

July 2008

Sensis<sup>®</sup> *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 May 2008 Sensis® *Business Index* included questions on technology usage and electronic commerce (e-commerce). These questions formed the basis of the 2008 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 12 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 2008 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 objectives of the Sensis® *Consumer Report* are to measure consumer confidence and expectations for the next 12 months. A second purpose is to provide 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 May 2008 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 28 April to 30 May 2008. 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	-
<b>Total</b>	<b>1800</b>	<b>1365</b>	<b>435</b>

SOURCE: Sensis® *Business Index*  
Sweeney Research - May 2008

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
<b>Total</b>	<b>1800</b>

SOURCE: Sensis® *Business Index*  
Sweeney Research - May 2008

Size of business Number of full time employees	
1-2 Employees	657
3-4 Employees	284
5-9 Employees	292
10-19 Employees	203
<b>Total Small</b>	<b>1,436</b>
20-99 Employees	317
100-200 Employees	47
<b>Total Medium</b>	<b>364</b>

SOURCE: Sensis® *Business Index*  
Sweeney Research - May 2008

The results in this report relating to consumer behaviour are based on a survey of 1,500 Australians conducted over the period 30 April to 1 June 2008.

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
<b>Total</b>	<b>1500</b>	<b>750</b>	<b>750</b>

SOURCE: Sensis® Consumer Index  
Sweeney Research - May 2008

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
<b>Total</b>	<b>1500</b>	<b>1130</b>	<b>370</b>

SOURCE: Sensis® Consume Report  
Sweeney Research - May 2008

## Executive summary

This special report examines a selection of small and medium sized enterprises (SMEs) and their attitudes towards, and experiences with, e-business. Research with 1,800 SMEs was undertaken across a range of online technologies, including the internet and email. The research was undertaken in May 2008. 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.

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### Computer equipment

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Computer ownership among SMEs during the year increased, 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 99 per cent ownership for medium businesses. While ownership of desktop computers fell marginally in the past year, this was more than offset by a very strong increase in the ownership of notebook computers, with 61 per cent of SMEs now owning a notebook computer. This was an increase of ten percentage points from 51 per cent last year. This is the largest increase in the level of notebook computer ownership by SMEs and is consistent with increasing use of mobile computing applications this year.

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### The internet

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The rate of internet connectivity among small and medium businesses continued to grow during the year, with internet connectivity among small businesses increasing from 92 per cent to 94 per cent, a rise of two percentage points. This increase was equivalent to the increase recorded for the past three years.

While 94 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 five per cent do not expect to be connected within the year. Some 94 per cent of SMEs with internet access now have broadband internet access, having risen a further three percentage points in the past year.

The single most important reason for use of the internet (as identified by 98 per cent of all internet-connected SMEs) remains email (to communicate with clients, customers and suppliers). The second most important use of the internet was to look for information about products and services (89 per cent), while the third highest usage was to get reference information or research data (84 per cent).

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### Australians use of technology

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The uptake of technology in Australian households was lower than was the case for SMEs. Some 89 per cent of households reported having a computer of some description, with 84 per cent of households being internet enabled and 73 per cent having broadband connections. Overall, 57 per cent of Australians had made purchases online in the past year.

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### Websites

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The proportion of small businesses with a website continued to increase over the past year from 51 per cent to 54 per cent. A further 12 per cent of small businesses indicated an intention to have one within the next 12 months. Website penetration dropped for medium businesses, falling from 88 per cent in 2007 to 83 per cent in 2008. A further seven per cent of medium businesses indicated they expected to get a website within the next 12 months.

In terms of website effectiveness, a majority of businesses (65 per cent) have indicated that their website increased their business effectiveness. The reason most SMEs provided was that the website had made it easier for people to access information about their businesses.

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## Use of the internet for procurement

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The past year has seen solid growth in the use of the internet for procurement purposes. This is reflected in the strong increase from 59 per cent to 67 per cent in the proportion of SMEs that are now placing orders for products and services online over the past year.

In terms of the importance of online orders placed by SMEs as a share of their total purchasing activities, there was little change in the last year. The proportion of e-commerce businesses that indicated their online purchases represented more than five per cent of their total purchasing activities increased from 64 per cent to 66 per cent. At the top end of the spectrum, 19 per cent of SMEs who bought online reported that the majority of their procurement was conducted online.

In terms of paying for products and services online, there was continued incremental growth in adoption over the year. This was reflected in the rise among SMEs from 67 per cent to 71 per cent for payments made online.

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

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## Use of the internet to sell

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The trend in online selling continued to grow during the past year. The percentage of SMEs taking orders online has increased from 48 per cent in 2007 to 54 per cent in 2008.

Online selling as a share of total sales activities saw solid improvement over the course of the year among e-commerce oriented businesses. The proportion of online businesses that indicated they took more than five per cent of their total sales orders online increased over the year from 59 per cent in 2007 to 61 per cent in 2008. Some 17 per cent of SMEs who used e-commerce to sell made the majority of their sales online.

The number of SMEs receiving payments online for sales made over the internet also recorded growth, with the proportion of SMEs that received payments for sales over the internet increasing from 55 per cent to 63 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. Almost two-thirds of e-commerce businesses (64 per cent) indicated they had already recovered their investment in e-commerce. This result has decreased by four percentage points from last year.

This year was the sixth year that a question has been asked of respondents concerning the magnitude of the return on investment for those businesses that have recovered their initial investment. Some 23 per cent of these businesses indicated that the return on investment from their e-commerce strategy had exceeded 50 per cent, down from 26 per cent last year, however still well above average.

While 57 per cent of online businesses use e-commerce and a further nine per cent have indicated that they thought they could use it, some 34 per cent of online SMEs believed they could not use e-commerce. Positively, however, the nine per cent that are looking to introduce e-commerce are much more interested and expecting to introduce it much sooner than in previous year. 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 computerisation

## Introduction

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

## Equipment ownership

The 2008 Sensis® e-Business Report found that 97 per cent of small and medium enterprises (SMEs) reported owning a computer of some description. Desktop computers were the most common, with 94 per cent of SMEs reported owning at least one desktop computer. Strong growth in mobile computing was reported, with some 61 per cent of SMEs owning at least one notebook computer (60 per cent of small businesses and 85 per cent of medium businesses).

Computer ownership was marginally higher in metropolitan regions with 98 per cent of businesses reporting computer ownership compared to 96 per cent for regional businesses. Growth in computer ownership was the same in both metropolitan and regional areas, with ownership of a computer growing by one percentage point in each.

Whilst historically there has been some difference in computer ownership among businesses in different states and territories, the overall difference increased further in the past year. The highest levels of computer ownership was in New South Wales and the Australian Capital Territory (99 per cent each), while the lowest was in Tasmania (89 per cent), making an overall gap in computer ownership of 10 percentage points, up from a gap of five percentage points last year. The increase in this gap was mainly due to lower computer ownership amongst SMEs in Tasmania, with almost all SMEs in other states and territories reporting increases in computer ownership in the past year.

Levels of computer ownership also varied across the various industry sectors. At the high end of the scale, SMEs in the wholesale trade, transport and storage and finance and insurance sectors recorded a 100 per cent computer ownership result. By comparison, SMEs in the cultural, recreational and personal services sector recorded a result of 93 per cent of businesses owning a computer of some description.

Computer ownership by industry sector			
	Desktop computer	Notebook computer	Any computer
<b>All Business</b>	<b>93%</b>	<b>61%</b>	<b>97%</b>
Manufacturing	96%	61%	97%
Building/Construction	93%	61%	98%
Wholesale Trade	91%	70%	100%
Retail Trade	89%	50%	95%
Transport/Storage	94%	57%	100%
Communication, Property & Business Services	96%	69%	99%
Finance and Insurance	87%	74%	100%
Health and Community Services	97%	56%	97%
Cultural, Recreational & Personal Services	89%	57%	93%
Accommodation, Cafés and Restaurants	92%	54%	98%

SOURCE: Sensis® e-Business Report  
Sweeney Research - 2008

Computer ownership by business size and location			
	Desktop computer	Notebook computer	Any computer
<b>All Businesses</b>	<b>93%</b>	<b>61%</b>	<b>97%</b>
1-2 Employees	90%	56%	96%
3-4 Employees	93%	66%	98%
5-9 Employees	99%	58%	99%
10-19 Employees	98%	75%	100%
20-99 Employees	99%	85%	99%
100-200 Employees	100%	86%	100%
<b>Total Small (1-19)</b>	<b>92%</b>	<b>60%</b>	<b>97%</b>
<b>Total Medium (20+)</b>	<b>99%</b>	<b>85%</b>	<b>99%</b>
Total Metropolitan	93%	61%	98%
Total Rural	92%	60%	96%

SOURCE: Sensis® e-Business Report  
Sweeney Research - 2008

In terms of telecommunication equipment ownership, the greatest increase during the past year was in the proportion of SMEs with a 3G mobile telephone with internet access, which has increased by 16 percentage points to 52 per cent and follows from an 18 percentage point increase last year.

