), compared with 95 per cent of SMEs. There were strong increases in both the proportion of households with a standard broadband connection (66 per cent, up six percentage points) and wireless broadband connection (52 per cent, up seven percentage points).

The groups most likely to report below average usage were those aged 65 and above and retirees. For those Australians 65 years and above only 59 per cent reported accessing the internet in the past 12 months. Over the past year usage in this age group has fallen by seven percentage points.

Computerisation in the home			
	2011		Cf. 2010
	Currently have	Expect to get in next 12 months	Currently have
A desk top computer or PC	70%	11%	75%
A notebook computer	58%	14%	58%
Total computer	89%	21%	91%
Dial-up internet	8%	1%	8%
Broadband internet	66%	3%	60%
Wireless broadband	52%	4%	45%
Total internet	87%	7%	88%

Q. Which of the following items do you currently own?
Q. Which do you intend to get in the coming 12 months either for the first time, in addition to what you now have, or as a replacement?

SOURCE: Sensis® e-Business Report
Sweeney Research - 2011

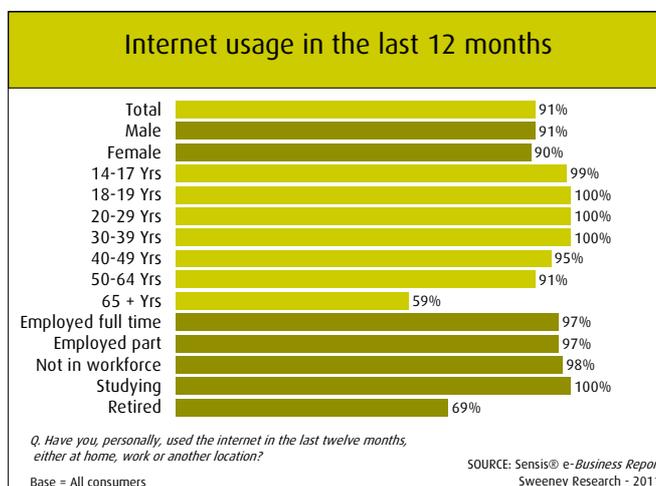
Base = All consumers

Technology in the Home			
	2011		Cf. 2010
	Currently have	Expect to get in next 12 months	Currently have
Digital TV or set top box	84%	12%	80%
Pay TV	30%	3%	24%
Mobile phone - standard	60%	5%	61%
Mobile phone – smartphone	44%	17%	47%
In-car navigation device	32%	5%	28%
Personal/hand-held navigation device	20%	2%	14%
Tablet (such as an iPad)	12%	15%	N/A
VOIP (voice over internet protocol) phone	10%	4%	11%

Q. Which of the following items do you currently own?
Q. Which do you intend to get in the coming 12 months either for the first time, in addition to what you now have, or as a replacement?

SOURCE: Sensis® e-Business Report
Sweeney Research - 2011

Base = All consumers



What Australians are doing online

Looking for information on products or services continued to be by far the most used internet application, used by 80 per cent of Australians, however this was down two percentage points in the past year. This was significantly higher than the next most popular applications, ordering goods and services and paying for purchases or bills, which were both reported by 67 and 66 per cent of Australians respectively. The proportion of Australians paying for purchases online increased by one percentage point over the past year, while the proportion ordering goods or services online increased three percentage points.

The greatest increases in usage in the past year were in the proportion of Australians who reported buying through an online auction site (35 per cent); ordering goods or services (67 per cent) and using a social networking site (59 per cent). All of these applications increased by three percentage points over the past year. Also increasingly popular were uploading videos (21 per cent) and reading blogs (44 per cent) which both increased by two percentage points over the past year.

While most applications recorded small increases in usage over the past year, five applications saw declines in usage. The largest decline was recorded for the proportion of Australians that made bookings online, which was down by three percentage points. There was a two percentage point decline in the proportion of Australian that were looking for information on products or services online. The proportion of Australians that reported supplying personal information online, undertaking banking and using the internet to make phone calls all decreased by one percentage point over the past year.

Overall, 59 per cent of Australians reporting they had used social networking sites in the past year, an increase of three percentage points.

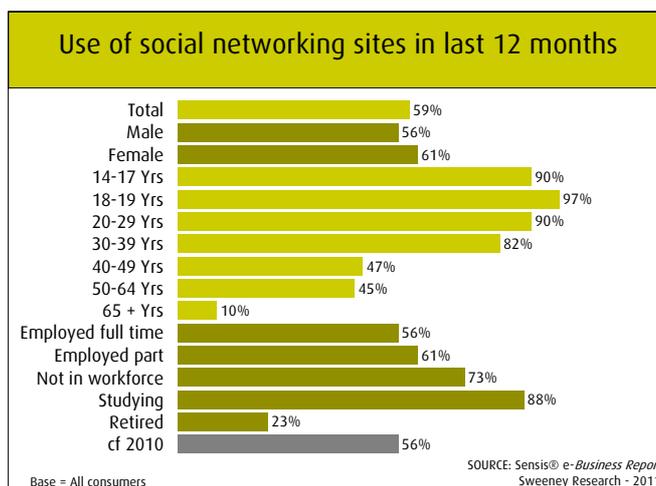
Age continued to influence social networking, with younger Australians much more likely to use a social networking site. While there was a marginal one percentage point decrease in usage for the 14 to 17 year old age group, the largest increase was for those in their 30s, where usage increased by 15 percentage points. The frequency of use of social networking sites increased sharply, with 42 per cent reporting that they used them several times a day, up from 28 per cent last year. Almost one in four Australians reported accessing social networking sites from their workplace.

Internet applications in the last 12 months		
	Internet users	All Australians
Looked for information on products and services	88%	80%
Ordered goods/services	74%	67%
Paid for purchases or bills with credit card or other means	73%	66%
Undertaken banking	69%	63%
Made bookings	66%	60%
Used a social networking site	65%	59%
Searched through an auction site	55%	50%
Downloaded or streamed video content	53%	48%
Read a blog	48%	44%
Supplied personal information online	43%	39%
Bought through an online auction site	39%	35%
Used the internet to make telephone calls (eg. Skype etc)	37%	34%
Belonged to an online community	29%	26%
Uploaded a video onto the internet	23%	21%
Sold through an online auction site	18%	16%
Written a blog	17%	15%
Bought discount/group buying coupons	15%	14%

Q. In the last twelve months have you undertaken any of the following via the internet? SOURCE: Sensis® e-Business Report Sweeney Research - 2011

Internet applications in the last 12 months				
Trends – All Australians				
	2009	2010	2011	Change 2010 to 2011
Bought through an online auction site	29%	32%	35%	+3%
Used a social networking site	41%	56%	59%	+3%
Ordered goods/services	61%	64%	67%	+3%
Uploaded a video onto the internet	14%	19%	21%	+2%
Read a blog	41%	42%	44%	+2%
Written a blog	16%	14%	15%	+1%
Paid for purchases or bills	62%	65%	66%	+1%
Belonged to an online community	27%	25%	26%	+1%
Downloaded or streamed video content	36%	47%	48%	+1%
Sold through an online auction site	14%	16%	16%	0%
Supplied personal information online	37%	40%	39%	-1%
Undertaken banking	60%	64%	63%	-1%
Used the internet to make phone calls	21%	35%	34%	-1%
Looked for information on products or services	78%	82%	80%	-2%
Made bookings	60%	63%	60%	-3%

Q. In the last twelve months have you undertaken any of the following via the internet? SOURCE: Sensis® e-Business Report Sweeney Research - 2011



