

August 2009

Sensis[®] *e-Business Report*

The Online Experience of Small and
Medium Enterprises



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Introduction

The Sensis® *e-Business Report* is a special report primarily based on findings from the Sensis® *Business Index*.

The Sensis® *Business Index* is an ongoing series of surveys tracking confidence and behaviour of Australia's small and medium enterprises (SMEs).

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

The June 2009 Sensis® *Business Index* included questions on technology usage and electronic commerce (e-commerce). These questions formed the basis of the 2009 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 15 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 collected as part of the June 2009 Sensis® *Consumer Report*. The Sensis® *Consumer Report* is a survey designed to measure the confidence and behaviour of Australian consumers. This year's *e-Business Report* captures information about consumer behaviour and attitudes towards their e-business activities. This enables the results of consumers to be juxtaposed against those of business owners to ascertain any important issues, similarities or differences.

The primary objective of the Sensis® *Consumer Report* is to measure consumer confidence and expectations for the next 12 months. The report provides an independent, objective assessment of consumers' experiences and attitudes on key issues.

The Sensis® *Business Index*, the Sensis® *Consumer Report* 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 surveys

The information in this report was primarily sourced from the June 2009 Sensis® *Business Index* and is based on telephone interviews conducted with 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.

Interviewing was conducted over the period 6 May to 10 June 2009. The results relating to businesses in this Sensis® *e-Business Report* are based on the responses of businesses surveyed.

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® *Business Index*
Sweeney Research - 2009

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® *Business Index*
Sweeney Research - 2009

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® *Business Index*
Sweeney Research - 2009

The results in this report relating to consumer behaviour are based on a survey of 1,500 Australians conducted over the period 12 to 26 May 2009.

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 (2001 Census) so that results more closely reflect the population distribution within each state and territory.

Consumer Report sample structure			
Demographics			
	Total	Male	Female
14 – 17 years	100	50	50
18 – 19 years	100	50	50
20 – 29 years	250	125	125
30 – 39 years	250	125	125
40 – 49 years	250	125	125
50 – 64 years	300	150	150
Over 64 years	250	125	125
Total	1500	750	750

SOURCE: Sensis® Consumer Index
Sweeney Research - 2009

Consumer Report sample structure			
Location			
	Total	Metro	Non-Metro
New South Wales	250	200	50
Victoria	250	200	50
Queensland	250	140	110
South Australia	190	160	30
Western Australia	190	160	30
Tasmania	125	75	50
Northern Territory	125	75	50
Australian Capital Territory	120	120	0
Total	1500	1130	370

SOURCE: Sensis® Consume Report
Sweeney Research - 2009

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. The research was undertaken between 6 May and 10 June 2009. Results in this report also include data on Australian consumers, which was collected concurrently through the Sensis® *Consumer Report* survey of 1,500 consumers.

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

Computer equipment

Computer ownership among SMEs during the year was unchanged, with 97 per cent of SMEs owning a computer of some description. This comprised of a 97 per cent ownership level for small businesses and 98 per cent ownership for medium businesses. While ownership of desktop computers fell marginally in the past year, this was more than offset by an increase in the ownership of notebook computers, with 63 per cent of SMEs now owning a notebook computer. This was an increase of two percentage points from 61 per cent last year.

The internet

The rate of internet connectivity among small and medium businesses continued to grow marginally during the year, with internet connectivity among small businesses increasing from 94 per cent to 95 per cent, a rise of one percentage point.

While 95 per cent of all SMEs currently have internet access, only a further one per cent expects to connect within the next 12 months and the remaining four per cent do not expect to be connected within the year. Some 96 per cent of SMEs with internet access now have broadband internet access, having risen a further two percentage points in the past year.

The single most important reason for use of the internet (as identified by 97 per cent of all internet-connected SMEs) remains email (to communicate with clients, customers and suppliers), however there was a marginal decline in this application in the past year. The second most important use of the internet was to look for information about products and services (92 per cent), while the third highest usage was to get reference information or research data (91 per cent).

Australians use of technology

The uptake of technology in Australian households was lower than was the case for SMEs. Some 90 per cent of households reported having a computer of some description, with 85 per cent of households being internet enabled and 76 per cent having broadband connections. Overall, 61 per cent of Australians had made purchases online in the past year.

Websites

The proportion of online small businesses with a website continued to increase over the past year from 54 per cent to 57 per cent. A further 12 per cent of online small businesses indicated an intention to have one within the next 12 months. Website penetration also rose for medium businesses, rising from 83 per cent in 2008 to 87 per cent in 2009. A further eight per cent of medium businesses indicated they expected to build a website within the next 12 months.

In terms of website effectiveness, a majority of businesses (71 per cent) have indicated their website increased their business effectiveness. The reason most SMEs provided was the website had made it easier for people to be more informed about their business.

Use of the internet for procurement

The past year has seen solid growth in the use of the internet for procurement purposes. This is reflected in the strong increase from 67 per cent to 74 per cent in the proportion of SMEs that are now placing orders for products and services online over the past year.

There was, however, little change in the importance of online orders placed by SMEs as a share of their total purchasing activities in the last year. The proportion of e-commerce SMEs indicating their online purchases represented more than five per cent of their total purchasing activities increased from 66 per cent to 65 per cent. At the top end of the spectrum, 21 per cent of SMEs who bought online reported the majority of their procurement was conducted online, which has increased by two percentage points in the past year.

In terms of paying for products and services online, there was continued growth in adoption over the year. This was reflected in the rise among SMEs from 71 per cent to 74 per cent for payments made online.

The most common online purchases made by SMEs during the year were airline bookings, software, stock and merchandise and office supplies.

Use of the internet to sell

Online selling remained a popular trend continuing to grow during the past year. The percentage of SMEs taking orders online has increased from 54 per cent in 2008 to 56 per cent in 2009.

Online selling as a share of total sales activities saw a decline over the course of the year among e-commerce oriented SMEs, dropping from 30 per cent to 26 per cent. Despite the fall in the average level of online sales, the proportion of online SMEs indicating they took more than five per cent of their total sales orders online increased over the year from 61 per cent in 2008 to 64 per cent in 2009. Some 16 per cent of SMEs who used e-commerce to sell made the majority of their sales online, which was down marginally.

The number of SMEs receiving payments online for sales made over the internet also grew, with the proportion of SMEs receiving payments for sales over the internet increasing from 63 per cent to 67 per cent in the past year.

A critical factor in the decision of SMEs to commit to an e-commerce strategy (or any other business strategy) was the timeframe for them to recover their investment. More than two-thirds of e-commerce SMEs (67 per cent) indicated they had already recovered their investment in e-commerce. This result was up by three percentage points from last year. While many SMEs were not sure of the return they had made on their e-commerce investment, some 24 per cent of SMEs that did know indicated the return on investment from their e-commerce strategy had exceeded 50 per cent, up marginally from 23 per cent last year.

While 59 per cent of online SMEs use e-commerce and a further eight per cent have indicated they thought they could use it, some 33 per cent of online SMEs believed they could not use e-commerce. There was little change in the past year in the degree of interest and the timeframe for introducing e-commerce. The number one SME concern in relation to e-commerce was once again security and the ability of people to hack into their systems.

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 2009 Sensis® e-Business Report found 97 per cent of SMEs reported owning a computer of some description, which was unchanged in the past year. Desktop computers were the most common, with 92 per cent of SMEs reported owning at least one desktop computer. Incremental growth in mobile computing was also reported, with some 63 per cent of SMEs owning at least one notebook computer (62 per cent of small businesses and 87 per cent of medium businesses).

Computer ownership was almost identical in metropolitan regions with 97 per cent of SMES reporting computer ownership in metropolitan areas compared to 96 per cent for regional SMEs.

Whilst historically there has been some difference in computer ownership among businesses in different states and territories, the overall difference decreased in the past year. The highest level of computer ownership was in Victoria (99 per cent), while the lowest was in Tasmania (91 per cent), making an overall gap in computer ownership of eight percentage points, down from a gap of ten percentage points last year. Most states and territories recorded similar levels of computer ownership in the past year, with no state or territory recording a change greater than two percentage points.

Levels of computer ownership also varied across the industry sectors. At the high end of the scale, SMEs in the communications, property and business services; finance and insurance; and health and community services sectors recorded a 100 per cent computer ownership result. By comparison, SMEs in the building and construction sector recorded a result of 90 per cent of SMEs owning a computer of some description, resulting in a ten percentage point gap across industry sectors.

Computer ownership by industry sector			
	Desktop computer	Notebook computer	Any computer
All Business	92%	63%	97%
Manufacturing	97%	61%	99%
Building/Construction	88%	48%	90%
Wholesale Trade	95%	68%	99%
Retail Trade	86%	59%	95%
Transport/Storage	88%	55%	98%
Communication, Property & Business Services	97%	72%	100%
Finance and Insurance	95%	71%	100%
Health and Community Services	99%	67%	100%
Cultural, Recreational & Personal Services	89%	68%	97%
Accommodation, Cafés and Restaurants	89%	55%	95%

SOURCE: Sensis® e-Business Report
Sweeney Research - 2009

Computer ownership by business size and location			
	Desktop computer	Notebook computer	Any computer
All Businesses	92%	63%	97%
1-2 Employees	89%	56%	95%
3-4 Employees	94%	65%	99%
5-9 Employees	97%	68%	98%
10-19 Employees	99%	78%	99%
20-99 Employees	97%	86%	98%
100-200 Employees	97%	92%	100%
Total Small (1-19)	92%	62%	97%
Total Medium (20+)	97%	87%	98%
Total Metropolitan	93%	64%	97%
Total Rural	91%	62%	96%

SOURCE: Sensis® e-Business Report
Sweeney Research - 2009

The greatest increase during the past year in telecommunication equipment ownership was in the proportion of SMEs with a 3G mobile telephone with internet access, which was up 10 percentage points to 62 per cent.

Continued growth was also seen in SMEs using wireless technologies for location and navigation and mobile e-mail. Some 36 per cent of SMEs reported having a satellite navigation device, either in-car or hand-held (up six percentage points), with 17 per cent reporting having a mobile e-mail device, up three percentage points over the past year.

While 3G mobile phone ownership was up, there was a continued decrease in the ownership of mobile phones without internet access, which were down a further four percentage points. There was no growth in the proportion of SMEs reporting a LAN network, and a marginal decrease in the proportion of SMEs with an advanced telephony system.