In total, 56 per cent of SMEs reported that they had a LAN network supporting their business, with 31 per cent of SMEs indicated that they had an advanced telephony system supporting their business. Both of these items saw continued increases in uptake over the past year.

Continued growth was also seen in the numbers of SMEs reporting using wireless technologies for location and navigation and wireless e-mail. Some 30 per cent of SMEs reported having some form of satellite navigation device, either in-car or hand-held (up 11 percentage points), with 14 per cent reporting having a mobile e-mail device, up three percentage points over the past year.

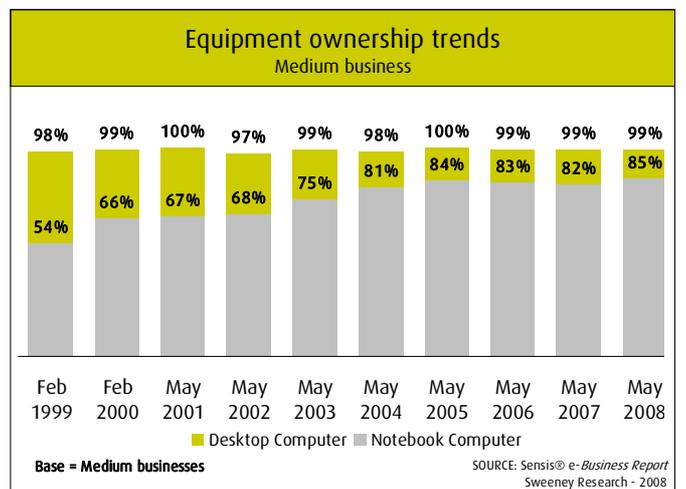
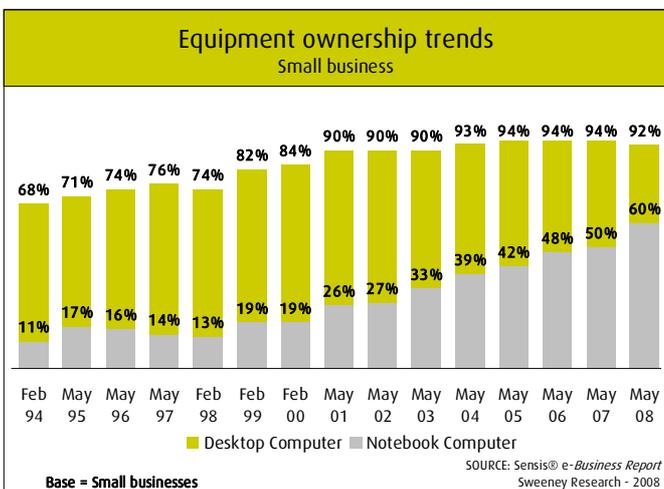
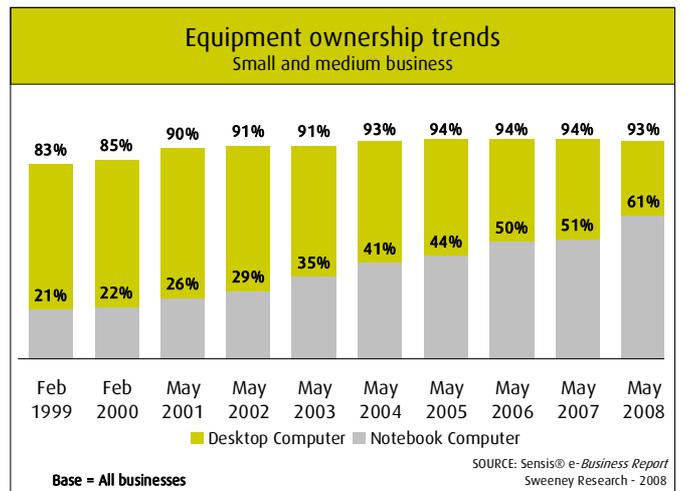
Telecommunication equipment ownership				
	2007	2008		
	All SMEs	All SMEs	Small Business	Medium Business
Fixed line telephone (landline)	96%	96%	95%	100%
Standard mobile telephone (no internet access)	81%	70%	70%	78%
A LAN network supporting your business	51%	56%	54%	93%
3G mobile telephone (with internet access)	36%	52%	51%	74%
An advanced telephony system (eg. PABX or IVR)	27%	31%	29%	79%
Satellite navigation system (in-car or hand-held)	19%	30%	30%	41%
VOIP (Voice over internet protocol)	17%	17%	17%	27%
Blackberry/mobile e-mail	11%	14%	12%	35%

SOURCE: Sensis® e-Business Report  
Sweeney Research - 2008

## Computer ownership trends

The proportion of SMEs that owned a desktop computer decreased marginally to 93 per cent in the past year. This was more than balanced by the growth in notebook ownership among SMEs with an increase from 51 per cent to 61 per cent over the past year.

This year's increase of ten percentage points in the proportion of SMEs owning a notebook computer is the strongest increase in a single year recorded in the history of this report, and follows from a small increase of only one percentage point in the previous year. This trend is in line with increased uptake in general for mobile technologies this year.



## Expenditure in 2007 calendar year

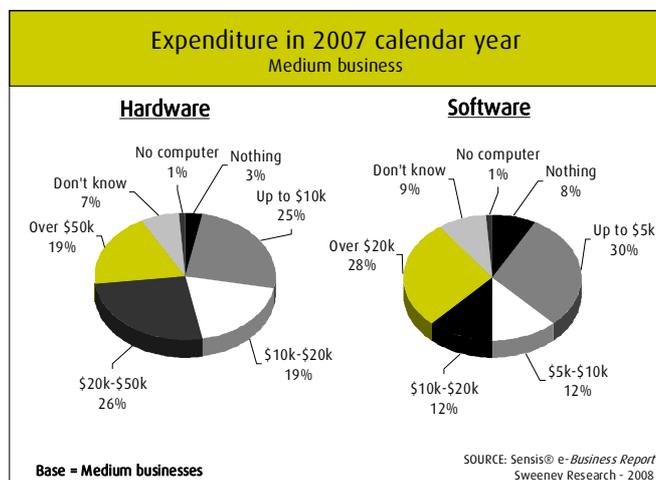
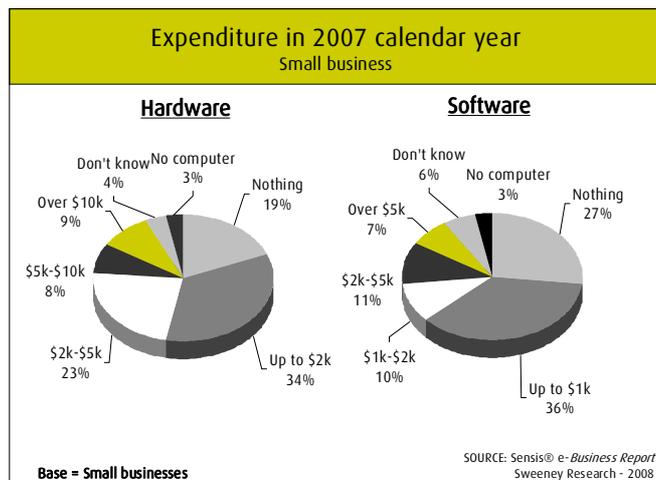
Overall average expenditure on computer hardware and software for all SMEs in 2007 was \$11,500. This was an increase of \$600 during the past year from \$10,900 in 2006.

The average level of expenditure on computer hardware during 2006 by all SMEs was approximately \$7,100. This represents a decrease of \$100 during the past year. The average spend of small business differed greatly from that of medium businesses. While the average spend for small businesses on computer hardware in 2007 increased to approximately \$5,200, for medium businesses the corresponding spend on hardware was \$45,600. This represented a large decrease for medium businesses of \$29,900 on average, reversing most of last year's very high spend by medium businesses.