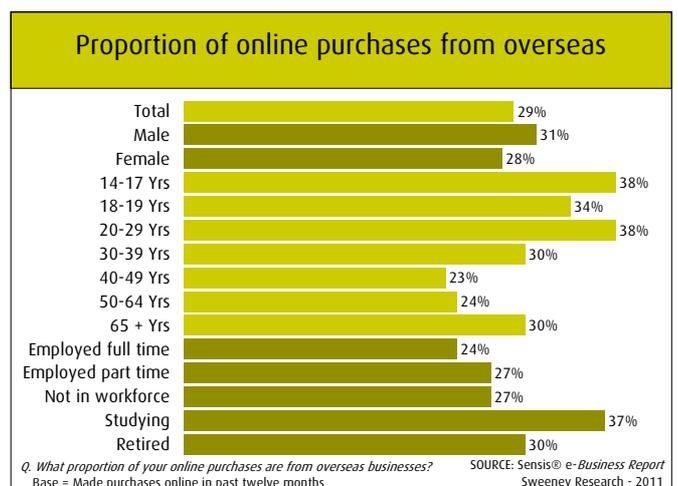
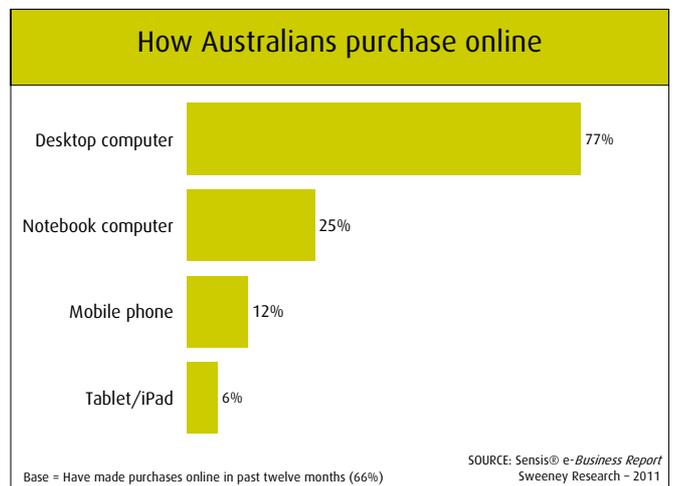
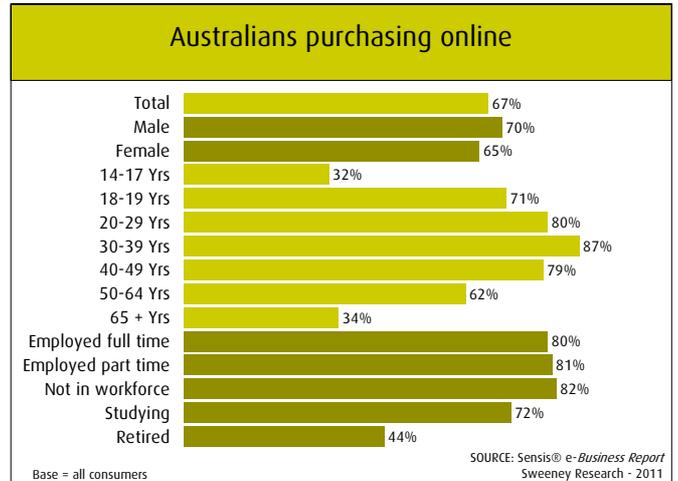
Australians purchasing online

Approximately two-thirds of Australians reported making purchases online, with Australians aged in their 30s most likely to report online purchasing (88 per cent). Males were more likely to report purchasing online (74 per cent, compared to 69 per cent for females). Victoria reported the highest proportion of Australians purchasing online (69 per cent), with Tasmanians the least likely to do so (53 per cent).

Over three quarters of Australians who reported purchasing online reported that they had done so from their desktop computer, by far the most popular device that purchases were made from. One in four reported purchasing from their notebook computer, 12 per cent from a mobile phone and six per cent from a tablet device.

The average amount that Australians reported spending online in the past 12 months was \$2,900, with males reporting spending on average \$3,400 compared to \$2,300 for females. While just over half (51 per cent) reported that their online expenditure was approximately the same as the previous year, 40 per cent reported that they had increased their level of online expenditure, with females more likely to report an increase (47 per cent). Those Australians that purchased online reported making, on average, 29 per cent of their purchases from businesses located overseas.

The purchase of online coupons is a relatively recent phenomenon, with four per cent of Australians reporting that they had purchased online coupons in the past year. Half of those reported purchasing coupons for new businesses that they had not previously used, with 17 per cent reporting having purchased coupons for businesses where they were already customers, and 32 per cent reported that they had purchased coupons for both businesses where they were already customers and new businesses. On average, 52 per cent of coupon users reported that they had returned to the businesses where they had bought the coupons, with males far more likely to return than females (67 per cent compared to 39 per cent).



Internet usage on mobile phones

One of the areas of technology seeing the strongest growth in recent years is Australians using the internet on mobile phones.

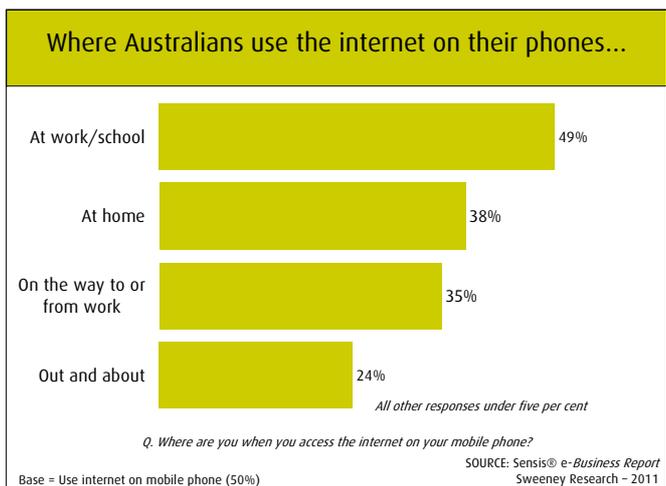
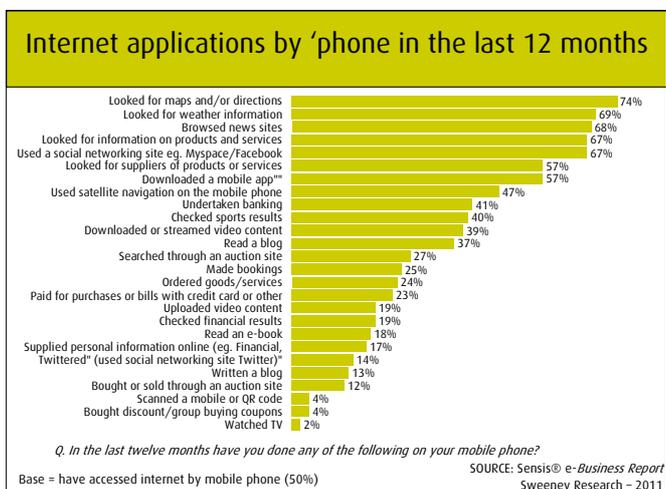
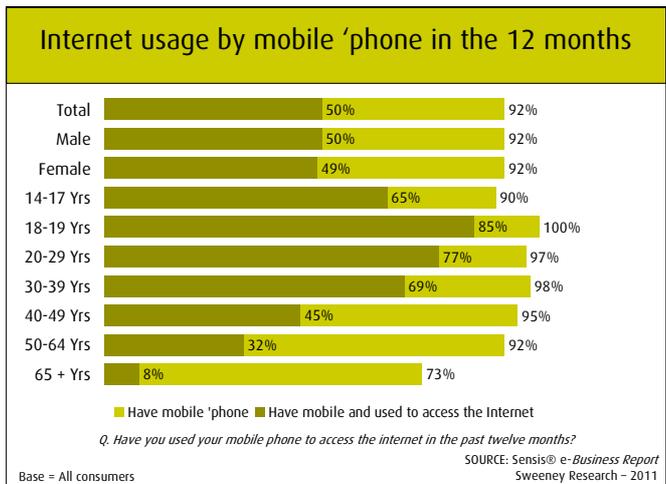
Mobile penetration is high amongst Australian consumers, with 92 per cent reporting they owned a mobile phone. On average, 50 per cent of Australians with mobile phones now use their phone to access the internet, up from 41 per cent last year. The nine percentage point increase this year comes on top of last year's 15 percentage point increase, with the use of internet on mobile phones almost doubling in the past two years.