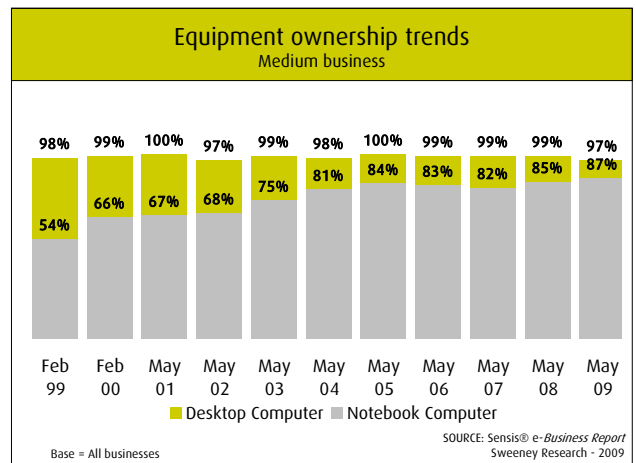
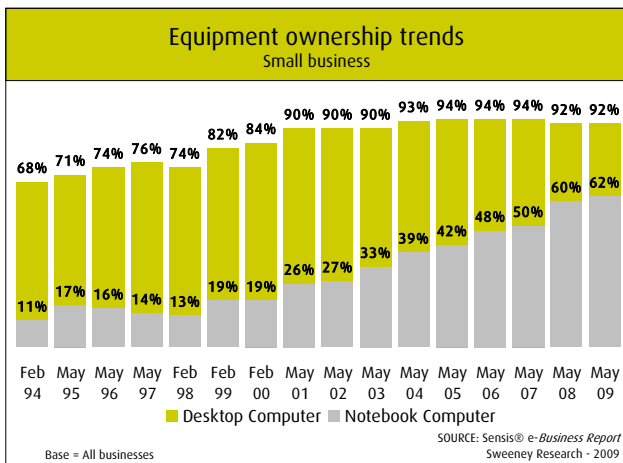
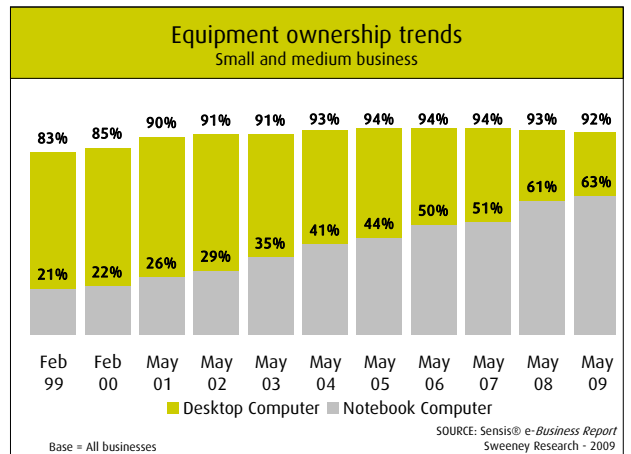
Telecommunication equipment ownership					
	2007	2008	2009		
	All SMEs	All SMEs	All SMEs	Small Business	Medium Business
Fixed line telephone (landline)	96%	96%	96%	96%	98%
Standard mobile telephone (no internet access)	81%	70%	66%	66%	78%
A LAN network supporting your business	51%	56%	56%	54%	90%
3G mobile telephone (with internet access)	36%	52%	62%	61%	81%
An advanced telephony system (eg. PABX or IVR)	27%	31%	30%	27%	80%
Satellite navigation system (in-car or hand-held)	19%	30%	36%	35%	48%
VOIP (Voice over internet protocol)	17%	17%	20%	20%	30%
Blackberry/mobile e-mail	11%	14%	17%	16%	50%

SOURCE: Sensis® e-Business Report
Sweeney Research - 2009

Computer ownership trends

The proportion of SMEs that owned a desktop computer decreased to 92 per cent in the past year. This was balanced by a growth in notebook ownership among SMEs, which increased from 61 per cent to 63 per cent over the past year.

While the proportion of SMEs with desktop computers was unchanged in the past year, the proportion with notebook computers increased by a further two percentage points, after a ten percentage point increase last year. There was little change for medium businesses, with a two percentage point drop in desktop ownership balanced by a two percentage point rise in notebook ownership.



Expenditure in 2008 calendar year

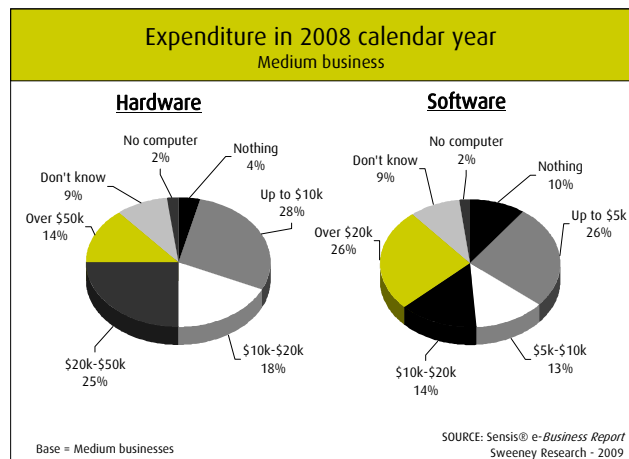
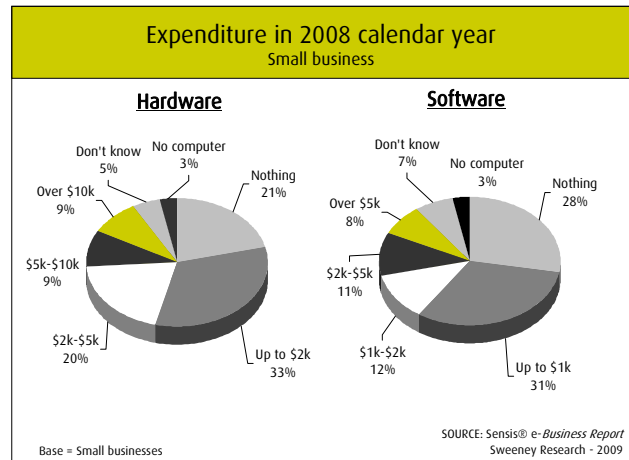
Overall average expenditure on computer hardware and software for SMEs in 2008 was \$11,000. This was a decrease of \$500 during the past year from \$11,500 in 2007.

The average level of expenditure on computer hardware during 2008 by SMEs was approximately \$6,500. This represents a decrease of \$600 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 2008 was approximately \$4,800, for medium businesses the corresponding spend on hardware was \$37,000. This represented a large decrease for medium businesses of \$8,600 on average, compared to an average decrease in hardware spend of \$400.

The average hardware spend for small businesses was \$4,800, but the vast majority of small businesses spent far less than this. More than one in five small businesses last year recorded no spend on computer hardware, with just more than half spending less than \$2,000. Nine per cent of small businesses reported spending more than \$10,000 on computer hardware in 2008, which was unchanged in the past year. This compares to almost six in 10 medium businesses reporting a spend of more than \$10,000 on hardware in 2008.

While the last year saw strong declines in SME expenditure on computer hardware, their spend on software was better. The average expenditure on software for SMEs was \$4,500. This represents an increase of almost \$100 over the past year. Again, this varied significantly between small and medium businesses, with the average spend for small businesses relatively unchanged at \$3,000, compared to \$30,900 for medium businesses (a decline of \$600 over the past year).

As was the case with hardware, most small businesses reported spending far less than the average spend on computer software. Some 28 per cent of small businesses reported no spend on software in 2008, and an additional 31 per cent reported a software spend of up to \$1,000. Eight per cent reported spending more than \$5,000 on software in 2008 (up one percentage point in the past year). This compares with 53 per cent of medium businesses which reported spending in excess of \$5,000 on computer software over the same period.



Trends in mean expenditure

	1999	2000	2001	2002	2004	2005	2006	2007	2008	2009
Small Business										
Software	\$0.9k	\$1.5k	\$1.8k	\$1.4k	\$2.1k	\$1.9k	\$1.8k	\$1.8k	\$3.0k	\$3.0k
Hardware	\$4.0k	\$4.1k	\$5.7k	\$3.9k	\$5.1k	\$4.4k	\$3.9k	\$3.9k	\$5.2k	\$4.8k
Medium Business										
Software	\$30.1k	\$44.1k	\$25.5k	\$23.2k	\$28.0k	\$31.6k	\$35.8k	\$43.9k	\$31.5k	\$30.9k
Hardware	\$47.0k	\$80.1k	\$49.1k	\$41.6k	\$59.2k	\$42.3k	\$43.2k	\$75.5k	\$45.6k	\$37.0k

Base = All businesses

SOURCE: Sensis® e-Business Report
Sweeney Research - 2009

Expected expenditure in 2009 calendar year

Overall, weaker results in 2008, SMEs were expecting to spend less still on computer hardware and software in 2009.

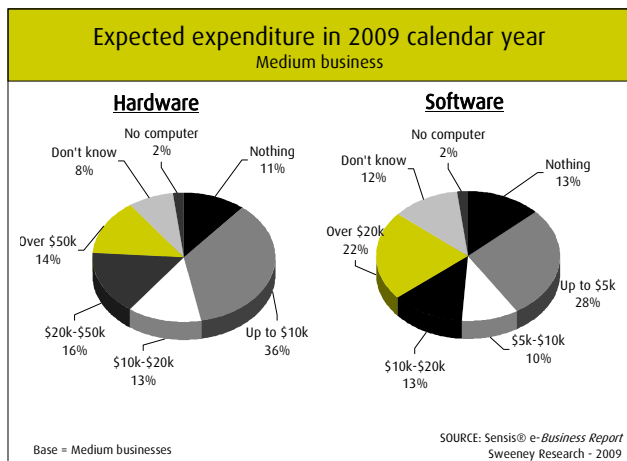
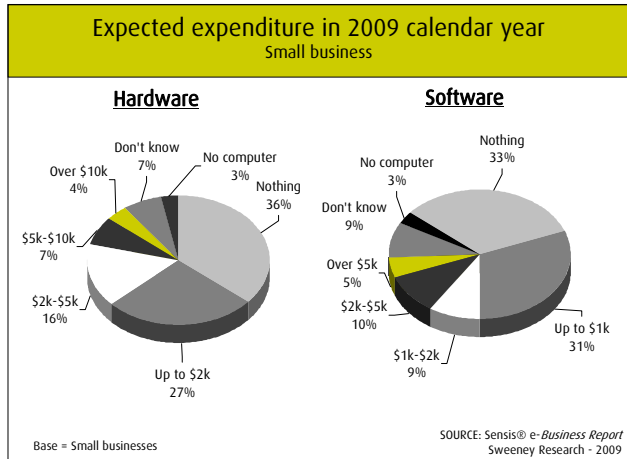
Total average expenditure on computer hardware and software for all SMEs in 2009 was expected to be \$8,500. This would represent a decrease of \$2,500 from the total spend of \$11,000 SMEs reported spending on hardware and software in 2008.

On average, small businesses were expecting to spend \$6,100, with medium businesses expecting to spend \$55,600 on computer hardware and software in 2009.

In terms of expenditure on computer hardware, SMEs were expecting to spend significantly less in 2009 than they did in 2008. The average expected spend across all SMEs was \$4,700, considerably less than the \$6,500 reported spent in 2008. Falls in spending on hardware were expected in businesses of all sizes. Small businesses were expecting to spend \$3,400, down from the spend of \$4,800 in 2008. Medium businesses were expecting to spend \$28,900, also significantly down from the \$37,000 they reported spending in 2008.