The average hardware spend for small businesses was \$5,200, but the vast majority of small businesses spent far less than this. Almost one in five small businesses last year recorded no spend on computer hardware, with just over half spending less than \$2,000. Nine per cent of small businesses reported spending more than \$10,000 on computer hardware in 2007, which was up three percentage points in the past year. This compares to almost two-thirds of medium businesses which reported spending more than \$10,000 on hardware in 2007.

The average expenditure on software for SMEs was \$4,400. This represents an increase of \$700 over the past year. Again, this varied significantly between small and medium businesses, with the average spend for small businesses increasing strongly to \$3,000, compared to \$31,500 for medium businesses (a decline of \$12,400 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 27 per cent of small businesses reported no spend on software in 2007, and an additional 36 per cent reported a software spend of up to \$1,000. Seven per cent reported spending more than \$5,000 on software in 2007 (up two percentage points in the past year). This compares with 52 per cent of medium businesses which reported spending in excess of \$5,000 on computer software over the same period.



**Trends in mean expenditure**

	1998	1999	2000	2001	2002	2004	2005	2006	2007
<b>Small Business</b>									
Software	\$0.9k	\$1.5k	\$1.8k	\$1.4k	\$2.1k	\$1.9k	\$1.8k	\$1.8k	\$3.0k
Hardware	\$4.0k	\$4.1k	\$5.7k	\$3.9k	\$5.1k	\$4.4k	\$3.9k	\$3.9k	\$5.2k
<b>Medium Business</b>									
Software	\$30.1k	\$44.1k	\$25.5k	\$23.2k	\$28.0k	\$31.6k	\$35.8k	\$43.9k	\$31.5k
Hardware	\$47.0k	\$80.1k	\$49.1k	\$41.6k	\$59.2k	\$42.3k	\$43.2k	\$75.5k	\$45.6k

Base = All businesses

SOURCE: Sensis® e-Business Report  
Sweeney Research - 2008

## Expected expenditure in 2008 calendar year

Overall, following strong increases in 2007, SMEs were expecting to spend less on computer hardware and software in 2008.

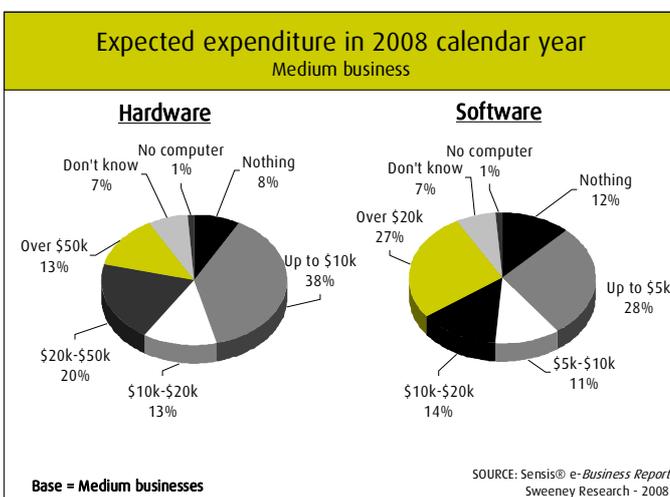
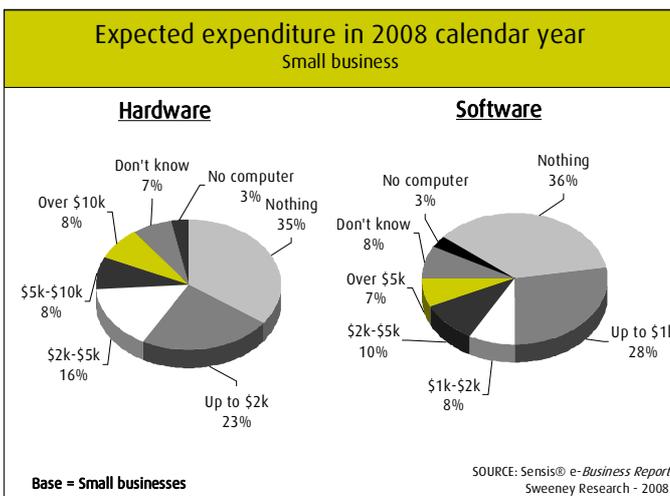
Total average expenditure on computer hardware and software for all SMEs in 2008 was expected to be \$8,800. This would represent a decrease of \$2,700 from the total spend of \$11,500 that SMEs reported spending on hardware and software in 2007.

On average, small businesses were expecting to spend \$6,000, with medium businesses expecting to spend \$62,200 on computer hardware and software in 2008.

In terms of expenditure on computer hardware, SMEs were expecting to spend significantly less in 2008 than they did in 2007. The average expected spend across all SMEs was \$5,100, considerably less than the \$7,100 spent in 2007. Falls in spending on hardware were expected in businesses of all sizes. Small businesses were expecting to spend \$3,700, down from the spend of \$5,200 in 2007. Medium businesses were expecting to spend \$31,500, also down from the \$45,600 that they reported spending in 2007.

In line with expectations for a lower hardware spend, SMEs were also expecting to decrease their spend on computer software in 2008. The average expected spend across all SMEs was \$3,700 would be a decrease of \$700 per business on the levels recorded this year. Small businesses were expecting to spend \$2,300, down from the spend of \$3,000 reported in 2007. This trend was also recorded for medium businesses, which expect to decrease their average software spend from the \$45,600 recorded in 2007 to an expected \$30,700 in 2008.

It is interesting to note that while SMEs are expecting to spend less on IT in 2008 than they did in 2007, this has been the case for the past two years, with expectations over-realised significantly. Last year the overall expectation for SME total hardware and software spend was \$9,400, which, when compared to the reported actual figures of \$11,500 for 2007, was over-realised by \$2,100 on average per business.



# Getting connected

## Connection levels

The proportion of small and medium enterprises connected to the internet rose during the year from 92 per cent to 94 per cent. This reflected a rise in small businesses internet-connectivity from 92 per cent to 93 per cent, and a one percentage point decrease for medium businesses at 98 per cent. Of the six per cent of small businesses that are not connected to the internet, three 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 transport and storage sector at 99 per cent. The lowest level of connectivity was in the retail trade sector, of which 87 per cent of SMEs reported having an internet connection, a fall of two percentage points over the past year, with eight per cent of SMEs in this sector having computers that are not connected to the internet, the highest of any sector.

Metropolitan businesses reported a rate of 95 per cent internet penetration which was slightly higher than the result for regional businesses at 92 per cent. The connection levels amongst metropolitan SMEs has risen by one percentage point in the past year, compared to an increase of three percentage points for SMEs in regional areas.

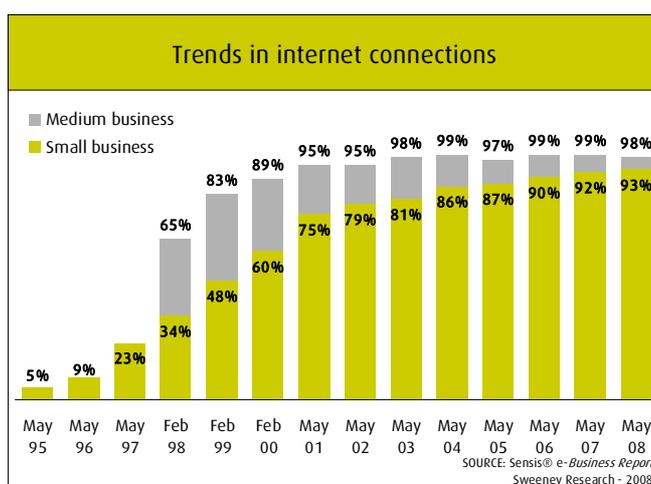
It is worthwhile revisiting recent historical trends in order to fully appreciate just how significant the internet has become as a business tool. Since 1998, the proportion of small businesses that are connected to the internet has risen from 34 per cent to 93 per cent. Over this time the trend among medium businesses has been nearly as impressive, rising from 65 per cent to 98 per cent. Examining the trends around these figures shows that there is now only limited scope for new connections, mainly among small businesses in specific sectors and regional areas, and the internet is part of the standard toolkit for any business.