While younger Australians were more likely to access the internet on their mobile phones, accessing the internet on a mobile was fairly common across most age groups. The age groups which reported the greatest increase in usage in the past year were those aged between 18 and 19 and those aged in their 30s, which were both up 19 percentage points in the past year.

Accessing information was a key use of internet on mobile phones, with looking for maps, weather and news the top applications reported by Australians. Using internet on mobiles for social networking was also a highly used application; on par with people looking for information on products and services (67 per cent each).

Overall, accessing the internet on a mobile phone for business-related reasons was high and grew further over the past year. Looking for information on products or services increased 11 percentage points to 56 per cent. Looking for suppliers of products or services increased 12 percentage points to 57 per cent, and ordering goods or services increased seven percentage points to 24 per cent.

It is interesting to note that Australians are not just using the internet on their mobile phones when other methods of connection are not available. The most frequently nominated places for Australians to use the internet on their mobile phones was at home or work or school (49 per cent). The next most likely place that Australians reported using the internet on their mobile phones was at home (38 per cent), followed by on the way to or from work (35 per cent).



Social media in businesses

Incidence of use

Overall, 18 per cent of businesses that are online use social media for business purposes. This has increased from 10 per cent one year ago, and 15 per cent six months ago. Medium businesses were more likely to use social media than smaller businesses (24 per cent compared to 18 per cent), and female business operators were also more likely to use social media for business purposes (37 per cent compared to 16 per cent for male-operated SMEs).

There was considerable variation by sector, with those SMEs in the cultural, recreational and personal services sector twice as likely as average to use social media (37 per cent). The lowest propensity to use social media for business purposes was in building and construction sector at two per cent.

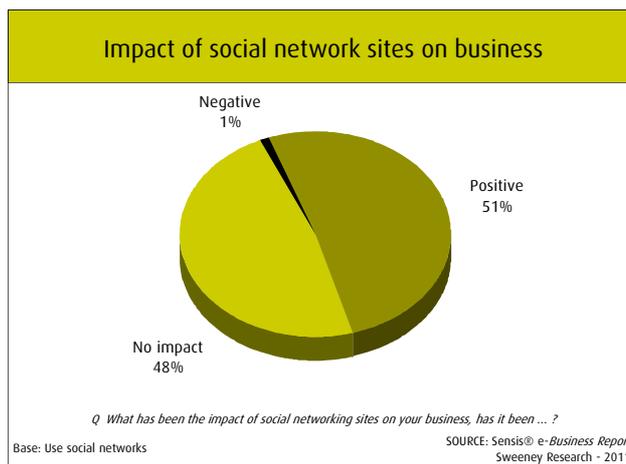
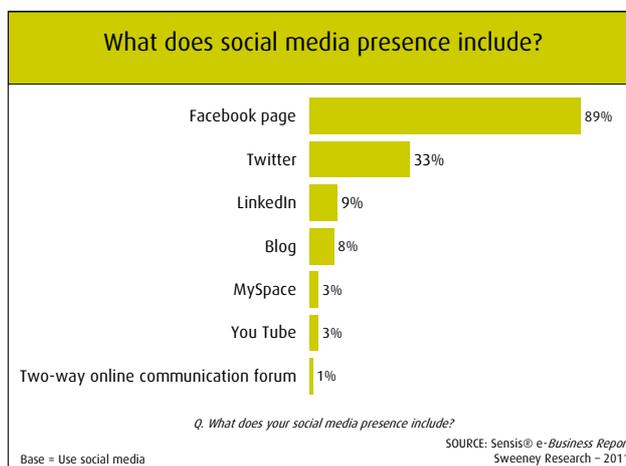
For those SMEs that reported having a social media presence, the presence was most likely to include a Facebook page (89 per cent). This was followed by Twitter (33 per cent), Linked In or a blog (eight per cent each).

Just over one in four (26 per cent) of SMEs reported monitoring and updating their social media presence everyday, with a further one in four updating their presence once a week. However, at the other end of the scale five per cent of SMEs reported never updating their social media, with 11 per cent reporting that they updated just a few times a year.

Most social media was maintained within the businesses, with 89 per cent of SMEs reporting that they had someone in the business responsible for maintenance, and nine per cent reporting that they outsourced this activity.

Just over half of all SMEs that used social media reported that it had had a positive impact on their business, with 48 per cent feeling that it had had no impact. Only one per cent of SMEs that used social media felt it had a negative impact on their business. SMEs that reported a positive impact felt that social media had increased networking opportunities for them, was good advertising for their business and they had received good customer feedback.

Social networking in the workplace				
Do you allow your employees to use social networking sites such as Facebook, Myspace etc while at work?				
	2009	2010	2011	
	All SMEs	All SMEs	All SMEs	Small Business Medium Business
Yes	31%	35%	32%	32% 36%
No	69%	65%	68%	68% 64%
<i>Base = Businesses with the internet and have employees</i>				
Does your business have a social media presence				
	2010	2011		
	All SMEs	All SMEs	Small Business	Medium Business
Yes	10%	18%	18%	24%
No	90%	90%	82%	76%
<i>Base = Businesses with the internet</i>				
SOURCE: Sensis® e-Business Report Sweeney Research - 2011				



Using websites

Introduction

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.

Website ownership

Overall, 67 per cent of all SMEs reported that they had a website for their business. This was an increase from 61 per cent last year and 56 per cent the previous year. A further six per cent of SMEs reported that they intended to get a website in the next year.

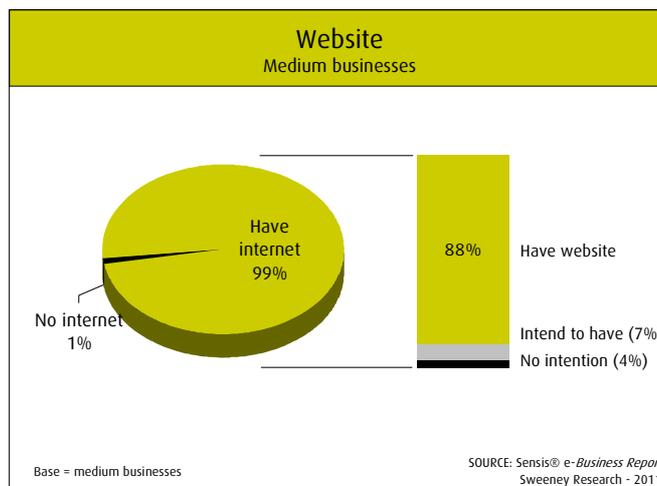
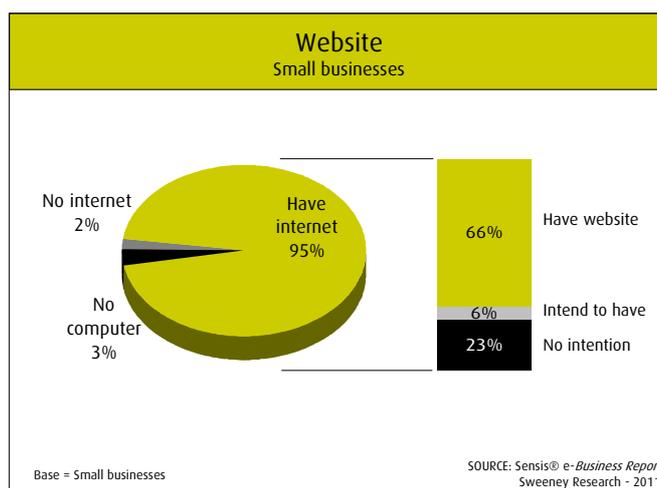
The proportion of small businesses with a website increased six percentage points in the past year to 66 per cent of all small businesses (69 per cent of online small businesses). Another six per cent of small businesses indicated they intend to get a website within the next 12 months. The remaining 23 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 small businesses reported getting websites in increasing numbers over the past year, there was virtually no change in the proportion of medium businesses with a website. While 98 per cent of medium businesses had an internet connection, 88 per cent reported they had a website, down one percentage point. A further seven 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 unchanged from the past year.