In line with expectations for a lower hardware spend, SMEs were also expecting to further reduce their spend on computer software in 2009. The average expected spend across all SMEs was \$3,900 reflects a decrease of \$600 per business on the levels recorded this year. Small businesses were expecting to spend \$2,700, down from the spend of \$3,000 reported in 2008. This trend was also recorded for medium businesses, which expect to decrease their average software spend from the \$30,900 recorded in 2008 to an expected \$26,700 in 2009.

It is interesting to note while SMEs are expecting to spend less on IT in 2009 than they did in 2008, this has been the case for the past three years, with expectations over-realised significantly. Last year the overall expectation for SME total hardware and software spend was \$8,800, which, when compared to the reported actual figures of \$11,000 for 2008, was over-realised by \$2,200 on average per business. This compares to 2007, when expectations were over-realised by \$2,100, and an over-realisation of \$3,600 in 2006.



Getting connected

Connection levels

The proportion of SMEs connected to the internet rose during the year from 94 per cent to 95 per cent. This reflected a rise in small businesses internet-connectivity from 93 per cent to 95 per cent, with no change for medium businesses at 98 per cent. Of the five per cent of small businesses 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.

The finance and insurance sector again recorded the highest rate of internet-connectivity at 100 per cent, closely followed by the communications, property and business services and wholesale trade sectors at 99 per cent each. The lowest level of connectivity was in the building and construction sector, of which 87 per cent of SMEs reported having an internet connection, a fall of five percentage points over the past year. The sector most likely to have computers but no internet connection was the cultural, recreational and personal services sector. This sector reported six per cent of SMEs that had computers that were not connected to the internet, in addition to three per cent of SMEs in that sector that did not have a computer at all.

Metropolitan businesses reported a rate of 95 per cent internet penetration which was slightly higher than the result for regional businesses at 94 per cent. The connection levels amongst metropolitan SMEs has remained stable in the past year, compared to an increase of two percentage points for SMEs in regional areas.

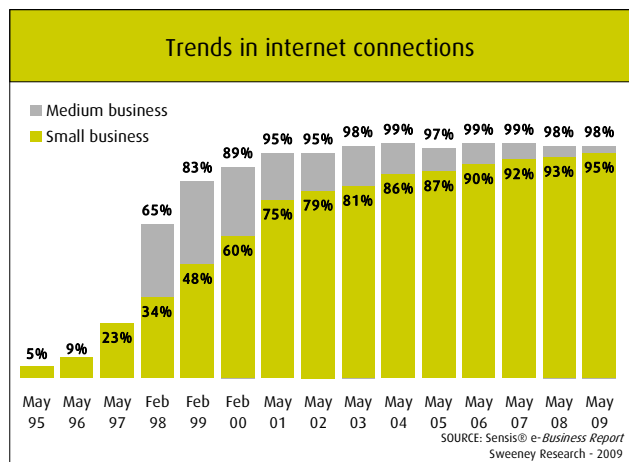
It is worthwhile revisiting recent historical trends in order to fully appreciate just how significant the internet has become as a business tool. Since 1998, the proportion of small businesses that are connected to the internet has risen from 34 per cent to 95 per cent. Over this time the trend among medium businesses has been nearly as impressive, rising from 65 per cent to 98 per cent. These figures suggest there is now only limited scope for new connections, mainly among small businesses in specific sectors.

Internet connections by business size and location			
	No computers	Use internet	Do not use
All Businesses	3%	95%	2%
1-2 Employees	5%	91%	4%
3-4 Employees	1%	98%	1%
5-9 Employees	2%	96%	2%
10-19 Employees	1%	99%	0%
20-99 Employees	2%	98%	0%
100-200 Employees	0%	100%	0%
Total Small (1-19)	3%	95%	2%
Total Medium (20+)	2%	98%	0%
Total Metropolitan	3%	95%	2%
Total Rural	4%	94%	2%

Base = All businesses
SOURCE: Sensis® e-Business Report
Sweeney Research - 2009

Internet connections by industry sector			
	No computers	Use internet	Do not use
Manufacturing	1%	97%	2%
Building/Construction	10%	87%	3%
Wholesale Trade	1%	99%	0%
Retail Trade	5%	93%	2%
Transport/Storage	2%	94%	4%
Communications, Property & Business Services	0%	99%	1%
Finance and Insurance	0%	100%	0%
Health/Community Services	0%	96%	4%
Personal Services	3%	91%	6%
Accommodation, Cafés and Restaurants	5%	93%	2%

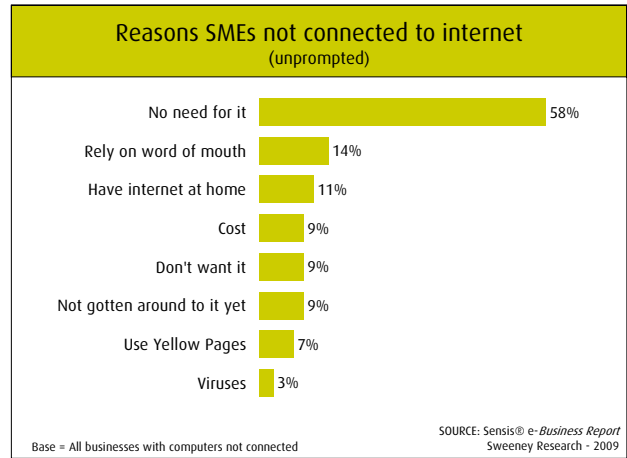
Base = All businesses
SOURCE: Sensis® e-Business Report
Sweeney Research - 2009



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 they had no need for it (58 per cent, up from 29 per cent last year). The SMEs most likely to give this response were in the building and construction sector, where three per cent of SMEs in this sector have computers not connected to the internet. Regional SMEs were slightly more likely than metropolitan SMEs to express the view they had no need for the internet.

The next most frequent response for not connecting to the internet was they relied on word of mouth for information, which was given by 14 per cent of those SMEs with computers not connected to the internet, with having the internet at home the third most frequent response given by SMEs for non-connection. Overall, 91 per cent of SMEs reported being connected to the internet at home, unchanged in the past two years.



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 one per cent believes they will connect their businesses to the internet within the next 12 months. The remaining four per cent of businesses do not expect to do so in the next 12 months. This level of expectation is the same as last year.

The strongest resistance to future internet connectivity, by SME size, came among those businesses employing one to two employees. Eight per cent of these businesses stated they were not expecting to connect to the internet in the next 12 months.

For SMEs expecting to connect to the internet for the first time within the next 12 months, the number one reason was they thought it would make them more accessible to their clients, a belief it was necessary for their business, and to facilitate getting a website for their business.

	Use internet	Expect to connect	*Do not expect
All Businesses	95%	1%	4%
1-2 Employees	91%	1%	8%
3-4 Employees	98%	0%	2%
5-9 Employees	96%	1%	3%
10-19 Employees	99%	0%	1%
20-99 Employees	98%	2%	0%
100-200 Employees	100%	N/A	N/A
Total Small (1-19)	95%	1%	4%
Total Medium (20+)	98%	2%	0%
Total Metropolitan	95%	0%	5%
Total Rural	94%	2%	4%

Base = All businesses
*Includes "Not sure"

SOURCE: Sensis® e-Business Report
Sweeney Research - 2009

Broadband connections

SMEs continued their shift to broadband over the past year. Some 96 per cent of SMEs that were online currently reported having broadband access to the internet, up from 94 per cent last year, with broadband being the almost universal standard for internet in Australian businesses.

ADSL was the most popular form of broadband connection amongst SMEs, being the choice of 56 per cent of those with broadband access to the internet, followed by 20 per cent with a cable connection and 18 per cent with a wireless connection. The greatest increase in the past year for SME broadband connections was for wireless connections, which were up six percentage points in the past year.

Of those SMEs that did not currently have a broadband connection to the internet, over half (56 per cent) reported they were intending to get one, with almost half of those intending to have broadband sometime in the next 12 months.

Of those businesses connected to the internet, the level of broadband connection was highest amongst SMEs in New South Wales and the Australian Capital Territory (98 per cent each) and lowest in South Australia (90 per cent).

In terms of industry sector trends, the communications, property and business 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 cultural, recreational and personal services sector.

The main reason SMEs identified why they have introduced broadband access was due to the speed of access. Overall, 58 per cent of SMEs with broadband access identified this factor. The next most important reasons for having broadband access involved increased internet efficiency (25 per cent) and being able to access more applications (15 per cent). Overall, over eight in 10 SMEs with broadband reported feeling satisfied with their internet connection.

Accessing the internet			
<i>Do you currently have broadband access to the internet?</i>			
	Total	Small Business	Medium Business
Yes – have broadband	96%	95%	99%
No – do not have broadband	3%	4%	1%
Don't know	1%	1%	0%
<i>How do you currently access the internet? (Amongst those with broadband access)</i>			
	Total	Small Business	Medium Business
DSL/ADSL	56%	56%	59%
Cable	20%	20%	19%
Wireless	18%	18%	16%
Satellite	2%	2%	1%
Don't know	4%	4%	4%

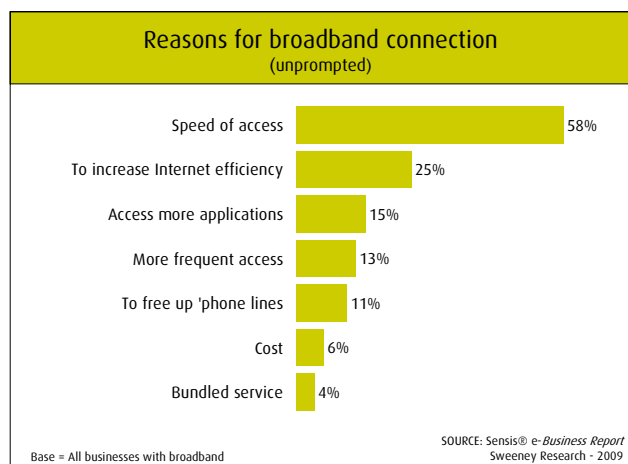
Base = SMEs with internet access

SOURCE: Sensis® e-Business Report
Sweeney Research - 2009

SME broadband access			
<i>How long has your business had broadband access?</i>			
	Total	Small Business	Medium Business
Over 12 months	97%	96%	99%
Less than 12 months	3%	4%	1%
<i>Has the introduction of broadband access had a positive impact, a negative impact or no real impact on your business?</i>			
	Total	Small Business	Medium Business
Positive	78%	77%	90%
Negative	0%	0%	0%
No real impact	22%	23%	10%

Base = Have broadband access

SOURCE: Sensis® e-Business Report
Sweeney Research - 2009



Using the internet

How the internet is used – current and expected usage

The number one use of the internet by SMEs was again communicating via email, identified by 97 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 one percentage point over the past year, with this indicator at almost saturation level.

The second most important application of the internet reported by SMEs was to look for information about products and services. This is a current use for 92 per cent of SMEs connected to the internet, up three percentage points from 89 per cent last year.

The third most important application of the internet was getting reference information or research data. This application was identified by 91 per cent of internet-connected SMEs, up seven percentage points since last year.

A further four per cent of internet-connected SMEs were expecting to use this application for the first time within the next 12 months.