Internet connections by business size and location			
	No computers	Use internet	Do not use
<b>All Businesses</b>	<b>3%</b>	<b>94%</b>	<b>3%</b>
1-2 Employees	4%	91%	5%
3-4 Employees	2%	95%	3%
5-9 Employees	1%	96%	3%
10-19 Employees	0%	99%	1%
20-99 Employees	1%	98%	1%
100-200 Employees	0%	100%	0%
<b>Total Small (1-19)</b>	<b>3%</b>	<b>93%</b>	<b>4%</b>
<b>Total Medium (20+)</b>	<b>1%</b>	<b>98%</b>	<b>1%</b>
Total Metropolitan	2%	95%	3%
Total Rural	4%	92%	4%

SOURCE: Sensis® e-Business Report  
Sweeney Research - 2008

Internet connections by industry sector			
	No computers	Use internet	Do not use
Manufacturing	3%	93%	4%
Building/Construction	2%	92%	6%
Wholesale Trade	0%	96%	4%
Retail Trade	5%	87%	8%
Transport/Storage	0%	99%	1%
Communications, Property & Business Services	1%	98%	1%
Finance and Insurance	0%	100%	0%
Health/Community Services	3%	95%	2%
Personal Services	7%	90%	3%
Accommodation, Cafés and Restaurants	2%	97%	1%

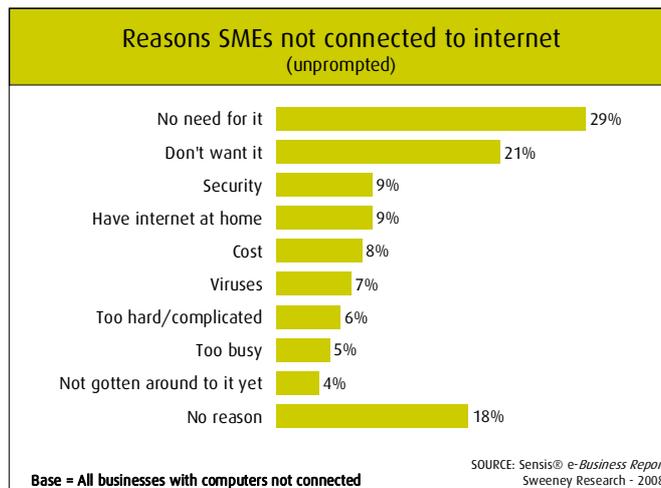
SOURCE: Sensis® e-Business Report  
Sweeney Research - 2008



## Reasons for not connecting

Among the very small number of businesses that had computers but were not connected to the internet, the most important reason why SMEs were not connected to the internet was a view that they had no need for it (29 per cent, down from 39 per cent last year). The SMEs most likely to give this response were in the communications, property and business services sectors, however only one per cent of SMEs in this sector have computers not connected to the internet. Regional SMEs were more likely than metropolitan SMEs to express the view that they had no need for the internet.

The next most frequent response for not connecting to the internet was that they did not want it, which was given by 21 per cent of those SMEs with computers not connected to the internet. SMEs in the building and construction sector were most likely to provide this response. Overall, 91 per cent of SMEs reported being connected to the internet at home, unchanged in the past year.



## Expectations for internet connection

While 94 per cent of SMEs are already connected to the internet, this leaves some six 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 five 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, with these expectations being over-realised.

The strongest resistance to future internet connectivity, by SME size, came among those businesses that employ between one to two employees. Seven 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 that they thought it would be a convenient and easy way to access information, closely followed by the belief that it was a good way of advertising their business, and wanting to buy and sell online.

	Use internet	Expect to connect	*Do not expect
<b>All Businesses</b>	<b>94%</b>	1%	5%
1-2 Employees	91%	2%	7%
3-4 Employees	95%	2%	3%
5-9 Employees	96%	1%	3%
10-19 Employees	99%	1%	0%
20-99 Employees	98%	2%	0%
100-200 Employees	100%	0%	0%
<b>Total Small (1-19)</b>	<b>93%</b>	2%	5%
<b>Total Medium (20+)</b>	<b>98%</b>	2%	0%
Total Metropolitan	95%	1%	4%
Total Rural	92%	3%	5%

Base = All businesses  
\*Includes "Not sure"

SOURCE: Sensis® e-Business Report  
Sweeney Research - 2008

## Broadband connections

SMEs continued their shift to broadband over the past year. Some 94 per cent of SMEs that were online currently reported having broadband access to the internet, up from 91 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 19 per cent with a cable connection and 12 per cent with a wireless connection. Almost three-quarters of SMEs were unaware of the speed of their internet connection.

Of those SMEs that did not currently have a broadband connection to the internet, almost four in ten (39 per cent) reported that there were intending to get one, with 79 per cent of those intending to have broadband sometime in the next 12 months.

Broadband connections were only marginally higher in metropolitan SMEs (95 per cent compared to 94 per cent for regional SMEs). The level of broadband connection was again highest amongst SMEs in Victoria (97 per cent) and lowest in Tasmania and the Northern Territory (89 per cent each).

In terms of industry sector trends, the health and community services sector had the greatest proportion of online businesses with broadband connections at 98 per cent. The lowest level of broadband connection occurred in the accommodation, café and restaurant sector.

The main reason SMEs identified why they have introduced broadband access was due to the speed of access. Overall, 53 per cent of SMEs with broadband access identified this factor. The next most important reasons for having broadband access involved increased efficiency (11 per cent) and being able to access more applications (seven per cent). Overall, approximately eight in ten 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	94%	94%	97%
No – do not have broadband	5%	5%	3%
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%	57%
Cable	19%	19%	19%
Wireless	12%	12%	12%
Satellite	1%	1%	1%
Don't know	12%	12%	11%

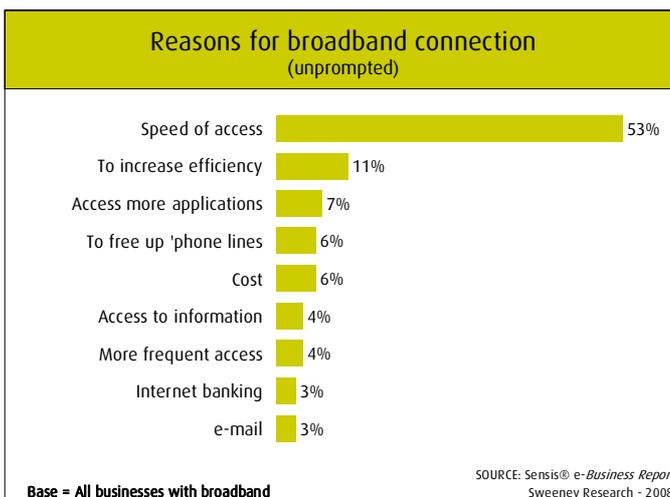
Base = SMEs with internet access

SOURCE: Sensis® e-Business Report  
Sweeney Research - 2008

SME broadband access			
<i>How long has your business had broadband access?</i>			
	Total	Small Business	Medium Business
Over 12 months	95%	96%	99%
Less than 12 months	5%	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%	88%
Negative	1%	1%	0%
No real impact	21%	22%	12%

Base = Have broadband access

SOURCE: Sensis® e-Business Report  
Sweeney Research - 2008



## 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 98 per cent of internet connected businesses. Given the high level of penetration that exists among internet-connected businesses, only a further one per cent of businesses expect to take up this application in the next year. Usage of this application has increased by two percentage points over the past year.

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 89 per cent of businesses that are connected to the internet, up four percentage points from 85 per cent last year.

The third most important application of the internet was getting reference information or research data. This application was identified by 84 per cent of internet-connected businesses, a fall of three percentage points since last year.

A further five per cent of internet-connected businesses were expecting to use this application for the first time within the next 12 months. This has fallen to third position from being the second highest ranking application last year.

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 using a website to promote the business, which was nominated by 12 per cent of SMEs as something they wanted to do in the next year. This was closely followed by promoting the business with e-mail marketing and advertising the business on other websites, which were both nominated by 11 per cent of SMEs.

Current and expected uses of the internet - summary

	Currently use	Expect to use	Total
To communicate via email	98%	1%	99%
To look for information about products and services	89%	4%	93%
To get reference information or research data	84%	5%	89%
Internet banking	83%	4%	87%
To access directories such as Yellow™ directories	81%	5%	86%
To pay for products and services	76%	4%	80%
To place orders for products and services	71%	9%	80%
To access and use Online catalogues	71%	7%	78%
To receive payments for products and services	67%	6%	73%
To streamline communications with customers and staff	63%	7%	70%
To use a website to advertise or promote business	57%	12%	69%
To take orders for your products and services	57%	9%	66%
To monitor your markets or the competition	42%	7%	49%
To promote the business using email marketing	28%	11%	39%
To advertise your business on other websites	21%	11%	32%
To use online auction sites to sell goods or services	21%	8%	29%

Base = All businesses with internet

SOURCE: Sensis® e-Business Report  
Sweeney Research - 2008

## 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 98 per cent of small businesses, compared to 99 per cent of medium businesses. Usage among small businesses has increased over the past year by three percentage points, while usage among medium businesses has not changed over the past year. This has resulted in the usage gap between small and medium businesses increasing from four percentage points last year to one percentage point this year.