The highest rates of website penetration by industry sector were in the manufacturing and transport and storage sectors at 80 per cent each. At the other end of the spectrum was the building and construction sector, which reported a website penetration rate of 48 per cent of all businesses in the sector, the lowest of any industry; however this was up by seven percentage points in the past year, following a 17 percentage point increase the previous year.

Metropolitan businesses reported a significantly higher incidence of websites with a 70 per cent rate of adoption compared to 60 per cent for regional businesses.

Five per cent of SMEs reported that they had a mobile specific website. SMEs in the transport and storage sector were most likely to report having a mobile specific site for their business (nine per cent).



	2009	2010	2011	
	Have website	Have website	Have website	Intend to have
All Businesses	56%	61%	67%	6%
1-2 Employees	46%	53%	55%	9%
3-4 Employees	53%	57%	72%	4%
5-9 Employees	72%	78%	78%	3%
10-19 Employees	80%	86%	93%	2%
20-99 Employees	84%	89%	87%	7%
100-200 Employees	93%	96%	98%	0%
Total Small (1-19)	54%	60%	66%	6%
Total Medium (20+)	85%	89%	88%	7%

Base = All businesses
SOURCE: Sensis® e-Business Report Sweeney Research - 2011

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 (97 per cent).

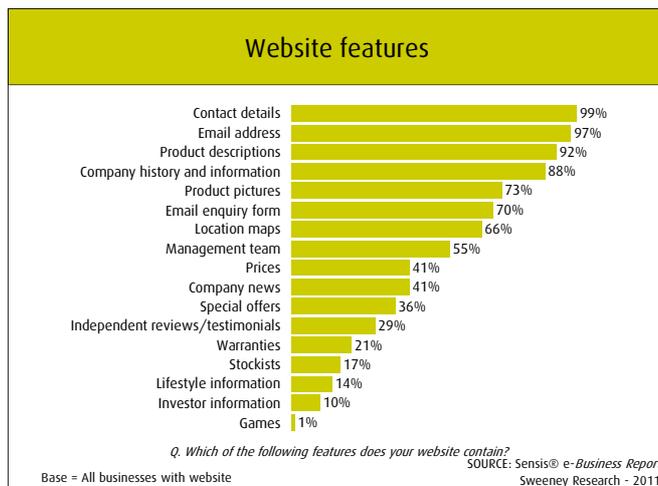
With consumers reporting that information on products and services was one of their key uses of the internet, it is interesting to note that this was one of the key features that SMEs were putting on their websites. Of those SMEs with websites, 92 per cent reported that they put product descriptions on their websites with 73 per cent of SMEs reporting they put product pictures on their sites. Some 41 per cent reported putting prices on their websites with 36 per cent saying they included special offers on their sites.

Information about the company was also an important factor with 88 per cent putting company history on their site, 55 per cent including information on their management team, 41 per cent including company news, and 29 per cent putting on independent reviews and testimonials.

Sixty-eight per cent of SMEs with websites stated having a website improved the effectiveness of their business. Metropolitan SMEs were slightly more likely to report their website had increased the effectiveness of their business (70 per cent) than SMEs in regional areas (65 per cent). There was little difference between small and medium businesses in perceptions of website effectiveness.

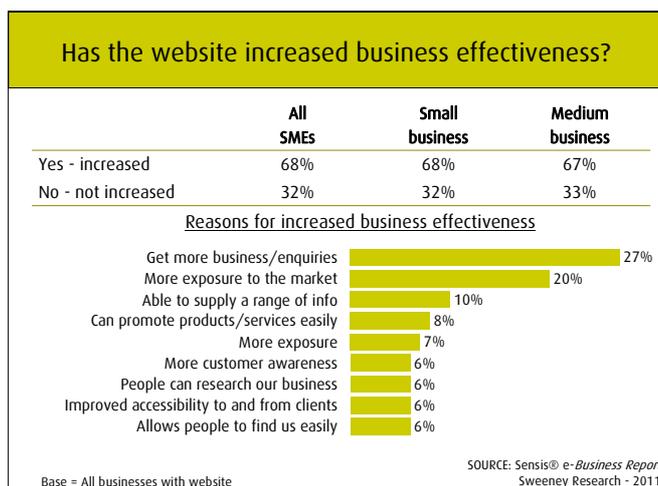
The most common reason given for increased business effectiveness from their website was that they received more business enquiries, they had more exposure to the market and they were able to supply a range of information on the website.

The benefits of the website were not without costs but on average, SMEs reported spending approximately \$4,100 on building and maintaining their website last year, up \$1,000 from the previous year. Small businesses reported spending an average of \$3,600 on their website (up \$1,200), compared to an average figure of \$12,300 for medium businesses (down \$700).



Feature	2010	2011	Change
Company news	36%	41%	+5%
Stockists	13%	17%	+4%
Investor information	7%	10%	+3%
Prices	38%	41%	+3%
Email address	95%	97%	+2%
Location maps	64%	66%	+2%
Email enquiry form	69%	70%	+1%
Management team	54%	55%	+1%
Product descriptions	91%	92%	+1%
Special offers	35%	36%	+1%
Company history and information	88%	88%	0%
Contact details	99%	99%	0%
Lifestyle information	14%	14%	0%
Warranties	21%	21%	0%
Games	2%	1%	-1%
Independent reviews/testimonials	30%	29%	-1%
Product pictures	74%	73%	-1%

Base = All businesses with website
 SOURCE: Sensis® e-Business Report
 Sweeney Research - 2011



Electronic commerce and small and medium businesses

Introduction

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

Use of the internet for procurement

During the past year, SMEs use of the internet for procurement showed little change, with most components of this activity remaining relatively stable. The main increase was seen in the proportion of SMEs using the internet to place orders for goods or services, which was up two percentage points in the past year.

There was a small increase in the proportion of SMEs connected to the internet, which rose one percentage point in the past year. There was no change in the proportion of SMEs using the internet to look for information about products and services, with 86 per cent of SMEs reporting having done this in the past year. There was a two percentage point increase in the proportion of SMEs placing orders over the internet (76 per cent), but no change in the proportion of SMEs using the internet to pay for goods and services (76 per cent).

There was considerable variation by industry sector as to whether businesses used the internet to place orders for goods and services. SMEs in the finance and insurance sector were the most likely to place orders for products and services on the internet (89 per cent, up three percentage points), while those SMEs in the building and construction sector were the least likely to place an order online (65 per cent).

For medium businesses, the only stage of the procurement process which saw growth in the past year was paying for products and services, which was up four percentage points to 85 per cent. There was a one percentage point fall in the proportion of medium businesses looking for information on products and services, and a four percentage point decrease in the proportion of medium businesses placing orders for products and services.

Metropolitan SMEs were more likely to look for information on products and services online (88 per cent compared to 82 per cent) and more likely to use the internet to place orders than regional businesses (77 per cent compared to 73 per cent), however regional SMEs were marginally more likely to use the internet to pay for products or services (76 per cent compared to 77 per cent). SMEs in the Northern Territory were the most likely to place orders online (79 per cent), with those in South Australia the least likely (67 per cent).

Buying over the internet by business size				
	Connected to internet	Look for information	Place orders	Pay
All Businesses	95%	86%	75%	76%
1-2 Employees	93%	84%	71%	73%
3-4 Employees	96%	86%	78%	80%
5-9 Employees	99%	91%	80%	78%
10-19 Employees	99%	89%	79%	80%
20-99 Employees	98%	93%	86%	85%
100-200 Employees	100%	91%	83%	83%
Total Small (1-19)	95%	86%	75%	76%
Total Medium (20+)	99%	93%	86%	85%

Base = All businesses

SOURCE: Sensis® e-Business Report
Sweeney Research - 2011

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

Base = Small businesses

SOURCE: Sensis® e-Business Report
Sweeney Research - 2011

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

Base = Medium businesses

SOURCE: Sensis® e-Business Report
Sweeney Research - 2011

The average proportion of total SME procurement made online rose four percentage points this year to 34 per cent, higher than the two percentage point increase in SMEs procuring online. Some 26 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.