This year saw strong growth amongst many of the top applications. However, it is interesting to also look at which online applications are still expecting significant growth going forward. The strongest projected rise in use of any internet applications for the year ahead was promoting the business with e-mail marketing and advertising, which was nominated by 12 per cent of SMEs as something they wanted to do in the next year. This was closely followed by using a website to promote the business, which was nominated by 10 per cent of SMEs.

Current and expected uses of the internet - summary			
	Currently use	Expect to use	Total
To communicate via email	97%	2%	99%
To look for information about products and services	92%	4%	96%
To get reference information or research data	91%	4%	95%
Internet banking	86%	2%	88%
To access directories such as Yellow Pages® directories	83%	4%	87%
To access and use online catalogues	78%	4%	82%
To place orders for products and services	78%	4%	82%
To pay for products and services	78%	3%	81%
To receive payments for products and services	71%	4%	75%
To streamline communications with customers and staff	66%	6%	72%
To take orders for your products and services	59%	8%	67%
To use a website to advertise or promote business	58%	10%	68%
To monitor your markets or the competition	43%	7%	50%
To promote the business using email marketing	33%	12%	45%
To advertise your business on other websites	24%	8%	32%
To use online auction sites to sell goods or services	19%	7%	26%

Base = All businesses with internet

SOURCE: Sensis® e-Business Report
Sweeney Research - 2009

Current usage by business size

For the most popular internet application, communication via e-mail, there was only marginal difference in usage by firm size. This application was used by 97 per cent of small businesses, compared to 98 per cent of medium businesses that were connected to the internet, with usage down by a marginal one percentage point over the past year.

The second most important internet application was to look for information about products or services. There was slightly more difference in the use of this application between medium businesses (96 per cent) and small businesses (92 per cent). This gap has fallen from 10 percentage points last year, with a four percentage point increase by small businesses, and a two percentage point decrease by medium businesses for use of this application.

The internet application which demonstrated the greatest variation between small and medium business usage was again using a website to promote their business. Some 79 per cent of medium businesses with the internet identified this, compared to 57 per cent of small businesses with the internet. This gap of 22 percentage points was the highest for any internet application, and has increased marginally by one percentage point in the past year.

The only internet application used by more small businesses than medium businesses was taking orders for products or services. This application was used by 60 per cent of small businesses compared to 57 per cent of medium businesses. Receiving payments for products or services was used by equal number of SMEs (71 per cent each). All other applications were used by a higher proportion of medium businesses.

Current uses of the internet by business size			
	All SMEs	Small business	Medium business
To communicate via email	97%	97%	98%
To look for information about products and services	92%	92%	96%
To get reference information or research data	91%	90%	94%
Internet banking	86%	85%	89%
To access directories such as Yellow Pages® directories	83%	82%	92%
To access and use online catalogues	78%	78%	84%
To place orders for products and services	78%	78%	86%
To pay for products and services	78%	78%	81%
To receive payments for products and services	71%	71%	71%
To streamline communications with customers and staff	66%	65%	83%
To take orders for your products and services	59%	60%	57%
To use a website to advertise or promote business	58%	57%	79%
To monitor your markets or the competition	43%	43%	55%
To promote the business using email marketing	33%	33%	44%
To advertise your business on other websites	24%	24%	33%
To use online auction sites to sell goods or services	19%	19%	22%

Base = All businesses with internet

SOURCE: Sensis® e-Business Report
Sweeney Research - 2009

Trends in usage

This year saw most key internet applications record increases in usage, with only two applications recording marginally lower usage, communicating via e-mail and using online auction sites.

In terms of trends in usage of various internet applications across SMEs, the largest rise during the year was split between accessing and using online catalogues, getting reference information and research data and placing orders for products and services. Use of these applications rose by seven percentage points in the last year. Overall, 78 per cent of SMEs reported accessing and using online catalogues, with the greatest usage being among SMEs in the manufacturing sector (80 per cent). The greatest usage of the internet to get reference information or research data by an industry sector was the communication, property and business services sector (97 per cent). Using the internet to place orders for products and services was most predominant in the health and community services sector (87 per cent).

The next highest increases recorded for internet applications were for promoting the business using e-mail marketing, which grew by five percentage points; and receiving payments for products and services, which increased their usage amongst SMEs by four percentage points over the past year.

There were two applications that recorded a marginal decline in usage over the past year: communicating via e-mail and using online auction sites. Communicating via e-mail fell by one percentage point after having grown by ten percentage points last year, and at near saturation levels. The lowest penetration of this application by sector was in the building and construction sector. There was a two percentage point fall in the proportion of SMEs using online auction sites in the past year, again following nine percentage points growth the previous year. Using online auction sites was most predominant for SMEs in the communication, property and business services sector, where 24 per cent of SMEs reported usage.

Trends in current uses of the internet – based on all businesses				
	2007	2008	2009	Change 2008 to 2009
To access and use online catalogues	62%	71%	78%	+7%
To get reference information or research data	81%	84%	91%	+7%
To place orders for products and services	59%	71%	78%	+7%
To promote the business using email marketing	25%	28%	33%	+5%
To receive payments for products and services	55%	67%	71%	+4%
Internet banking	74%	83%	86%	+3%
To look for information about products and services	78%	89%	92%	+3%
To streamline communications with customers and staff	62%	63%	66%	+3%
To advertise your business on other websites	16%	21%	24%	+3%
To pay for products and services	67%	76%	78%	+2%
To take orders for your products and services	48%	57%	59%	+2%
To access directories such as the Yellow Pages® directories	70%	81%	83%	+2%
To monitor your markets or the competition	38%	42%	43%	+1%
To use a website to advertise or promote business	53%	57%	58%	+1%
To communicate via email	88%	98%	97%	-1%
To use online auction sites	12%	21%	19%	-2%

Base = All businesses

SOURCE: Sensis® e-Business Report
Sweeney Research - 2009

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, down three percentage points in the last year. Metropolitan businesses were more likely to identify email as an essential application compared to regional businesses (86 per cent versus 82 per cent).

The next most important application identified as essential was internet banking (75 per cent, unchanged in the past year). Of all industry sectors, SMEs in the cultural, recreational and personal services sector were most likely to identify internet banking as an essential internet application (84 per cent). This contrasts with SMEs in the retail trade sector which were least likely to regard it as an essential application (64 per cent).

There were seven other applications considered essential by the majority of SMEs: finding reference information or research data (71 per cent); looking for information about products and services businesses might buy (64 per cent); paying for products and services (56 per cent); receiving payment for products and services (54 per cent); accessing directories such as Yellow Pages® directories, placing orders for products and services, and streamlining communications with customers and staff (51 per cent each). Placing orders for products and services reached “essential” status for the first time, up two percentage points in the past year.

The application to record the greatest increase was internet advertising, which rose by five percentage points over the past year.

What are the essential uses?			
	All SMEs	Small Business	Medium Business
To communicate via email	84%	84%	91%
Internet banking	75%	74%	78%
To get reference information or research data	71%	71%	74%
To look for information about products and services	64%	64%	68%
To pay for products and services	56%	56%	58%
To receive payments for products and services	54%	54%	57%
To access directories such as Yellow Pages® directories	51%	50%	57%
To place orders for products and services	51%	50%	56%
To streamline communications with customers and staff	51%	50%	64%
To access and use online catalogues	49%	49%	51%
To use a website to advertise or promote business	44%	44%	54%
To take orders for your products and services	43%	43%	42%
To monitor your markets or the competition	28%	28%	32%
To promote the business using email marketing	22%	21%	29%
To advertise your business on other websites	16%	16%	19%
To use online auction sites to sell goods or services	8%	8%	10%

Base = All businesses with internet

SOURCE: Sensis® e-Business Report
Sweeney Research - 2009

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 where they are on the online journey compared to Australian businesses.

Equipment ownership and internet connections

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

Some 90 per cent of Australian households reported having a computer of some description in 2009, a rise of one percentage point over the past year. Some 78 per cent had a desktop computer (up four percentage points), with notebook ownership currently at 50 per cent (up one percentage point). This compares with 92 per cent of SMEs with a desktop computer, 63 per cent with a laptop computer and 97 per cent having a computer of any description.

In terms of internet connections, some 85 per cent of households were internet-enabled (up one percentage point in the past year), compared with 95 per cent of SMEs. Some 13 per cent of households had a dial-up internet connection (down from 16 per cent). While there was a marginal fall in the proportion of households with a standard broadband connection to 59 per cent (down one percentage point), this was countered by a three percentage point increase in the proportion of households with a wireless broadband connection, at 31 per cent.

While there is still some evidence of a “digital divide”, with only 73 per cent of Australians with a household income of up to \$35,000 connected to the internet, compared to 99 per cent of households with an income of more than \$85,000, this has lessened in the past year, with an increase of 12 percentage points in the proportion of this lower income group who are now connected.

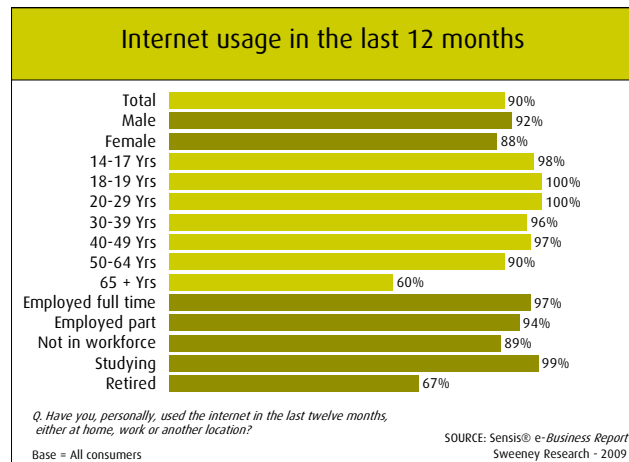
The groups most likely to report below average usage were those aged 65 and above and retirees. For those Australians 65 years and above only 60 per cent reported accessing the internet in the past 12 months. This has actually declined by one percentage point in the past year.

Computerisation in the home			
	2009		Cf. 2008
	Currently have	Expect to get in next 12 months	Currently have
A desk top computer or PC	78%	10%	74%
A notebook computer	50%	12%	49%
Total computer	90%	20%	89%
Dial-up internet	13%	0%	16%
Broadband internet	59%	6%	60%
Wireless broadband	31%	5%	28%
Total internet	85%	10%	84%

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 - 2009

Base = All consumers



What Australians are doing online

With more Australians using the internet, the Sensis® e-Business Report also found the level of usage of most internet applications by Australians has also increased significantly in the past year, with the internet becoming a regular part of Australian life.

Looking for information on products or services was by far the most used internet application, used by 78 per cent of Australians. This compared to the next most popular application, paying for purchases or bills, which was reported by 62 per cent of Australians, down by two percentage points in the past year. This was closely followed by ordering goods or services at 61 per cent, and making books and undertaking banking at 60 per cent each.

Six applications saw declines in usage over the past year: buying through online auction sites (down one percentage point); using the internet to make phone calls, supplying personal information and paying for purchases (down two percentage points each); and making bookings and internet banking (down three percentage points each).