The second most important internet application was to look for information about products or services. There was some difference in the use of this application between medium businesses (98 per cent) and small businesses (88 per cent). This gap has not changed from last year, with usage rising equally across both firm sizes.

The internet application that demonstrated the greatest variation between small and medium business usage was again using a website to promote their business. Some 77 per cent of medium businesses with the internet identified this, compared to 56 per cent of small businesses with the internet. This gap of 21 percentage points was the highest for any internet application, but has decreased by five percentage points in the past year.

The only internet application that was used by more small businesses than medium businesses was using online auction sites to sell goods or services. This application was used by 21 per cent of small businesses compared to 18 per cent of medium businesses.

Taking orders for goods or services was used by equal number of small and medium businesses (57 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	98%	98%	99%
To look for information about products and services	89%	88%	98%
To get reference information or research data	84%	84%	94%
Internet banking	83%	82%	92%
To access directories such as Yellow™ directories	81%	80%	93%
To pay for products and services	76%	75%	83%
To access and use Online catalogues	71%	70%	87%
To place orders for products and services	71%	71%	84%
To receive payments for products and services	67%	67%	73%
To streamline communications with customers and staff	63%	62%	82%
To take orders for your products and services	57%	57%	57%
To use a website to advertise or promote business	57%	56%	77%
To monitor your markets or the competition	42%	41%	57%
To promote the business using email marketing	28%	27%	44%
To advertise your business on other websites	21%	21%	29%
To use online auction sites to sell goods or services	21%	21%	18%

Base = All businesses with internet

SOURCE: Sensis® e-Business Report  
Sweeney Research - 2008

## Trends in usage

This year saw relatively strong increases in the usage of many key internet applications. Compared to last year, when the largest increase in usage was three percentage points, this year saw the majority of applications recording an increase of this level.

In terms of trends in usage of various internet applications across all SMEs, the largest rise during the year was split between the e-commerce applications of placing orders, receiving payments for products and services and using online auction sites to sell goods and services. All of these applications rose by eight percentage points in the last year. Overall, 67 per cent of SMEs reported placing orders for products or services, with the greatest usage being among SMEs in the finance and insurance sector (81 per cent). The greatest usage of the internet to receive payments by an industry sector was the manufacturing and transport and storage sectors (73 per cent each). Using online auction sites to sell goods and services was most predominant in the wholesale trade sector (26 per cent).

The next highest increases recorded for internet applications were for accessing directories such as Yellow™ directories; looking for information about products and services; and taking orders for products and services, with all increasing their usage amongst SMEs by six percentage points over the past year.

With 76 per cent of SMEs reporting usage, accessing directories such as the Yellow™ directories was the fifth top use of the internet by SMEs overall. The industry sector where usage was highest was the finance and insurance sector, where 91 per cent of SMEs reported using this application. Looking for information about products and services was the second most used application by SMEs, with 84 per cent reporting usage overall. The industry sector most likely to search for information about products and services online was the manufacturing sector, where 90 per cent of SMEs reported using this application. Taking orders for products and services was most predominant in the transport and storage sector (73 per cent).

### Trends in current uses of the internet – based on all businesses

	2006	2007	2008	Change 2007 to 2008
To place orders for products and services	61%	59%	67%	+8%
To receive payments for products and services	52%	55%	63%	+8%
Use online auction sites	16%	12%	20%	+8%
To access directories such as the Yellow™ directories	72%	70%	76%	+6%
To look for information about products and services	82%	78%	84%	+6%
To take orders for your products and services	47%	48%	54%	+6%
To access and use online catalogues	66%	62%	67%	+5%
To communicate via email	88%	88%	92%	+4%
To pay for products and services	66%	67%	71%	+4%
Internet banking	74%	74%	78%	+4%
Advertise your business on other websites	17%	16%	20%	+4%
To monitor your markets or the competition	39%	38%	40%	+2%
To promote the business using email marketing	27%	25%	27%	+2%
To use a website to advertise or promote business	50%	53%	54%	+1%
To get reference information or research data	80%	81%	79%	-2%
To streamline communications with customers and staff	61%	62%	60%	-2%

Base = All businesses

SOURCE: Sensis® e-Business Report  
Sweeney Research - 2008

## What are the essential applications?

The most essential application of the internet in terms of SME usage was again email. This was identified by 87 per cent of businesses as an essential application, unchanged in the last year. Metropolitan businesses were more likely to identify email as an essential application compared to regional businesses (89 per cent versus 83 per cent).

The next most important application identified as essential was internet banking (75 per cent, up from 71 per cent). Of all industry sectors, SMEs in the finance and insurance sector were most likely to identify internet banking as an essential internet application (86 per cent). This contrasts with SMEs in the accommodation, café and restaurant sector which were least likely to regard it as an essential application (69 per cent).

There were six other applications that were considered essential by the majority of SMEs: finding reference information or research data (67 per cent, up from 65 per cent); looking for information about products and services that businesses might buy (67 per cent, up from 63 per cent); paying for products and services (57 per cent, up from 50 per cent); accessing directories such as Yellow™ directories (53 per cent, up from 49 per cent); receiving payment for products and services (53 per cent, up from 48 per cent); and streamlining communications with customers and staff (51 per cent, down from 53 per cent).

The application to record the greatest increase in the percentage of internet-connected SMEs regarding an application as essential was paying for products and service, which rose by seven percentage points over the past year.

What are the essential applications?			
	All SMEs	Small Business	Medium Business
To communicate via email	87%	87%	87%
Internet banking	75%	74%	82%
To get reference information or research data	67%	67%	71%
To look for information about products and services	67%	66%	70%
To pay for products and services	57%	57%	57%
To access directories such as Yellow™ directories	53%	53%	58%
To receive payments for products and services	53%	53%	55%
To streamline communications with customers and staff	51%	50%	65%
To place orders for products and services	49%	49%	50%
To access and use online catalogues	46%	46%	51%
To take orders for your products and services	46%	46%	42%
To use a website to advertise or promote business	43%	43%	48%
To monitor your markets or the competition	27%	26%	33%
To promote the business using email marketing	19%	18%	28%
Advertise your business on other websites	11%	11%	15%
Use online auction sites	8%	8%	6%

Base = All businesses with internet

SOURCE: Sensis® e-Business Report  
Sweeney Research - 2008

# 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

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

The percentage of Australian households with a computer of some description was 89 per cent in 2008, a rise of three percentage points over the past year. Some 74 per cent had a desktop computer (down two percentage points), with notebook ownership currently at 49 per cent (up nine percentage points). This compares with 93 per cent of SMEs having a desktop computer, 61 per cent having a laptop computer and 97 per cent having a computer of some description.

In terms of internet connections, some 84 per cent of households were internet-enabled (up six percentage points in the past year), compared with 94 per cent of SMEs. Some 16 per cent of households had a dial-up internet connection (down from 21 per cent); and 73 per cent had a broadband connection (up from 62 per cent).

Providing evidence for the “digital divide”, only 61 per cent of Australians with a household income of up to \$35,000 were connected to the internet, up two percentage points over the past year. This compared to 97 per cent of households with an income of over \$85,000.

In total, some 89 per cent of Australians had used the internet in the past 12 months, up three percentage points over the past year. The groups most likely to report below average usage were those aged 65 and above, retirees and, to a lesser extent, those that were not in the workforce.