The most common items purchased online by SMEs during the year were airline tickets and accommodation bookings, with 53 per cent of all businesses that made purchases purchasing these items. The proportion of SMEs that reported making airline bookings online was unchanged since last year. Purchases of accommodation booking increased three percentage points over the past year.

Purchasing office supplies and stock and merchandise were the next most popular online purchases, each reported by 46 per cent of SMEs that purchased online.

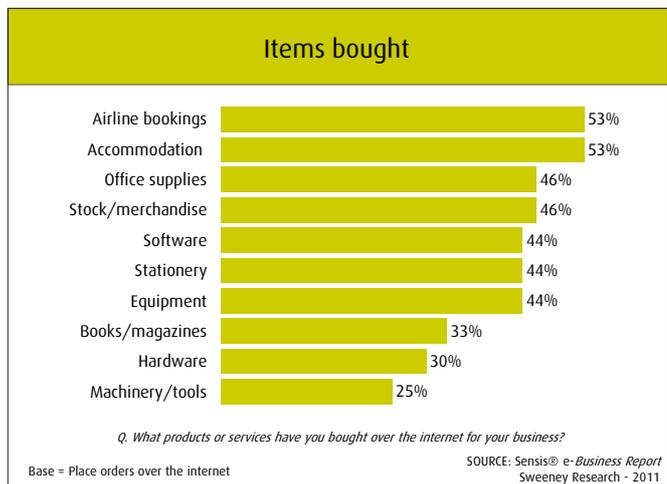
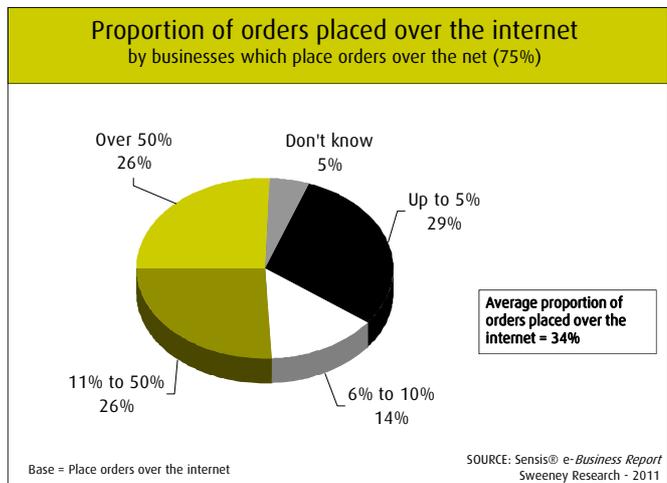
The next most popular online purchases by SMEs were software, stationery and equipment, which were each reported by 44 per cent of SMEs that purchased online.

SMEs in the transport and storage sector were most likely to report making airline bookings online (67 per cent) and accommodation bookings online (68 per cent), as well as equipment for their business (58 per cent).

Buying over the internet by industry sector				
	Connected to internet	Look for information	Place orders	Pay
All Businesses	95%	86%	75%	76%
Manufacturing	95%	89%	75%	80%
Building/Construction	96%	84%	65%	73%
Wholesale Trade	98%	93%	80%	80%
Retail Trade	92%	85%	72%	71%
Transport/Storage	99%	86%	76%	87%
Communications/Property/Business Services	98%	90%	84%	85%
Finance and Insurance	100%	94%	89%	65%
Health/Community Services	90%	80%	68%	71%
Personal Services	92%	75%	74%	73%
Accommodation/Cafés/Restaurants	90%	79%	67%	66%

Base = All businesses

SOURCE: Sensis® e-Business Report
Sweeney Research - 2011



SME use of the internet to sell

While there was little change in the proportion of SMEs that were purchasing online, the last year did see some small growth in the number of SMEs using e-commerce to sell goods and services. This is reflected in the increase from 58 per cent of all SMEs that reported taking orders online last year to 59 per cent for this year. This trend was also reinforced by the rise of SMEs that receive payments online from 70 per cent to 71 per cent.

While there was small growth in the proportion of small businesses taking orders online, the proportion of medium businesses taking online orders fell slightly. The number of medium businesses that reported taking orders online dropped during the year from 66 per cent to 63 per cent, however there was a small increase in the proportion of medium businesses taking payments online, which rose from 75 per cent to 76 per cent over the past year.

The wholesale trade sector recorded the strongest proportion of SMEs taking orders online with 76 per cent of businesses in this sector reporting this experience, up three percentage points in the past year. This is in contrast to the health and community services sector, where only 37 per cent of firms reported they took orders online.

SMEs in metropolitan areas were slightly more likely to report having taken orders online (61 per cent) than those in regional areas (56 per cent). SMEs in Victoria were more likely than those in other states and territories to report taking orders online (63 per cent) with those in South Australia and Western Australia the least likely (53 per cent).

The proportion of SMEs receiving payments online rose from 70 per cent to 71 per cent in the past year. Some 71 per cent of small businesses reported taking payments online, up one percentage point. Medium businesses were more likely to report receiving payments online than their smaller counterparts, increasing one percentage point to 76 per cent. SMEs in the transport and storage sector were most likely to report that they had received payments online, at 89 per cent, up seven percentage points. At the other end of the spectrum, SMEs in the accommodation, cafes and restaurant sector were least likely to report having received payments online, at 50 per cent.

Selling over the internet by business size			
	Connected to Internet	Take orders	Receive payments
All Businesses	95%	59%	71%
1-2 Employees	93%	54%	69%
3-4 Employees	96%	63%	75%
5-9 Employees	99%	64%	70%
10-19 Employees	99%	66%	74%
20-99 Employees	98%	64%	77%
100-200 Employees	100%	55%	69%
Total Small (1-19)	95%	59%	71%
Total Medium (20+)	99%	63%	76%

Base = All businesses

SOURCE: Sensis® e-Business Report
Sweeney Research - 2011

Selling over the internet Trends – small business											
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Connected to internet	75%	79%	81%	86%	87%	90%	92%	93%	95%	94%	95%
Take orders	19%	29%	32%	39%	41%	46%	47%	53%	57%	58%	59%
Receive payments	13%	26%	32%	44%	50%	52%	54%	62%	67%	70%	71%

Base = Small businesses

SOURCE: Sensis® e-Business Report
Sweeney Research - 2011

Selling over the internet Trends – medium business											
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Connected to internet	95%	94%	98%	99%	97%	99%	99%	98%	98%	100%	99%
Take orders	35%	47%	49%	50%	51%	54%	54%	56%	56%	66%	63%
Receive payments	29%	50%	63%	60%	59%	63%	62%	72%	70%	75%	76%

Base = Medium businesses

SOURCE: Sensis® e-Business Report
Sweeney Research - 2011

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 health and community services sector. This sector recorded a gap of 53 percentage points between internet connectivity and taking orders online, with this gap unchanged over the past year.

The most narrow gap was in the wholesale trade sector at 22 percentage points, down from a gap of 37 per cent last year. This was the biggest decline of any gap. The gap in the building and construction sector has increased by 17 percentage points over the same period of time, the biggest increase of any sector.

While there was a small increase in the proportion of SMEs taking orders online, the proportion of total online activity these orders saw a larger increase, with the average proportion of orders taken online up three percentage points to 27 per cent. Those SMEs in the transport and storage sector that took orders online reported the highest average proportion of their business online at 43 per cent.