The greatest increase in usage in the past year was in the proportion of Australians who reported belonging to an online community, with 27 per cent of Australians reporting they have done this in the past 12 months, up seven percentage points in the past year. Also increasingly popular were downloading and uploading videos. Some 36 per cent of Australians reported having downloaded or streamed video content in the past year, up five percentage points. Overall 14 per cent of Australians reported they had uploaded video content onto the internet, up four percentage points in the past year.

Internet applications in the last 12 months		
	Internet users last 12 months	All Australians
Looked for information on products or services	87%	78%
Paid for purchases or bills	69%	62%
Ordered goods/services	68%	61%
Made bookings	67%	60%
Undertaken banking	67%	60%
Used a social networking site	46%	41%
Read a blog	45%	41%
Supplied personal information online	41%	37%
Downloaded or streamed video content	40%	36%
Bought through an online auction site	32%	29%
Belonged to an online community	30%	27%
Used the internet to make phone calls	23%	21%
Written a blog	18%	16%
Sold through an online auction site	16%	14%
Uploaded a video onto the internet	16%	14%

Q. In the last twelve months have you undertaken any of the following via the internet? SOURCE: Sensis® e-Business Report Sweeney Research - 2009

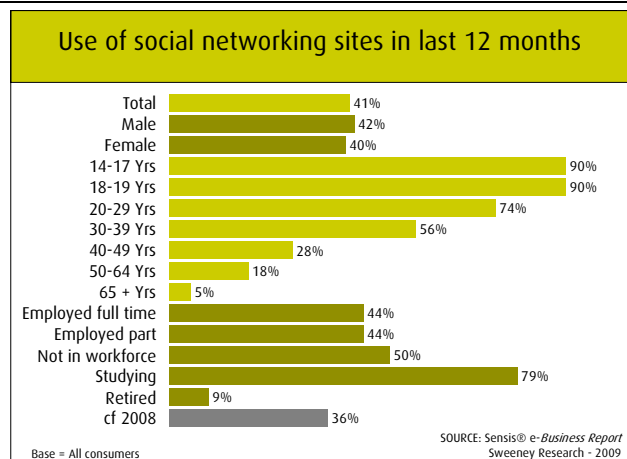
Internet applications in the last 12 months			
Trends – All Australians			
	2008	2009	Change
Belonged to an online community	20%	27%	7%
Downloaded or streamed video content	32%	36%	4%
Uploaded a video onto the internet	10%	14%	4%
Used a social networking site	37%	41%	4%
Ordered goods/services	58%	61%	3%
Written a blog	14%	16%	2%
Sold through an online auction site	13%	14%	1%
Read a blog	40%	41%	1%
Bought through an online auction site	30%	29%	-1%
Used the internet to make phone calls	23%	21%	-2%
Supplied personal information online	39%	37%	-2%
Paid for purchases or bills	64%	62%	-2%
Made bookings	63%	60%	-3%
Undertaken banking	63%	60%	-3%
Looked for information on products or services	N/A	78%	N/A

Q. In the last twelve months have you undertaken any of the following via the internet? SOURCE: Sensis® e-Business Report Sweeney Research - 2009

Social networking

Overall, 41 per cent of Australians reporting they had used social networking sites in the past year.

The demographic which most influenced use of social networking sites was age, with younger Australians much more likely to use a social networking site. There was a one percentage point fall in usage for the 14 to 17 year old age group, and for those aged in their 40s. All other age groups saw increased usage. The heaviest users were the 14 to 19 year old age group, where 90 per cent reported using social networking sites. Usage again decreased progressively with age, with only five per cent of those aged 65 and above reporting using these sites.



The largest increase was for those aged 18 to 19, up by 18 percentage points in the past year.

Social networking sites had a high usage frequency, with 23 per cent using the sites several times a day, up six percentage points, and 21 per cent using them daily – over four in 10 users accessed these sites at least daily. Only 18 per cent reported usage less than once a week, down from 23 per cent last year.

With more than four in 10 employees using social networking sites, and almost one in five reporting they access social networking sites at their workplace it is interesting to look at how this has impacted the workplace.

While 69 per cent of SMEs reported they do not allow their employees to use social network sites while at work, this was down five percentage points in the past year. Medium businesses were more likely to allow social network sites than small businesses (40 per cent compared to 31 per cent).

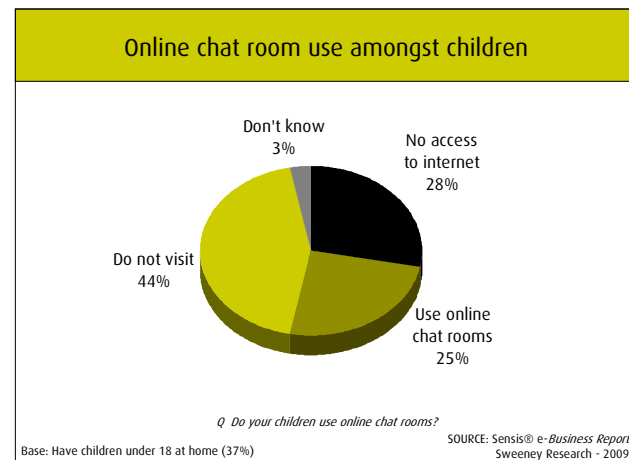
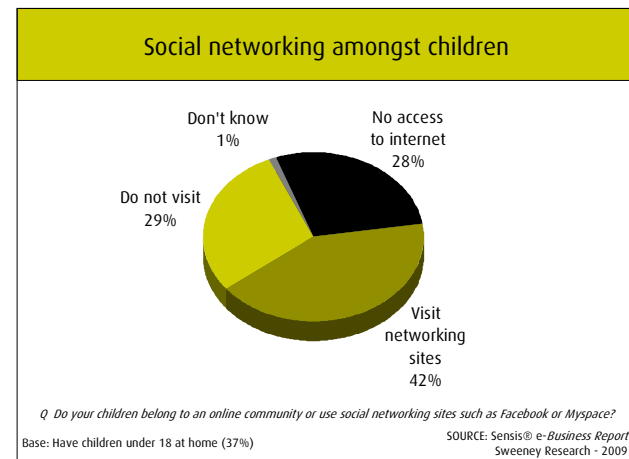
Social networking in the workplace			
Do you allow your employees to use social networking sites such as Facebook, Myspace etc while at work?			
	Total	Small Business	Medium Business
Yes	31%	31%	40%
No	69%	69%	60%
What has been the impact of social networking sites on your business, has it been...			
Positive	5%	5%	3%
Negative	6%	5%	22%
No impact	89%	90%	75%
Base = Businesses with the internet and have employees			SOURCE: Sensis® e-Business Report Sweeney Research - 2009

Our children online

Overall, 72 per cent of Australian households with children under 18 reported their children used the internet. The most frequent age children were reported to have started using the internet was between six and 10 years of age (52 per cent), however 24 per cent were reported to have started using the internet when they were five years or younger, up six percentage points in the past year.

Some 72 per cent of Australian households with children reported supervising their children on the internet, up from 66 per cent last year. For those who did not supervise their children on the internet, 45 per cent reported they had never supervised them online, with 36 per cent reporting they had stopped when their children were aged between 11 to 15 years old. Some 71 per cent of households reported that children used the internet in an open area of the house, up four percentage points in the past year, with 15 per cent reporting that they used it in their rooms, two per cent reporting both, and four per cent reporting their children used the internet somewhere other than their home.

More than four in ten Australian households with children report their children visit social networking sites or belong to an online community, with one in four reporting their children use online chat rooms. Overall, 31 per cent of Australian households with children report using an internet content filter, down five percentage points in the past year.



Internet usage by mobile 'phone

While Australians have been using their computers for an increasing range of online applications over recent years, this year the Sensis® e-Business Report examines the ways Australians are now using their mobile phones to access the internet.

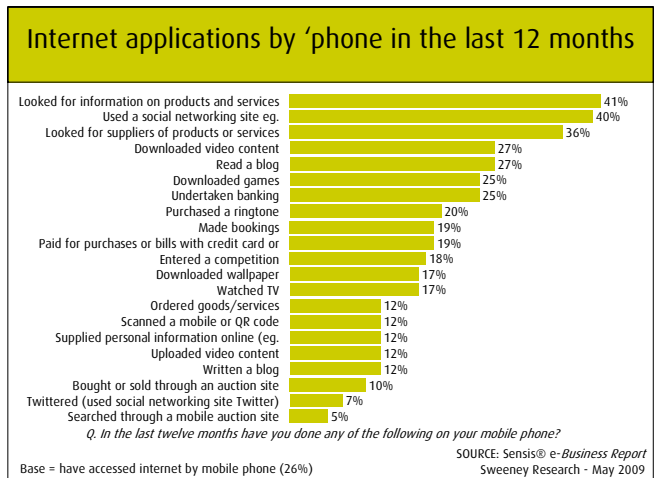
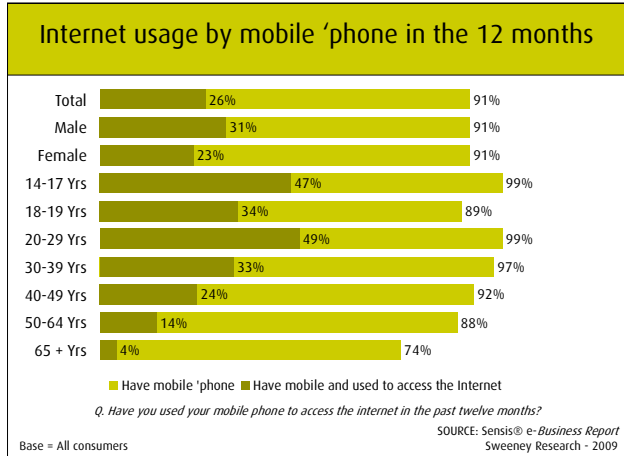
Mobile penetration is high amongst Australian consumers, with 91 per cent reporting owning a mobile phone. On average, more than one in four Australians now use their mobile phone to access the internet. Use of a mobile phone to access the internet was higher amongst males at 31 per cent, compared to 23 per cent for females.

Those in their 20s were most likely to access the internet on their mobile phone, with almost half of this age demographic reporting usage. This compares with only four per cent of Australians aged 65 and over who reported using their mobile phone to access the internet.

When looking at what Australians were using the internet on their mobile phones for, there were three key applications which stood out ahead of the rest: looking for information on products and services, using social networking sites and looking for suppliers of products and services.

Looking for information on products and services was the application Australians were most likely to report having used on their mobile in the past year, at 41 per cent of those who had used their mobile phone to access the internet. This was closely followed by using social networking sites at 40 per cent and looking for suppliers of products and services at 36 per cent.

There was a wide range of activities Australians reported having performed on the internet through their mobile phone. Other applications reported by Australians who used the internet on their mobiles included downloading video content (27 per cent); downloading games (25 per cent); purchasing ringtones (20 per cent); watched TV (17 per cent); ordered goods and services and scanned a mobile or QR code (at 12 per cent each).