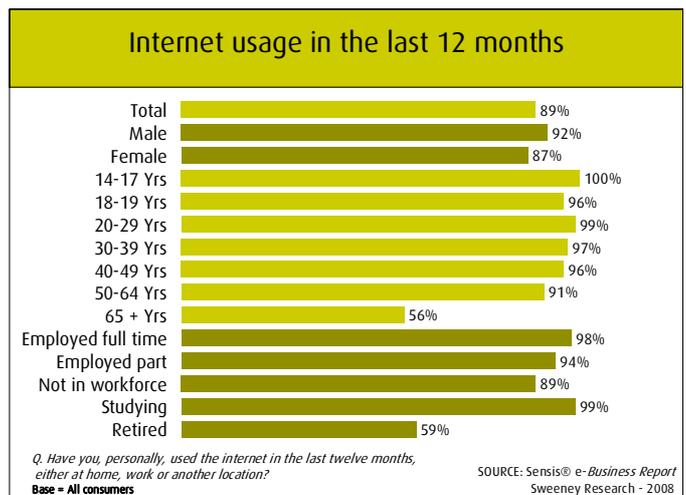
Australians used the internet for a wide range of activities, but tended to display lower usage levels than SMEs did. For example, some 57 per cent of Australians reported having ordered goods and services online, compared to 71 per cent of SMEs. Overall, 63 per cent of Australians reported making payments online, compared to 76 per cent of SMEs. Paying for purchases or bills was the most common application that Australians used the internet for.

Computerisation in the home			
	Households currently have <sup>1</sup>	Expect to get in next 12 months <sup>1</sup>	Businesses currently have <sup>2</sup>
A desk top computer or PC	74%	6%	93%
A notebook computer	49%	11%	61%
<b>Total computer</b>	<b>89%</b>	<b>16%</b>	<b>97%</b>
Dial-up internet	16%	1%	16%
Broadband internet	73%	5%	88%
Wireless broadband	28%	4%	11%
<b>Total internet enabled</b>	<b>84%</b>	<b>9%</b>	<b>94%</b>

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 - 2008

Base = All consumers



Internet applications in the last 12 months		
	Internet users last 12 months	All Australians
Paid for purchases or bills	71%	63%
Made bookings	70%	62%
Undertaken banking	70%	62%
Ordered goods/services	64%	57%
Read a blog	44%	39%
Supplied personal information online	43%	38%
Used a social networking site	41%	36%
Downloaded or streamed video content	35%	31%
Bought through an online auction site	33%	29%
Used the internet to make phone calls	25%	22%
Belonged to an online community	22%	20%
Written a blog	16%	14%
Sold through an online auction site	14%	12%
Uploaded a video onto the internet	11%	10%

Q. In the last twelve months have you undertaken any of the following via the internet?

SOURCE: Sensis® e-Business Report  
Sweeney Research - 2008

Base = All consumers

## What Australians are doing online

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

Making payments continued to be the most used internet application, reported by 63 per cent of Australians, up by six percentage points in the past year. Almost as high on the list were making bookings and banking at 62 per cent each. Banking usage rose by eight per cent and making bookings was up by seven per cent in the past year. The only internet application not to increase significantly in the past year was selling through online auction site, which remained stable at 12 per cent.

It is interesting to note the high level of usage of relatively new applications, and the extent to which they have entered our lives. "Blogging" has increased in popularity during the past year with 39 per cent of Australians having read a blog in the past year (up seven percentage points) and 14 per cent having written a blog (up four percentage points). One in five Australians now belongs to some form of online community, with 36 per cent of Australians using social networking sites. With online security being an increasing issue, 38 per cent of Australians reported that they had supplied personal information online, up four percentage points in the past year.

Internet applications in the last 12 months Trends – All Australians			
	2007	2008	Increase
Undertaken banking	54%	62%	8%
Used the internet to make phone calls	14%	22%	8%
Made bookings	55%	62%	7%
Read a blog	32%	39%	7%
Ordered goods/services	50%	57%	7%
Paid for purchases or bills	57%	63%	6%
Supplied personal information online	34%	38%	4%
Written a blog	10%	14%	4%
Bought through an online auction site	26%	29%	3%
Sold through an online auction site	12%	12%	0%

Q. In the last twelve months have you undertaken any of the following via the internet?

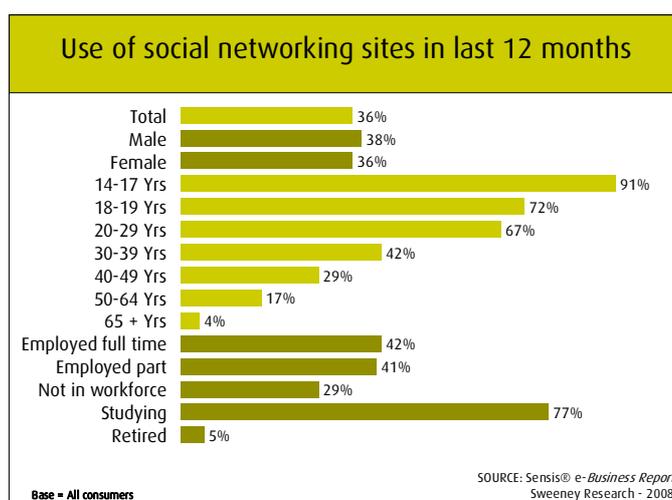
SOURCE: Sensis® e-Business Report  
Sweeney Research - 2008

## Social networking

With 36 per cent of Australians reporting that they had used social networking sites in the past year, it is interesting to look at the types of people using them, and the impact this has had.

The demographic that most influenced use of social networking sites was age, with younger Australians much more likely to use a social networking site. The heaviest users were the 14 to 17 year old age group, where 91 per cent reported using social networking sites. Usage decreased progressively with age, with only four per cent of those aged 65 and above reporting using these sites.

The frequency of usage was also very high, with 17 per cent using them several times a day, and 23 per cent using them daily – overall four in ten users accessing social network sites at least daily. Only 23 per cent reported usage less than once a week.



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

Almost three in four SMEs reported that they do not allow their employees to use social network sites while at work. Medium businesses were more likely to allow the use of social network sites than small businesses (38 per cent compared to 25 per cent). Overall, most SMEs reported that social networking sites had had no impact on their business (90 per cent), with six per cent reporting a negative impact and four per cent reporting a positive impact. Medium businesses, which were more likely to allow the use of social networking sites, were also more likely to report a negative impact on their business.

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	26%	25%	38%
No	74%	75%	62%
What has been the impact of social networking sites on your business, has it been...			
Positive	4%	4%	5%
Negative	6%	6%	13%
No impact	90%	90%	82%

Base = Businesses with the internet

SOURCE: Sensis® e-Business Report  
Sweeney Research - 2008

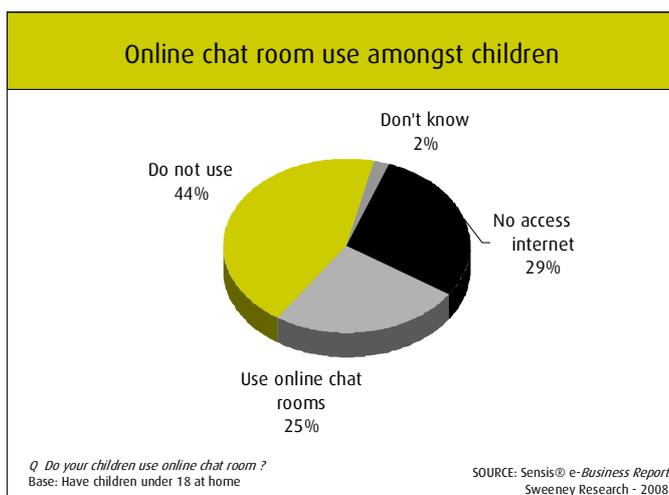
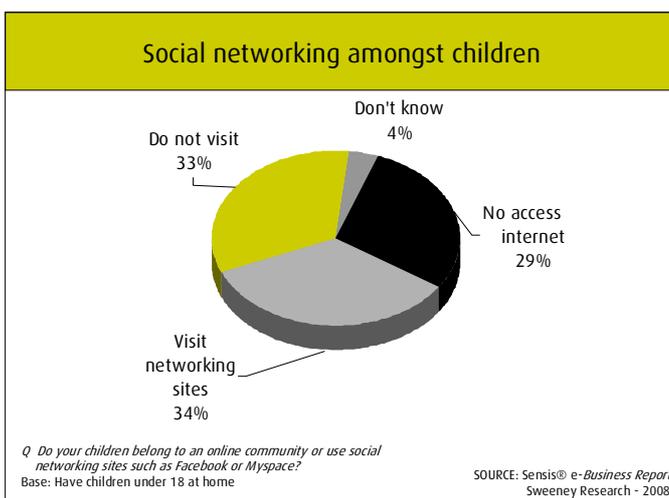
## Our children online

Overall, 71 per cent of Australian households with children under 18 reported that their children used the internet. The most frequent age that children were reported to have started using the internet was between six and 10 years of age (53 per cent), however 18 per cent were reported to have started using the internet when they were five years or younger.