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

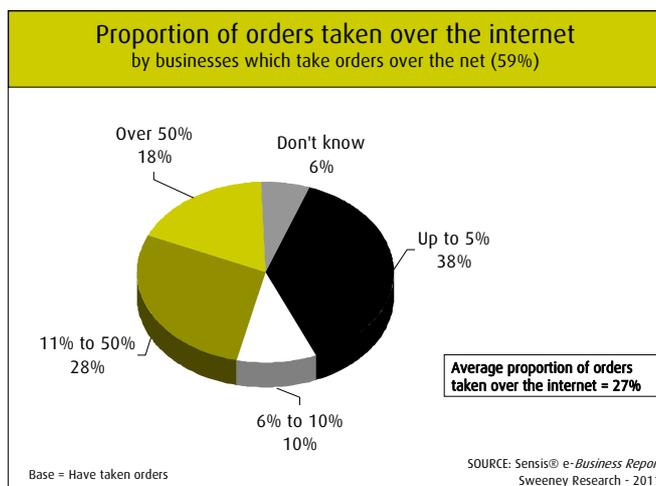
At the upper end, 18 per cent of SMEs who took orders over the internet reported online orders made up more than half of their total orders, up five percentage points in the last year. SMEs in the transport and storage sector were most likely to report online orders made up the majority of their orders, with the retail trade sector least likely to report receiving the majority of their orders online.

Around the nation, of those SMEs that took orders over the internet, SMEs in 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%	59%	71%
Manufacturing	95%	72%	76%
Building/Construction	96%	55%	72%
Wholesale Trade	98%	76%	70%
Retail Trade	92%	59%	69%
Transport/Storage	99%	70%	89%
Communications/Property/ Business Services	98%	57%	78%
Finance and Insurance	100%	57%	75%
Health/Community Services	90%	37%	60%
Personal Services	93%	56%	59%
Accommodation/Cafés/Restaurants	90%	62%	50%

Base = All businesses

SOURCE: Sensis® e-Business Report
Sweeney Research - 2011



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 87 per cent of SMEs reported making sales to local customers, with 60 per cent of businesses mainly selling online to local customers. This year saw an decrease of three 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 elsewhere in their state or territory and interstate were the next most frequent responses, with 48 per cent of SMEs selling to customers outside their town but elsewhere in their state or territory and 45 per cent selling to customers interstate. These proportions have both decreased in the past year, down four and seven percentage points respectively.

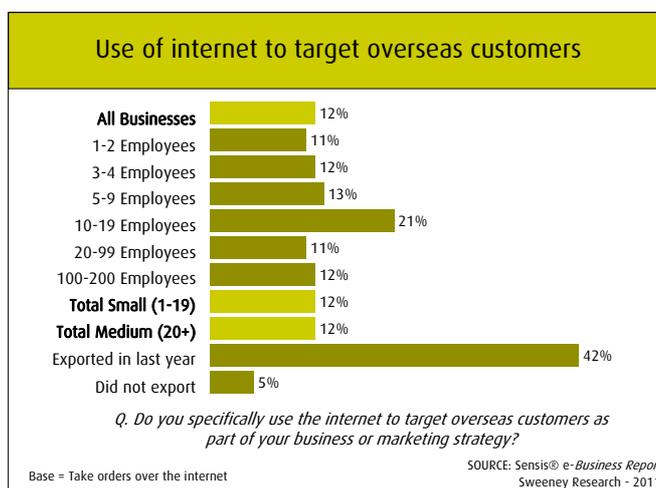
Overseas customers were identified by three per cent of SMEs as the main e-commerce customer group for their business. This was down from last year’s level of four per cent of SMEs, which used e-commerce to sell mainly to overseas customers. However, the total scope for exporting through e-commerce was more significant, with 27 per cent of SMEs who made sales through e-commerce having made at least some sales to overseas customers, unchanged in the past year.

With 27 per cent of SMEs making some sales to overseas customers, it is interesting to note some 12 per cent of SMEs that took orders online used the internet to target international customers. This figure has risen two percentage points in the past year. Some 42 per cent of SMEs, which exported in the past year, used the internet to target overseas customers, up from 20 per cent last year, and interestingly, five per cent of SMEs which did not currently export also tried to get customers in overseas markets by using the internet, down three percentage points in the past year.

Types of customers sold to				
	Mainly sell to	Total sell to	Total sell to	
			Small business	Medium business
Local – same city or town	60%	87%	87%	86%
Elsewhere in State	13%	48%	48%	56%
Interstate	16%	45%	44%	61%
Overseas	3%	27%	27%	35%

Base = Take orders over the internet

SOURCE: Sensis® e-Business Report
Sweeney Research - 2011



Return on investment

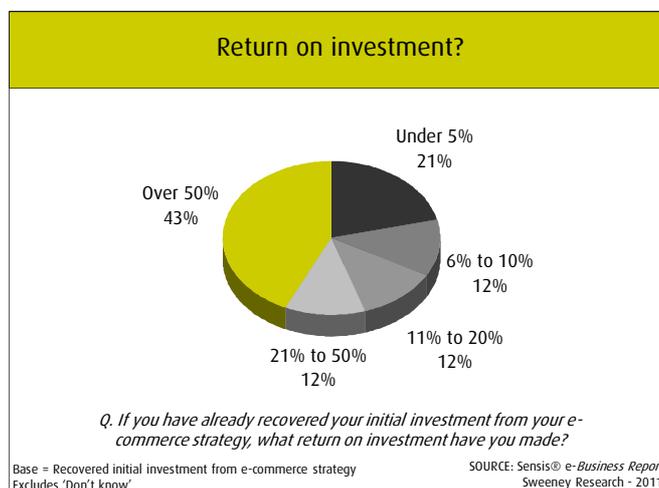
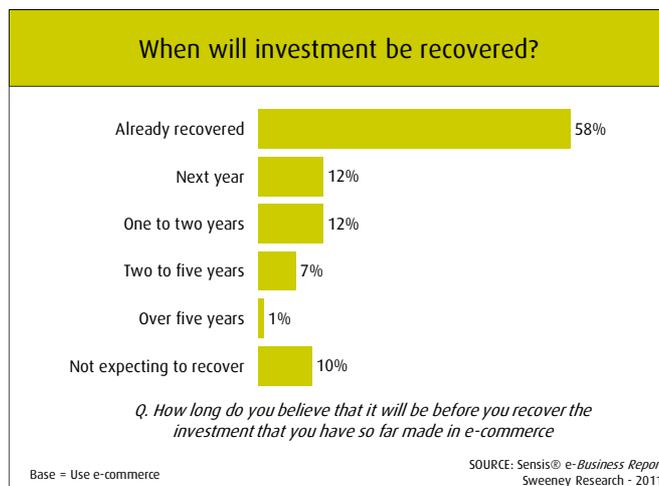
From a business investment perspective, it is important when forming a business case for any investment to look at the likely return on that investment. Since 2002 the Sensis® e-Business Report has been tracking the time that SMEs have been taking to recover their investment in e-commerce. The latest results found some 58 per cent of SMEs reported they had recovered their investment in e-commerce. A further 12 per cent of those SMEs who have invested in an e-commerce strategy said they are expecting to recover their investment in the next year.

The latest results show a decrease in the proportion of SMEs reporting they have recovered their investment, which was down by five percentage points from 63 per cent last year.

In terms of the return on investment, the most frequent response among SMEs who had recovered their investment was they did not know (32 per cent). Of those SMEs who did know their return on investment, the most frequent response was they had a return on investment of more than 50 per cent, which was reported by 43 per cent of SMEs, down by three percentage points. This was followed by 21 per cent of SMEs who knew their return on investment reporting they had achieved a return of under five per cent of their original investment, up one percentage point in the past year.

The proportion of SMEs who recovered their investment and reported a return in excess of 50 per cent dropped slightly during the last year, down from 46 per cent. The proportion of SMEs reporting a return on investment of less than five per cent increased marginally from 20 per cent last year to 21 per cent this year.

SMEs in the Australian Capital Territory were the most likely to report a return on investment of greater than 50 per cent, with those in Tasmania the least likely. SMEs in metropolitan areas were more likely to report a return on investment of more than 50 per cent than those in regional areas (31 per cent compared to 26 per cent of SMEs reporting they had recovered their investment). Small businesses were also significantly more likely than medium businesses to report a return on investment of over 50 per cent (30 per cent compared to 18 per cent).



Degree of interest in engaging in e-commerce

The proportion of SMEs online and intending to introduce e-commerce into their businesses was unchanged in the past year, with one in three online SMEs reporting no interest in using e-commerce to sell in their business.