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

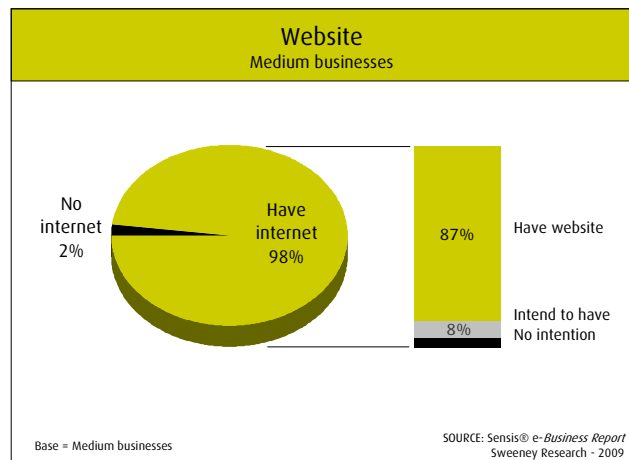
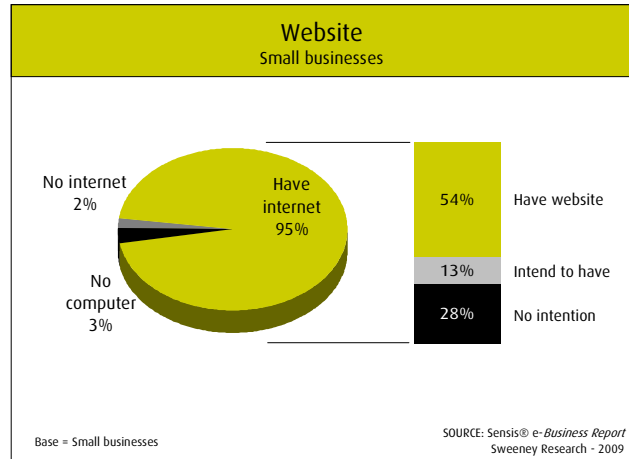
The proportion of small businesses with a website was unchanged in the past year at 54 per cent of all small businesses (57 per cent of online small businesses). Another 13 per cent of small businesses indicated they intend to get a website within the next 12 months. The remaining 28 per cent of small businesses indicated while they were connected to the internet they had no intention of getting a website this year.

This trend was mirrored in medium businesses: the percentage of internet-connected medium businesses with a website increased during the year by five percentage points. While some 98 per cent of medium businesses had an internet connection, 87 per cent reported they had a website, up four percentage points. A further eight per cent of internet-connected medium businesses expect to get a website within the next 12 months. The remaining five per cent of internet-connected medium businesses had no intention of getting a website.

The highest rate of website penetration by industry sector was the accommodation, café and restaurant sector at 76 per cent of all businesses in the sector. At the other end of the spectrum was the building and construction sector, which reported a website penetration rate of 24 per cent of all businesses in the sector, the lowest of any industry, and down a marginal one percentage point in the past year.

Metropolitan businesses reported a higher incidence of websites with a 58 per cent rate of adoption compared to 51 per cent for regional businesses.

Other business types more likely to have a website were those businesses aiming for significant growth (91 per cent); medium businesses (85 per cent); businesses that exported (84 per cent website penetration); and businesses that considered themselves to be highly innovative (79 per cent).



	2009		Cf. 2008
	Have website	Intend to have	Have website
All Businesses	56%	12%	55%
1-2 Employees	46%	13%	48%
3-4 Employees	53%	17%	54%
5-9 Employees	72%	6%	63%
10-19 Employees	80%	9%	81%
20-99 Employees	84%	9%	82%
100-200 Employees	93%	3%	91%
Total Small (1-19)	54%	13%	54%
Total Medium (20+)	85%	8%	83%

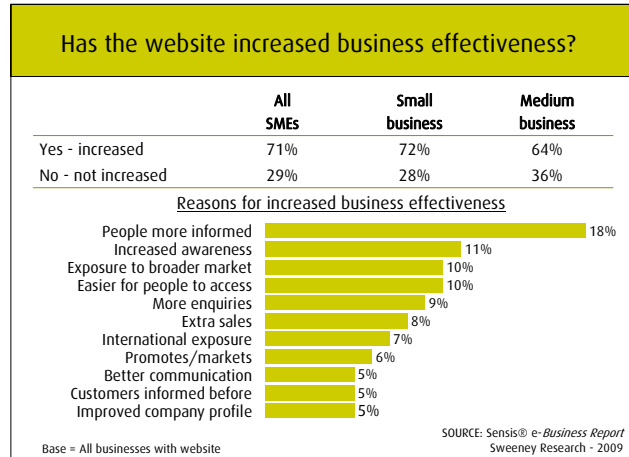
Base = All businesses
SOURCE: Sensis® e-Business Report Sweeney Research - May 2009

Benefits of the site

Seventy-one per cent of SMEs with websites stated having a website improved the effectiveness of their business, up from 65 per cent last year. Metropolitan SMEs were slightly more likely to report their website had increased the effectiveness of their business (73 per cent) than SMEs in regional areas (67 per cent). Small businesses, however, were also more likely to feel that their website had improved the efficiency of their business (72 per cent) than medium businesses (64 per cent).

The industry sector to respond most strongly that the presence of a website had increased business effectiveness was the cultural, recreational and personal services sector. Eighty-eight per cent of SMEs in this sector responded favourably. The weakest response came from the finance and insurance sector at 48 per cent.

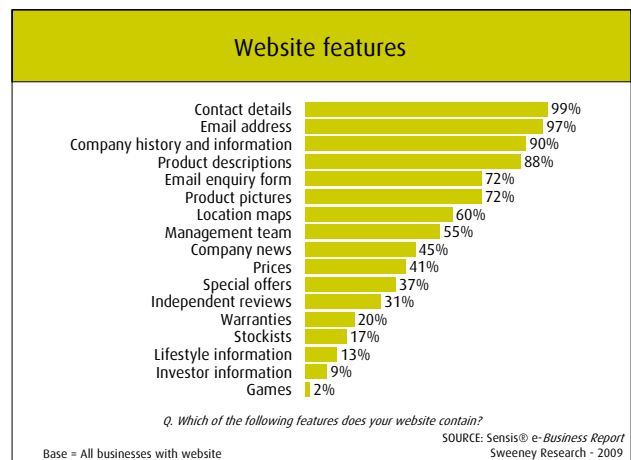
It is particularly interesting to look at the reasons why SMEs felt their website had increased their efficiency. The most common reason given for increased business effectiveness from their website was people were more informed about their business, which was given by 18 per cent of SMEs with websites. The next most frequent response was the website increased awareness (11 per cent).



Website features

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).

SMEs were also likely to put information about their company on the website, with 90 per cent reporting they had company history and information, 55 per cent reporting they had information about their management team on their sites, and 45 per cent putting company news on their websites. Information about products was also popular, with some 88 per cent posting product descriptions on their site and 72 per cent reporting putting product pictures and 31 per cent posting independent product reviews.



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 increased strongly, with increases across all components of this activity. The strongest increase was seen in the proportion of SMEs using the internet to place orders for products and services.

As we have already seen, there was continued incremental growth was seen in the proportion of SMEs connected to the internet. Along with this growth, there was a significant increase in the proportion of SMEs using the internet to look for information about products and services, with 87 per cent of SMEs reporting having done this, up three percentage points in the past year. There was an even stronger rise of seven percentage points in the proportion of SMEs placing orders over the internet (74 per cent), and a rise of three percentage points in the proportion of SMEs using the internet to pay for goods and services (74 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 communications, property and business services sector were the most likely to place orders for products and services on the internet (82 per cent), while those SMEs in the building and construction sector were again the least likely to place an order online (57 per cent).

The proportion of SMEs that reported using the internet to pay for products and services also increased from 71 per cent in 2008 to 74 per cent in 2009, a rise of three percentage points.

For small businesses, there was growth across every stage of the procurement process, with the highest growth of eight percentage points recorded for placing orders for products and services. For medium businesses, the only area of the procurement process to grow in the past year was placing orders for products and services, which was up by two percentage points. There were falls of two percentage points each in the proportion of medium businesses looking for products or services and paying for products and services.

While regional SMEs were more likely to look for information on products and services online (93 per cent compared to 91 per cent), metropolitan SMEs were marginally more likely to use the internet to place orders than metropolitan businesses (79 per cent compared to 78 per cent). SMEs in the Northern Territory were the most likely to place orders online (86 per cent), with those in

Buying over the internet by business size				
	Connected to internet	Look for information	Place orders	Pay
All Businesses	95%	87%	74%	74%
1-2 Employees	91%	81%	68%	67%
3-4 Employees	98%	92%	78%	79%
5-9 Employees	96%	90%	78%	79%
10-19 Employees	99%	92%	84%	84%
20-99 Employees	98%	95%	83%	77%
100-200 Employees	100%	88%	96%	94%
Total Small (1-19)	95%	87%	74%	74%
Total Medium (20+)	98%	94%	84%	79%

Base = All businesses

SOURCE: Sensis® e-Business Report
Sweeney Research - 2009

Buying over the internet Trends – small business										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Connected to internet	60%	75%	79%	81%	86%	87%	90%	92%	93%	95%
Look for information on products or services	46%	51%	64%	67%	75%	76%	82%	78%	82%	87%
Place orders for products or services	17%	26%	41%	45%	55%	51%	60%	58%	66%	74%
Pay for products or services	11%	23%	40%	47%	58%	62%	65%	66%	70%	74%

Base = Small businesses

SOURCE: Sensis® e-Business Report
Sweeney Research - 2009

Buying over the internet Trends – medium business										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Connected to internet	89%	95%	94%	98%	99%	97%	99%	99%	98%	98%
Look for information on products or services	65%	79%	82%	91%	94%	92%	93%	93%	96%	94%
Place orders for products or services	28%	49%	61%	64%	74%	72%	75%	72%	82%	84%
Pay for products or services	17%	39%	55%	66%	73%	72%	80%	77%	81%	79%

Base = Medium businesses

SOURCE: Sensis® e-Business Report
Sweeney Research - 2009

Western Australia the least likely (71 per cent).

In addition, SMEs exporting were far more likely to report having placed orders online (92 per cent) than their counterparts which did not export (71 per cent).

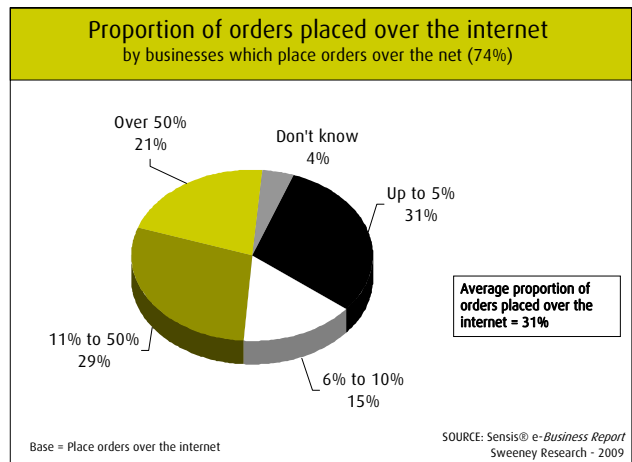
The average proportion of total SME procurement made online has risen marginally this year to 31 per cent, in line with the number of SMEs who are procuring online having risen. The proportion of SMEs placing up to five per cent of their purchases online was unchanged in the past year, the largest increase was in the proportion of SMEs placing more than 50 per cent of their purchases online which was up by two percentage points in the past year.