Two-thirds of Australian households with children reported that they supervised their children while using the internet. For those that did not supervise their children on the internet, 51 per cent reported that they had never supervised them online, with 42 per cent reporting that they had stopped when their children were aged between 11 to 15 years old. Some 67 per cent of households reported that children used the internet in an open area of the house, with 17 per cent reporting that they used it in their rooms, 15 per cent reporting both, and four per cent reporting that their children used the internet somewhere other than their home.

Over one in three Australian households with children report that their children visit social networking sites, with one in four reporting that their children use online chat rooms.

Overall, 36 per cent of Australian households with children report using an internet content filter. Awareness of the Federal Government's netalert.gov.au program was high, with 54 per cent of parents reporting awareness, however only 11 per cent reported having visited the site.



## Mobile e-mail

Mobile e-mail devices including BlackBerry® devices and other phones with e-mail access continued to increase in popularity during the past year, with nine per cent of the Australian population overall now owning the technology to allow them to access their e-mail on the move, an increase of four percentage points in line with last year's expectations. In addition, another three per cent of Australians are expecting to gain this technology in the coming year.

Usage has remained marginally higher amongst males than females, and highest amongst those Australians aged up to 19, with 17 per cent currently using mobile e-mail. The strongest expectations to get mobile e-mail in the next year were from Australians aged in their 20s. Usage was much stronger in metropolitan areas (13 per cent) compared to regional areas (four per cent).

In the past year it is interesting to observe how the role of mobile e-mail has changed. Last year the usage of mobile e-mail was relatively equally split between work and personal use. This year, with mobile e-mail technology becoming more mature in the market, the main usage has turned predominantly towards work. Some 60 per cent of mobile e-mail users reported that their usage was mostly for work (up from 38 per cent), with 29 per cent reporting that it was mostly personal usage (down from 36 per cent) and 11 per cent saying that it was about equal (down from 26 per cent).

The proportion of mobile e-mail users that report never turning their BlackBerry® off has also increased significant in the past year, with 62 per cent now saying this, up from 51 per cent last year. Only 24 per cent turned it off over the weekend (down from 32 per cent), and half reported that they responded to work-related e-mails in their personal time either always or most of the time.

In general, mobile e-mail was seen to be a useful tool, allowing people to respond to e-mail quickly and work away from the office, as well as providing mobility, convenience and assisting in work-life balance. The greatest negative impact reported of BlackBerry® devices was that they intruded into people's personal lives (24 per cent, up from 20 per cent last year). However, on balance, Australians were very attached to their BlackBerry® devices, with 30 per cent reporting that they would definitely not even consider giving it up.

BlackBerry® ownership		
	Currently have	Expect to get in next twelve months
<b>Total</b>	<b>9%</b>	<b>3%</b>
Male	10%	3%
Female	9%	3%
Up to 19 years	17%	2%
20 – 29 years	10%	6%
30 – 39 years	12%	4%
40 – 49 years	12%	3%
50 – 64 years	6%	2%
Over 64 years	1%	1%

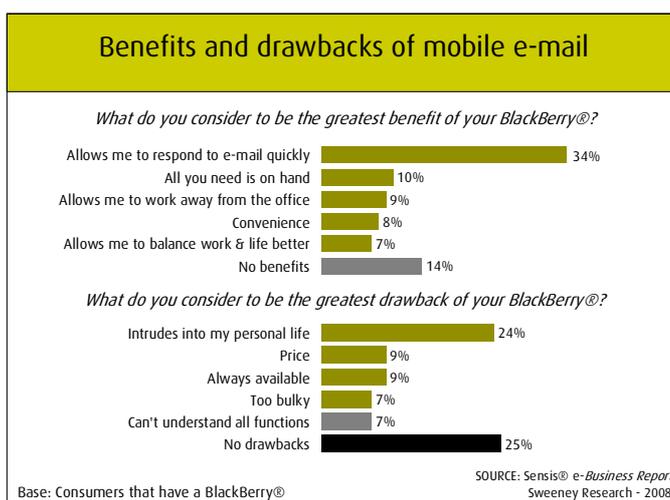
*Q. Which of the following do you currently have? (BlackBerry®/mobile e-mail)*  
 Base – All consumers

SOURCE: Sensis® e-Business Report  
 Sweeney Research - 2008

BlackBerry® usage	
Do you primarily use your BlackBerry® or mobile e-mail for work or personal use?	
Mostly work	60%
Mostly personal	29%
About equal	11%
Do you ever turn your BlackBerry® off?	
Yes	38%
No	62%
Do you have it on over the weekend?	
Yes	76%
No	24%
Do you respond to work-related e-mails received on your BlackBerry® outside office hours?	
Always/most of the time	50%
Sometimes/rarely	19%
Never	31%

Base: Consumers that have a BlackBerry® (nine per cent)

SOURCE: Sensis® e-Business Report  
 Sweeney Research - 2008



# 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 and their status in terms of having one.

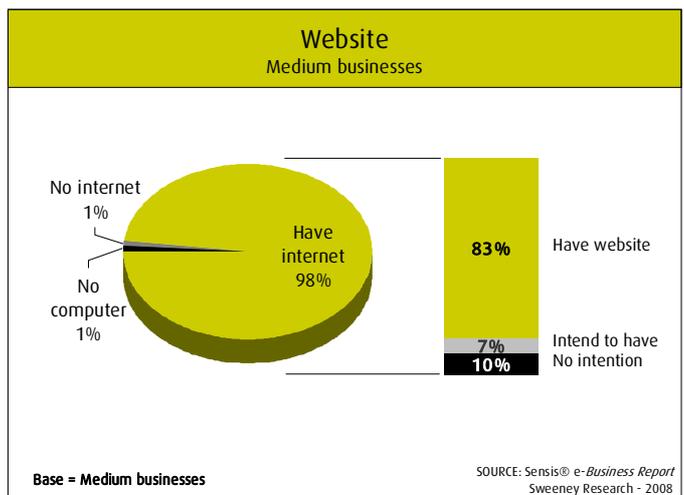
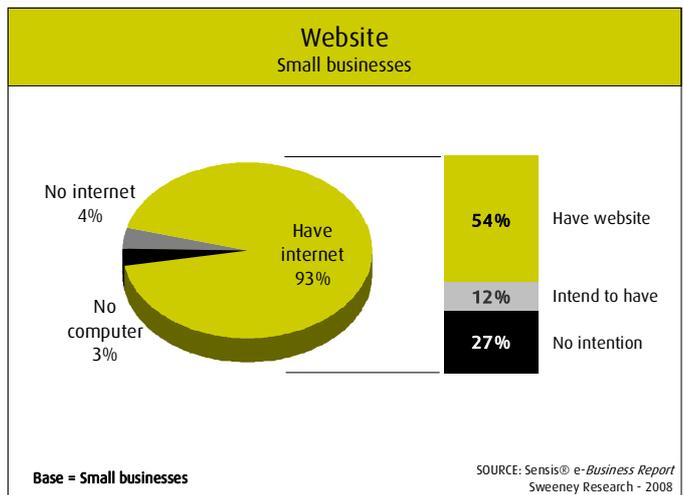
## Website ownership

There was continued growth in the percentage of small businesses with a website, which increased more significantly during the year from 51 per cent to 54 per cent in total. Another 12 per cent of small businesses indicated that they intend to get a website within the next 12 months. The remaining 27 per cent of internet-connected small businesses indicated that they had no intention of getting a website this year.

This trend was not mirrored in medium businesses: the percentage of internet-connected medium businesses with a website decreased during the year by five percentage points. While some 98 per cent of medium businesses had an internet connection, 83 per cent reported that they had a website. A further seven per cent of internet-connected medium businesses expect to get a website within the next 12 months. The remaining 10 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 78 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 25 per cent of all businesses in the sector, the lowest of any industry, however an increase of five percentage points in the past year.

Metropolitan businesses reported a much higher incidence of websites with a 65 per cent rate of adoption compared to 48 per cent for regional businesses. Metropolitan businesses not only had higher website penetration, they also recorded greater growth in the past year, increasing website penetration by eight percentage points compared to a five percentage point increase for businesses in regional areas. Other business types that were more likely to have a website were those businesses that were aiming for significant growth (83 per cent); businesses that were tourism-based (69 per cent website penetration), and businesses that exported (80 per cent website penetration).