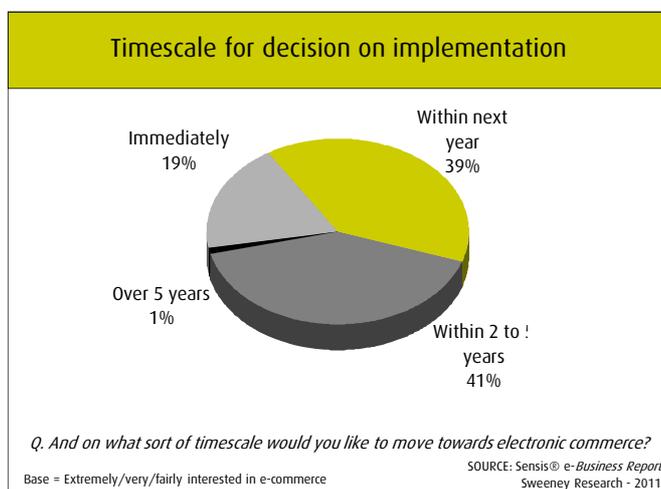
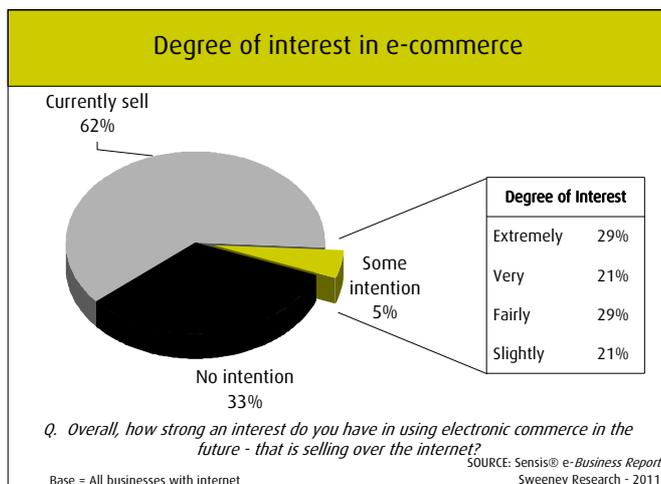
The intention to introduce e-commerce among SMEs that were online but not already using e-commerce was unchanged over the past year at five per cent. Among those firms connected to the internet, some 62 per cent currently make sales using e-commerce, with 33 per cent reporting that they currently had no intention of introducing e-commerce to their business, which was relatively unchanged over the past year.

Of the remaining five per cent of online businesses that felt they could use e-commerce, four in ten businesses indicated they were either extremely interested or very interested in using e-commerce within their businesses, down a marginal one percentage point in the past year. This was divided between 19 per cent that were extremely interested (up from 11 per cent) and 21 per cent that were very interested (down from 30 per cent). Some 31 per cent were only slightly interested, down marginally from 32 per cent last year.

For those SMEs that were online but not currently selling online, those in New South Wales were most likely to express some degree of interest in using e-commerce, as were SMEs in the manufacturing sector.

For those SMEs intending to introduce e-commerce, the degree of interest strengthened over the past year, with the proportion of SMEs that reported that they were “extremely” interested increasing by ten percentage points over the past year, following an eight percentage point increase the previous year.

There was also a strong increase in the proportion of SMEs looking to introduce e-commerce immediately, which increased 13 percentage points to 19 per cent, balanced by a drop in those that were looking at introducing it at some stage in the next year. Correspondingly, there was a drop in the proportion of SMEs that were looking to introduce e-commerce into their businesses in the next year, which fell from 64 per cent of interested SMEs last year to 39 per cent this year, and an increase in those looking to introduce it in the next two to five years, which was up from 31 per cent last year to 41 per cent this year.



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, however there was a small decrease in concern levels over the past year. Some 44 per cent of online businesses identified this as a major concern, a decrease of two percentage points. A further 27 per cent identified this as a minor concern, which was marginally up from 26 per cent over the past year.

The second most important concern this year remained a lack of personal contact with the customer. This was identified by 26 per cent as a major concern (up two percentage points in the past year), with a further 33 per cent identifying this as a minor concern. The next most important concerns included the cost and time to introduce new technologies (identified by 24 per cent as a major concern, up one percentage point in the past year); a lack of expertise with computers (down one percentage point to 22 per cent); and the cost of hardware and software (identified by 21 per cent of SMEs).

The issues least likely to be identified as a major concern among SMEs, of all the prompted responses, were that customers would not be prepared to carry out transactions online; customers weren't ready yet; and their customers would be able to easily compare their products with competitor products. Some 12 per cent identified each of these issues as a major concern.

With online advertising now being a part on online activity for many SMEs, it is interesting to look at how SME concerns about online advertising varied from general e-commerce concerns. The main concerns noted by SMEs were the cost and time to introduce it, the cost of implementing it, a lack of expertise and knowledge and the ability to measure return on investment.

Concern about inability to measure return on investment was five percentage points higher for online advertising than was the case for e-commerce in general.

Concerns about e-commerce (Prompted)			
	Major concern	Minor concern	No concern
People being able to hack into your computer system	44%	27%	29%
Lack of personal contact with the customer	26%	33%	40%
Cost and time with introducing new technologies	24%	36%	40%
Your lack of expertise and knowledge in computers	22%	37%	41%
The cost of hardware and software	21%	40%	39%
Being able to measure your return on investment	17%	34%	49%
Incompatibility with your existing systems	16%	27%	57%
A feeling that most of your customers aren't yet ready	12%	34%	55%
Customers not being prepared to carry out financial transactions over the Internet	12%	34%	54%
Customers can more easily compare your product offer with that of your competitors	12%	30%	58%

Base = All businesses with internet

SOURCE: Sensis® e-Business Report Sweeney Research - 2011

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

Base = All businesses with internet

SOURCE: Sensis® e-Business Report Sweeney Research - 2011

Online advertising

For those SMEs that were online, some 44 per cent reported that they used the internet for advertising. Unpaid search engine optimisation (SEO) was reported by 25 per cent of SMEs, up from 21 per cent last year, while paid search engine marketing (SEM) was being done by 18 per cent of online SMEs, up from 14 per cent last year. Some 15 per cent of SMEs reported advertising on social networks, up from eight per cent last year, and three per cent of SMEs reported using mobile advertising, unchanged in the past year.

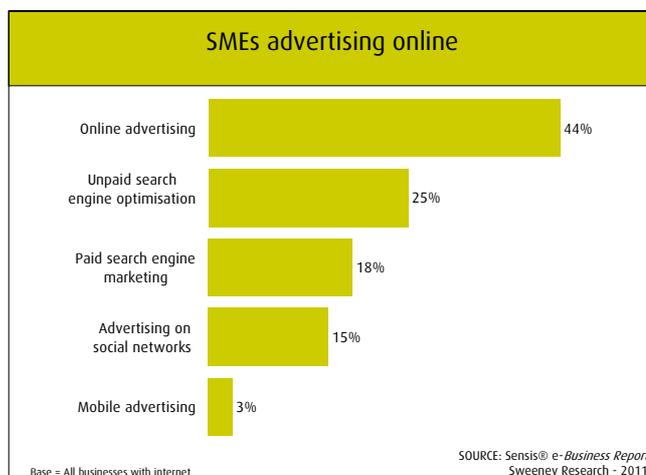
Unpaid SEO was more likely to be done by SMEs in regional areas (27 per cent) than SMEs in metropolitan areas (24 per cent). The converse was the case for paid SEM, which was far more likely to be reported by SMEs in metropolitan areas (21 per cent) than their regional counterparts (11 per cent). SMEs in New South Wales reported the highest level of SEM usage (21 per cent of online SMEs), while those in Tasmania and the Northern Territory were least likely to use SEM (8 per cent and 9 per cent of online SMEs respectively).