This result reflects very little change in the proportion of orders placed over the internet on average, but is in the context of a much larger overall pool of SMEs purchasing online. The proportion of SMEs doing more than half of their procurement online has increased by two percentage points to 21 per cent of SMEs which place orders over the internet.

Buying over the internet by industry sector				
	Connected to internet	Look for information	Place orders	Pay
All Businesses	95%	87%	74%	74%
Manufacturing	97%	90%	78%	79%
Building/Construction	87%	77%	57%	57%
Wholesale Trade	99%	88%	74%	72%
Retail Trade	93%	81%	76%	67%
Transport/Storage	94%	91%	64%	81%
Communications/Property/Business Services	99%	96%	82%	85%
Finance and Insurance	100%	89%	77%	74%
Health/Community Services	96%	87%	84%	83%
Personal Services	91%	85%	68%	73%
Accommodation/Cafés/Restaurants	93%	82%	71%	71%

Base = All businesses

SOURCE: Sensis® e-Business Report
Sweeney Research - 2009

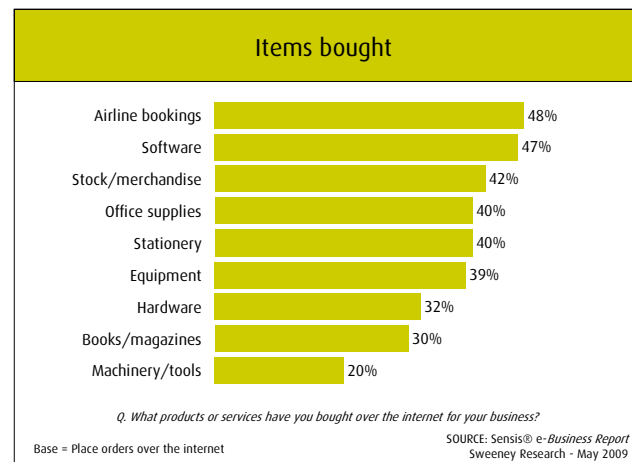


What businesses buy

The most common use for online procurement by SMEs during the year was for airline tickets, with 48 per cent of all businesses that made purchases online making airline bookings. The proportion of SMEs which reported making airline bookings online was up by 11 percentage points since last year.

Software purchases were the second most popular purchases by SMEs (47 per cent). Purchasing stock and merchandise was the third most popular online purchase, reported by 42 per cent of SMEs which purchased online.

The next most popular online purchase by SMEs was office supplies and stationery, which were each reported by 40 per cent of SMEs which purchased online, closely followed by equipment at 39 per cent. It is interesting to note the cultural, recreational and personal services sector was the sector most likely to report purchasing equipment for their business online.



SME use of the internet to sell

The last year also saw growth in the number of SMEs using e-commerce to sell goods and services. This is reflected in the increase from 54 per cent of all SMEs which reported taking orders online last year to 56 per cent for this year. This trend was also reinforced by the rise of SMEs which receive payments online from 63 per cent to 67 per cent.

For the first time this year there were more small businesses recorded taking orders online than medium businesses. The number of small businesses reporting taking orders online rose during the year from 53 per cent to 57 per cent. There was no change in the proportion of medium businesses which reported taking orders online in the past year, which remained at 56 per cent.

The wholesale trade and transport and storage sectors recorded the strongest proportion of SMEs which reported taking orders online with 70 per cent of businesses in these sectors reporting this experience. This is in contrast to the finance and insurance sector, where only 45 per cent of firms reported they took orders online.

Other business types particularly likely to sell using e-commerce included exporters (with 83 per cent reporting they took orders online) compared to 52 per cent of businesses that did not export. SMEs in metropolitan areas were slightly more likely to report having taken orders online (60 per cent) than those in regional areas (58 per cent). SMEs in the Northern Territory were more likely than those in other states and territories to report taking orders online (70 per cent) with those in Western Australia the least likely (45 per cent).

The proportion of SMEs receiving payments online rose from 63 per cent to 67 per cent, an increase of four percentage points. Some 67 per cent of small businesses reported taking payments online, up five percentage points. Medium businesses more likely to report receiving payments online than their smaller counterparts, however the proportion of medium businesses receiving payments online was down by two percentage points. SMEs in the transport and storage sector were most likely to report that they had received payments online, at 77 per cent. At the other end of the spectrum, SMEs in the accommodation, café and restaurant sector were least likely to report having received payments online, at 59 per cent.

Selling over the internet by business size			
	Connected to internet	Take orders	Receive payments
All Businesses	95%	56%	67%
1-2 Employees	91%	53%	58%
3-4 Employees	98%	59%	78%
5-9 Employees	96%	57%	71%
10-19 Employees	99%	69%	78%
20-99 Employees	98%	54%	69%
100-200 Employees	100%	76%	76%
Total Small (1-19)	95%	57%	67%
Total Medium (20+)	98%	56%	70%

Base = All businesses

SOURCE: Sensis® e-Business Report
Sweeney Research - 2009

Selling over the internet Trends – small business										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Connected to internet	60%	75%	79%	81%	86%	87%	90%	92%	93%	95%
Take orders	14%	19%	29%	32%	39%	41%	46%	47%	53%	57%
Receive payments	7%	13%	26%	32%	44%	50%	52%	54%	62%	67%

Base = Small businesses

SOURCE: Sensis® e-Business Report
Sweeney Research - 2009

Selling over the internet Trends – medium business										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Connected to internet	89%	95%	94%	98%	99%	97%	99%	99%	98%	98%
Take orders	23%	35%	47%	49%	50%	51%	54%	54%	56%	56%
Receive payments	15%	29%	50%	63%	60%	59%	63%	62%	72%	70%

Base = Medium businesses

SOURCE: Sensis® e-Business Report
Sweeney Research - 2009

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

The largest gap in any industry sector between internet penetration and taking orders online was in the finance and insurance sector. This sector recorded a gap of 55 percentage points between internet connectivity and taking orders online, however this gap has reduced by 15 percentage points over the past year.

The most narrow gap was in the transport and storage services sector at 27 percentage points (94 per cent versus 67 per cent). This gap has increased marginally by one percentage point in the last year in this sector.

While there was an increase in the proportion of SMEs taking orders online, the proportion of total online activity these orders represented fell, with the average proportion of orders taken online down four percentage points to 26 per cent in the past year. Thirty-three per cent of SMEs who took orders over the internet reported internet orders accounted for up to five per cent of their total orders. This has decreased from 35 per cent of SMEs last year and reflects continued growth in the proportion of SMEs receiving increasing levels of their total orders online.

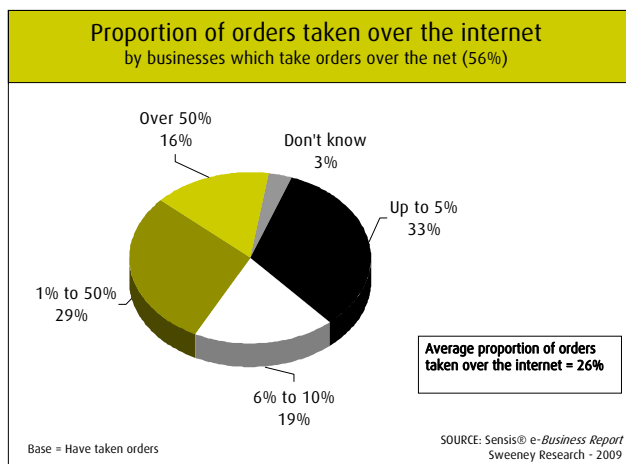
At the upper end, 16 per cent of SMEs who took orders over the internet reported online orders made up more than half of their total orders, a marginal decrease from the 17 per cent recorded last year. SMEs in the communications, property and business services sector were most likely to report online orders made up the majority of their orders, with the health and community services 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 New South Wales were the most likely to report taking the majority of their orders online, with those in Victoria least likely.

Selling over the internet by industry sector			
	Connected to internet	Take orders	Receive payments
All Businesses	95%	56%	67%
Manufacturing	97%	62%	69%
Building/Construction	87%	50%	64%
Wholesale Trade	99%	70%	69%
Retail Trade	93%	54%	61%
Transport/Storage	94%	67%	77%
Communications/Property/ Business Services	99%	57%	74%
Finance and Insurance	100%	45%	69%
Health/Community Services	96%	45%	66%
Personal Services	91%	56%	61%
Accommodation/Cafés/Restaurants	93%	65%	59%

Base = All businesses

SOURCE: Sensis® e-Business Report
Sweeney Research - 2009



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 general it continued to be the case 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 89 per cent of SMEs reported making sales to local customers, with 67 per cent of businesses mainly selling online to local customers. This year saw an increase of six percentage points in the proportion of SMEs that mainly sell online in their local area, and an increase of four percentage points 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 59 per cent of SMEs selling to customers outside their town but elsewhere in their state or territory and 55 per cent selling to customers interstate. These proportions were relatively unchanged in the past year.

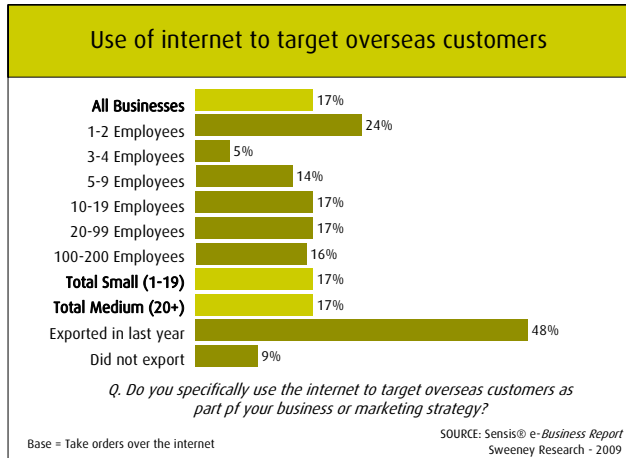
Overseas customers were identified by four per cent of SMEs as the main e-commerce customer group for their business. This was up from last year’s level of three per cent of SMEs which used e-commerce to sell mainly to overseas customers. However, the total scope for exporting through e-commerce was more significant, with 29 per cent of SMEs who made sales through e-commerce having made at least some sales to overseas customers. Reflecting a more difficult year for exports due to the economic downturn, this figure was down by five percentage points in the past year.

With 29 per cent of SMEs making some sales to overseas customers, it is interesting to note some 17 per cent of SMEs which took orders online used the internet to target international customers. This proportion was identical for small and medium businesses. Some 48 per cent of SMEs which exported in the past year used the internet to target overseas customers, and interestingly, nine per cent of SMEs which did not currently export also tried to get customers in overseas markets by using the internet.

Types of customers sold to				
	Mainly sell to	Total sell to	Total sell to	
			Small business	Medium business
Local – same city or town	67%	89%	89%	90%
Elsewhere in State	11%	59%	59%	61%
Interstate	12%	55%	54%	59%
Overseas	4%	29%	29%	32%

Base = Take orders over the internet

SOURCE: Sensis® e-Business Report
Sweeney Research - 2009



Return on investment

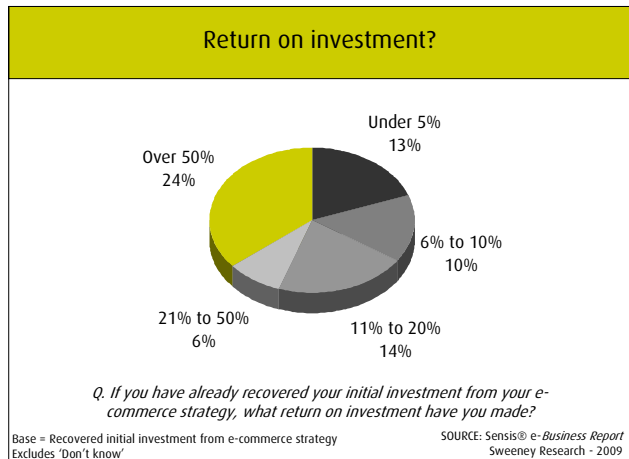
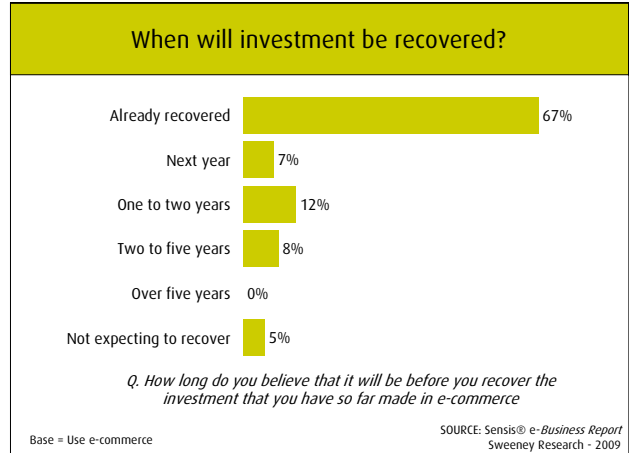
Since 2002 the Sensis® e-Business Report has been tracking the time that SMEs have been taking to recover their investment in e-commerce. The latest results found some 67 per cent of SMEs reported they had recovered their investment in e-commerce. A further seven per cent of those SMEs who have invested in an e-commerce strategy said they are expecting to recover their investment in the next year.

The latest results show an increase in the proportion of SMEs reporting they have recovered their investment, which was up by three percentage points from 64 per cent last year.

From a business investment perspective, it is important when forming a business case for e-commerce investments to look at the likely return on that investment. In terms of the return on investment, the most frequent response among SMEs who had recovered their investment was they did not know (34 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 24 per cent of SMEs. This was followed by 14 per cent of SMEs who knew their return on investment reporting they had achieved a return of between 11 and 20 per cent of their original investment.

The proportion of SMEs who recovered their investment and reported a return in excess of 50 per cent has increased marginally during the last year, up by one percentage point. The proportion of SMEs reporting a return on investment of less than five per cent has fallen slightly from 15 percentage points last year to 13 per cent this year. Taking into account a decrease in the proportion of SMEs which did not know their return on investment this year, these results reflect a significant increase in the level of return that SMEs reported from their e-commerce investments.

SMEs in New South Wales and the Australian Capital Territory were the most likely to report a return on investment of greater than 50 per cent, with those in the Northern Territory 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 metropolitan areas (26 per cent compared to 19 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.



Degree of interest in engaging in e-commerce

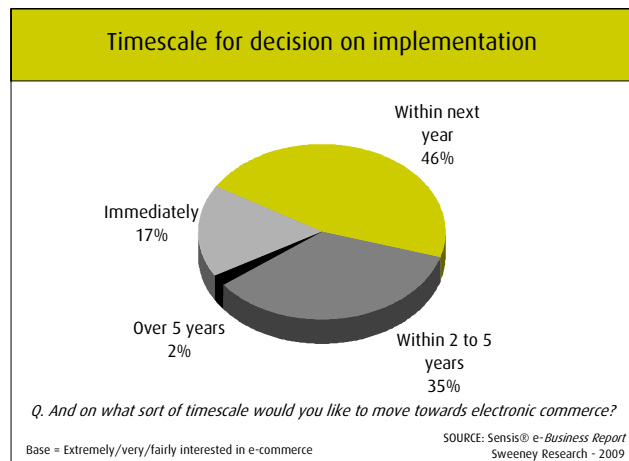
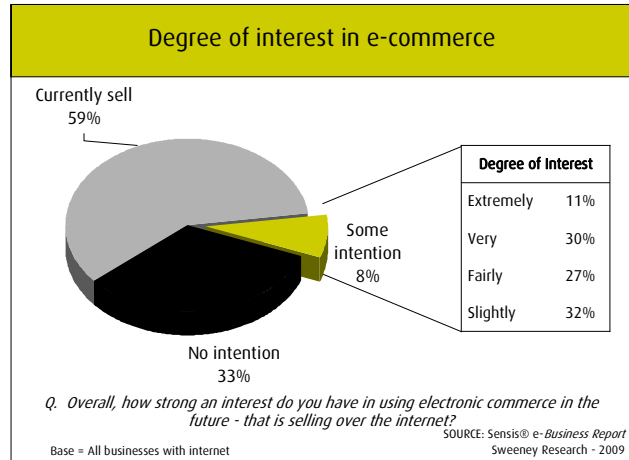
The proportion of SMEs online and intending to introduce e-commerce into their businesses increased again marginally over the past year, mainly due to strong increases in the proportions of SMEs that have taken up e-commerce in the past year, with those that have no intention of taking up e-commerce having also fallen significantly.

Of those intending to introduce it, the degree of interest softened slightly, with SMEs more likely to report being “very” than “extremely” interested, although the total level of interest was unchanged. In addition, there was also no change in the proportion of SMEs looking to introduce e-commerce in the next year, but more of these SMEs were looking to introduce it “immediately”.

The intention to introduce e-commerce among SMEs that were online but not already using e-commerce to sell fell by one percentage point over the past year to eight per cent. Among those firms connected to the internet, some 59 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.

Of the remaining eight per cent of online businesses that felt they could use e-commerce, 41 per cent of businesses indicated they were either extremely interested or very interested in using e-commerce within their businesses, unchanged in the past year. This was divided between 11 per cent that were extremely interested (down from 19 per cent) and 30 per cent that were very interested (up from 22 per cent). Some 32 per cent were only slightly interested, down from 37 per cent last year.

In terms of the expected timescale for implementing an e-commerce strategy, the most frequent response (46 per cent) was within the next year. This was a slight decrease from last year where 49 per cent expected to implement an e-commerce strategy within the next year. In addition to this, some 17 per cent reported they were interested in introducing e-commerce “immediately” into their businesses, up from 14 per cent last year. These results reflect those small businesses are looking to move more quickly to implement e-commerce in their business, with the shift from the next year to immediately. The proportion of SMEs reporting an intention to introduce e-commerce in time frames greater than one year was unchanged in the past year at 37 per cent.



The barriers and difficulties of engaging in e-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 has fallen slightly over the past year. Some 43 per cent of online businesses identified this as a major concern, a fall of three percentage points. A further 32 per cent identified this as a minor concern, unchanged in the past year.

The second most important concern this year was a lack of personal contact with the customer. This was identified by 22 per cent as a major concern (unchanged in the past year), with a further 35 per cent identifying this as a minor concern. The next most important concerns included a lack of expertise with computers (down five percentage points to 21 per cent); the cost and time to introduce new technologies (identified by 19 per cent as a major concern, down six percentage points in the past year); and the cost of hardware and software (down two percentage points to 18 per cent).

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 10 per cent identified each of these issues as a major concern.

This year saw most concerns fall amongst SMEs, with the exceptions being a lack of personal contact and incompatibility with existing systems, both of which were unchanged in the past year. There was no increase in the proportion of SMEs viewing any particular issue as a major concern about e-commerce.

The largest concern small businesses identified relative to medium businesses involved a perceived lack of expertise and knowledge of computers. Overall, 21 per cent of small businesses identified this issue as a major concern, compared to 17 per cent of medium businesses, a gap of four percentage points, with this gap having fallen by seven percentage points over the past year. The most significant concern of medium businesses compared to small businesses was the cost of hardware and software, with six per cent more medium businesses identifying this as a major concern than small businesses.

Concerns about e-commerce (Prompted)			
	Major concern	Minor concern	No concern
People able to hack into your computer system	43%	32%	25%
Lack of personal contact with the customer	22%	35%	43%
Lack of expertise and knowledge in computers	21%	37%	41%
Cost and time with introducing new technologies	19%	40%	41%
The cost of hardware and software	18%	42%	48%
Incompatibility with your existing systems	13%	30%	57%
Customers not being prepared to carry out financial transactions over the internet	10%	40%	41%
Customers can more easily compare your product offer with that of your competitors	10%	28%	62%
A feeling that most of your customers aren't yet ready	10%	29%	61%

Base = All businesses with internet

SOURCE: Sensis® e-Business Report
Sweeney Research - 2009

Concerns about e-commerce Trends										
Rate as major concern										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
People able to hack into system	34%	34%	42%	41%	43%	40%	49%	42%	46%	43%
Lack of expertise and knowledge	37%	28%	30%	28%	19%	19%	28%	24%	26%	21%
Cost and time to introduce	10%	10%	9%	4%	17%	12%	22%	15%	25%	19%
Lack of personal contact	47%	39%	36%	27%	17%	16%	22%	22%	22%	22%
Cost of hardware and software	26%	19%	24%	20%	18%	13%	19%	16%	20%	18%
A feeling that most of your customers aren't ready	33%	33%	31%	27%	11%	12%	14%	12%	15%	10%
Incompatibility with existing systems	N/A	N/A	N/A	8%	10%	5%	16%	15%	13%	13%
Customers not prepared to transact on net	38%	34%	23%	23%	9%	12%	18%	12%	13%	10%
Customers can more easily compare your product	N/A	N/A	N/A	11%	9%	9%	12%	9%	11%	10%

Base = All businesses with internet

SOURCE: Sensis® e-Business Report
Sweeney Research - 2009

Concerns about e-commerce by business size			
Rate as major concern			
	All SMEs	Small business	Medium business
People able to hack into your computer system	43%	43%	47%
Lack of personal contact with the customer	22%	21%	25%
Lack of expertise and knowledge in computers	21%	21%	17%
Cost and time with introducing new technologies	19%	19%	23%
The cost of hardware and software	18%	18%	24%
Incompatibility with your existing systems	13%	13%	14%
Customers not being prepared to carry out financial transactions over the internet	10%	10%	13%
Customers can more easily compare your product offer with that of your competitors	10%	10%	10%
A feeling that most of your customers aren't yet ready	10%	10%	13%

Base = All businesses with internet

SOURCE: Sensis® e-Business Report
Sweeney Research - 2009

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