SMEs in the manufacturing sector were the most likely to use unpaid SEO to advertise their business (33 per cent), with SMEs in the finance and insurance sector most likely to undertake paid SEM (41 per cent).

SMEs in Victoria were most likely to advertise on social networks (17 per cent of online SMEs), with those in South Australia the least likely (10 per cent of online SMEs). SMEs in the cultural, recreational and personal services and accommodation, cafes and restaurant sectors were most likely to advertise on social networks (33 per cent and 32 per cent of online SMEs respectively).

With online advertising now being a part on online activity for many SMEs, it is interesting to look at how SME concerns about online advertising varied from general e-commerce concerns. The main concerns noted by SMEs were the cost and time to introduce it, the cost of implementing it, a lack of expertise and knowledge and the ability to measure return on investment.

Concern about inability to measure return on investment was five percentage points higher for online advertising than was the case for e-commerce in general.



	Major concern	Minor concern	No concern
Cost and time with introducing new technologies	26%	33%	41%
The cost of implementing	25%	33%	42%
Your lack of expertise or knowledge	25%	35%	41%
Being able to measure the return on your investment	22%	30%	47%
A feeling that most of your customers aren't yet ready	11%	28%	60%
Tried it already and it doesn't work	7%	17%	76%

Base = All businesses with internet
SOURCE: Sensis® e-Business Report Sweeney Research - 2011

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.

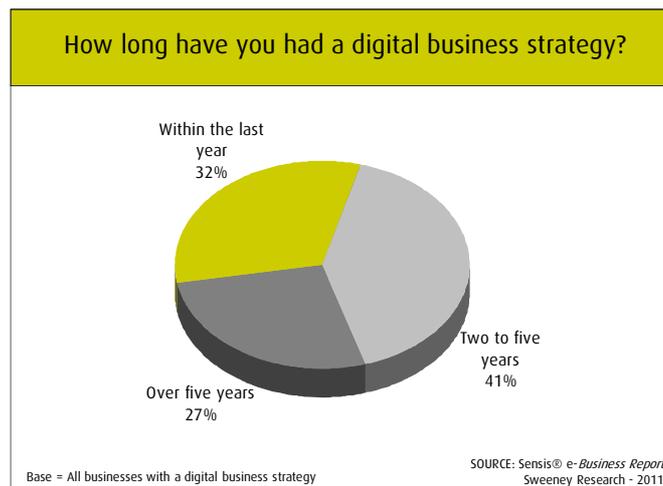
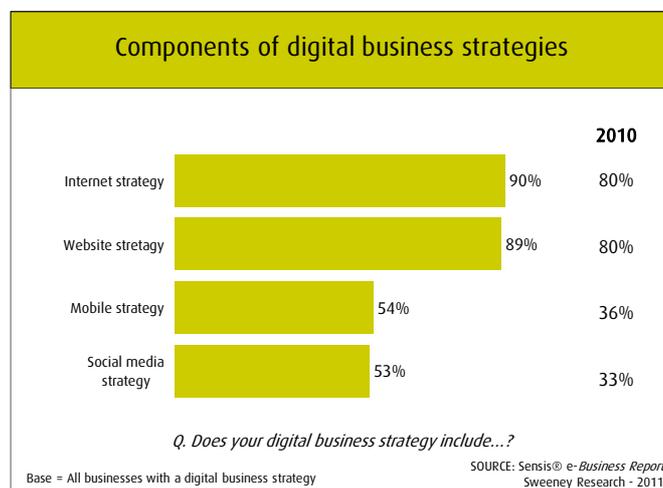
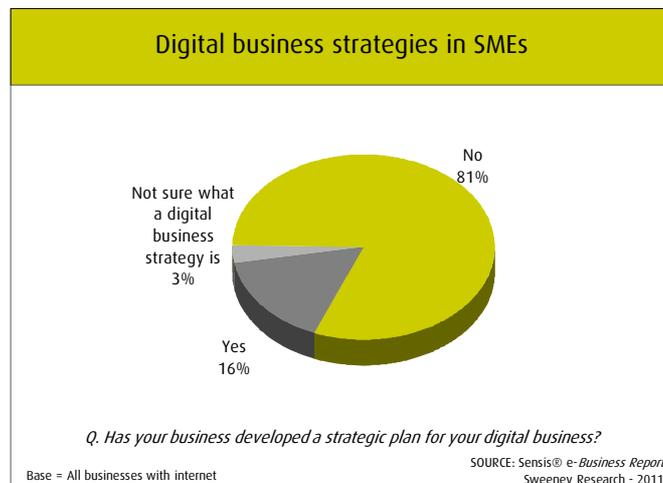
Of those SMEs that are on the internet, only 16 per cent reported having an actual digital business strategy, with 81 per cent reporting that they did not have one and three per cent not sure. There was actually a marginal fall in the proportion of SMEs with a digital strategy, which was down one percentage point since last year.

Digital business strategies were more common in metropolitan areas, where 17 per cent of SMEs reported having one compared to only 14 per cent of their regional counterparts. SMEs in New South Wales were the most likely to report having a digital business strategy at 19 per cent, with those in the Northern Territory the least likely at only 10 per cent. SMEs in the accommodation, café and restaurant 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 relatively unchanged over the past year, those with strategies were more likely to have an holistic approach to their plans. While strategies were still most likely to cover the internet and websites, more were now including mobile and social media components, and there were increases across all components in the past year.

Internet strategies increased ten percentage points in the past year, and were included in 90 per cent of digital strategies. Websites were included in 89 per cent of strategies, up nine percentage points in the past year. Mobile strategies were included in 54 per cent (up 18 percentage points) and social media strategies were included in 53 per cent of digital business strategies (up 20 percentage points).

Some 65 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 normal online adviser (11 per cent) and their normal advertising adviser (seven per cent). SMEs that had a digital business strategy were most likely to report having developed it within the past two to five years (41 per cent), with 32 per cent reporting that they had developed their digital business strategy in the last year and 27 per cent having had a digital business strategy for more than five years.



How to obtain a copy of the Sensis® *e- Business Report*

Internet

The Sensis® *e-Business Report* can be downloaded from the Sensis internet site at: www.about.sensis.com.au.

Sensis® *Business Index* "Special Reports"

Since the inception of the Sensis® *Business Index*, a range of Special Reports have been produced. Major reports include:

- Sensis® Environment Report – September 2007
- Teleworking - June 2005
- E-Business: The online experience of Australian SMEs – annually since 1995
- Innovation – March 2001
- Finance & Banking Issues – August 1993, August 1995 and November 1999
- Attitudes to Changes in FBT – July 1999
- Workers Compensation and Workplace Safety – November 1998
- The Paper Work Burden on Small Business – October 1996
- Women in Business – July 1994 and February 1996
- Attitudes to Government – October 1994 and November 1995

Sensis undertakes commissioned research for corporate and government organisations on a variety of SME based issues.

For further information please contact: Christena Singh
Author – Sensis® *e-Business Report*
Ph: (03) 8653 4896
christena.singh@sensis.com.au

About Sensis: Sensis helps Australians find, buy and sell. Our integrated network of local search and digital marketing solutions delivers real, measurable business leads to Australian businesses. Sensis' multichannel network includes Yellow Pages®, White Pages®, the 1234 and 12456 Call Connect voice services, Whereis® digital mapping solutions and request-for-quote service, Quotify.

® and ™ Registered trademark and trademark of Telstra Corporation Ltd. Citysearch® and the Citysearch logo is a registered trade mark of CitySearch Australia Pty Ltd. Sensis Pty Ltd is responsible for Yellow™, White Pages® and Whereis® and related products and services on behalf of Telstra Corporation Ltd and is responsible for similar activities in relation to CitySearch® on behalf of CitySearch Australia Pty Ltd and CitySearch Canberra Pty Ltd.

© Telstra Corporation Limited 2011

The material contained in this publication is general only and is not intended as advice on any particular matter. No reader should act or fail to act on the basis of this report. Sensis Pty Ltd disclaims to the maximum extent permitted by law all liability, costs and expenses incurred by any person in connection with the content of this report.