	2008		Cf. 2007
	Have website	Intend to have	Have website
<b>All Businesses</b>	<b>55%</b>	<b>12%</b>	<b>52%</b>
1-2 Employees	48%	13%	41%
3-4 Employees	54%	15%	57%
5-9 Employees	63%	9%	69%
10-19 Employees	81%	5%	66%
20-99 Employees	82%	7%	85%
100-200 Employees	91%	5%	98%
<b>Total Small (1-19)</b>	<b>54%</b>	<b>12%</b>	<b>51%</b>
<b>Total Medium (20+)</b>	<b>83%</b>	<b>7%</b>	<b>87%</b>

Base = All businesses

SOURCE: Sensis® e-Business Report Sweeney Research - 2008

## Benefits of the site

Sixty-five per cent of SMEs stated that having a website improved the effectiveness of their business. Metropolitan SMEs were slightly more likely to report that their website had increased the effectiveness of their business (65 per cent) than SMEs in regional areas (63 per cent). Medium businesses were also more likely to feel that their website had improved the efficiency of their business (69 per cent) than small businesses (64 per cent).

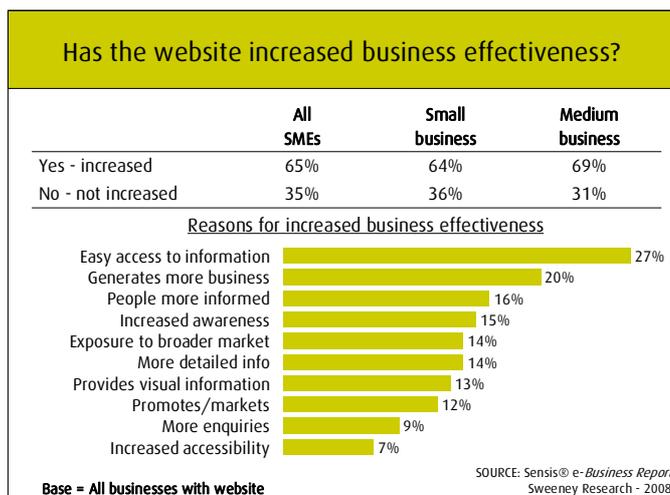
The industry sector to respond most strongly that the presence of a website had increased business effectiveness was the cultural, recreational and personal services sector. Eighty-nine per cent of SMEs in this sector responded favourably, up from 72 per cent last year. The weakest response came from the finance and insurance sector at 39 per cent.

It is particularly interesting to look at the reasons why SMEs felt that their website had increased their efficiency. The most common reason given for increased business effectiveness from their website was that it was easy for people to access information, which was given by 27 per cent of SMEs. The next most frequent response was that the website generated more business for them (20 per cent).

Other key reasons for SMEs finding their website beneficial were: people were more informed (16 per cent); increased awareness (15 per cent); exposure to a broader market and people being able to get more detailed information (14 per cent each).

The main benefits of having an internet website varied by industry sector. For the cultural, recreational and personal services sector, which were most likely to feel that their websites had increased their efficiency, the main reasons given by SMEs were that it had increased sales and generated business, equal with having been effective in the marketing and advertising of their business.

For SMEs in the wholesale trade sector, exposure to a wider audience was the main reason cited for increased efficiency from their website. Creating awareness was the most important reason for feeling that their website had increased business efficiency for businesses in the health and community services sector, while having people well informed about their business was the most important factor for businesses in the retail trade sector.



# 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 that use the internet to place orders for products and services.

As we have already seen, there was continued growth was seen in the proportion of SMEs connected to the internet. Along with this growth, there was a strong rise in the proportion of SMEs that used the internet to look for information about products and services, with 84 per cent of SMEs reporting having done this activity, up six percentage points in the past year. There was an even stronger rise of eight percentage points in the proportion of SMEs that had placed orders over the internet (67 per cent), and a rise of four percentage points in the proportion of SMEs that use the internet to pay for goods and services (71 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 (81 per cent), while those SMEs in the cultural, recreational and personal services sectors were again the least likely to place an order online (51 per cent).

The proportion of SMEs that reported using the internet to pay for products and services also increased from 67 per cent in 2007 to 71 per cent in 2008, a rise of four percentage points.

For small businesses, there was growth across every stage of the procurement process, with the highest growth of 10 percentage points recorded for looking for information on products and services. For medium businesses, the highest growth was in placing orders for products and services, which was up 10 percentage points in the past year.

While metropolitan SMEs were more likely to look for information on products and services online (85 per cent compared to 80 per cent), regional SMEs were marginally more likely to use the internet to place orders than metropolitan businesses (68 per cent compared to 67 per cent). SMEs in the Australian Capital Territory were the most likely to place orders online (79 per cent), with those in South Australia the least likely (58 per cent).

#### Buying over the internet by business size

	Connected to internet	Look for information	Place orders	Pay
<b>All Businesses</b>	<b>94%</b>	<b>84%</b>	<b>67%</b>	<b>71%</b>
1-2 Employees	91%	81%	64%	69%
3-4 Employees	95%	85%	65%	69%
5-9 Employees	96%	81%	69%	69%
10-19 Employees	99%	92%	83%	78%
20-99 Employees	98%	95%	82%	80%
100-200 Employees	100%	99%	86%	89%
<b>Total Small (1-19)</b>	<b>93%</b>	<b>82%</b>	<b>66%</b>	<b>70%</b>
<b>Total Medium (20+)</b>	<b>98%</b>	<b>96%</b>	<b>82%</b>	<b>81%</b>

Base = All businesses

SOURCE: Sensis® e-Business Report  
Sweeney Research - 2008

#### Buying over the internet Trends – small business

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

Base = Small businesses

SOURCE: Sensis® e-Business Report  
Sweeney Research - 2008

#### Buying over the internet Trends – medium business

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

Base = Medium businesses

SOURCE: Sensis® e-Business Report  
Sweeney Research - 2008

In addition, SMEs that exported were far more likely to report having placed orders online (82 per cent) than their counterparts that did not export (4654 per cent).

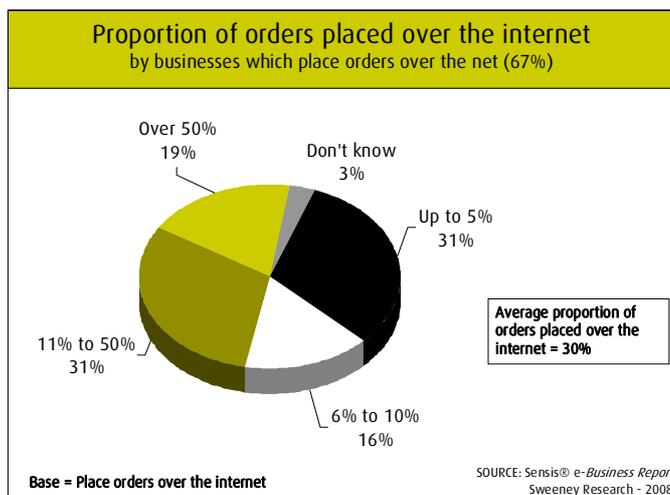
The average proportion of total SME procurement made online has fallen marginally this year, however the number of SMEs who are procuring online has risen strongly. The proportion of businesses placing up to five per cent of their purchases online has fallen by two percentage points, while all the other proportions have either remained the same or increased marginally.

This result reflects very little change in the proportion of orders placed over the internet on average, but is in a context of a much larger overall pool of SMEs purchasing online. The proportion of SMEs doing over half of their procurement online has remained stable at 19 per cent of SMEs that place orders over the internet.

Buying over the internet by industry sector				
	Connected to internet	Look for information	Place orders	Pay
<b>All Businesses</b>	94%	84%	67%	71%
Manufacturing	93%	90%	73%	73%
Building/Construction	92%	75%	53%	66%
Wholesale Trade	96%	89%	69%	78%
Retail Trade	87%	74%	62%	58%
Transport/Storage	99%	87%	65%	84%
Communications/Property/ Business Services	98%	89%	74%	78%
Finance and Insurance	100%	88%	81%	70%
Health/Community Services	95%	87%	80%	75%
Personal Services	90%	81%	50%	65%
Accommodation/Cafés/ Restaurants	97%	82%	72%	73%

Base = All businesses

SOURCE: Sensis® e-Business Report  
Sweeney Research - 2008

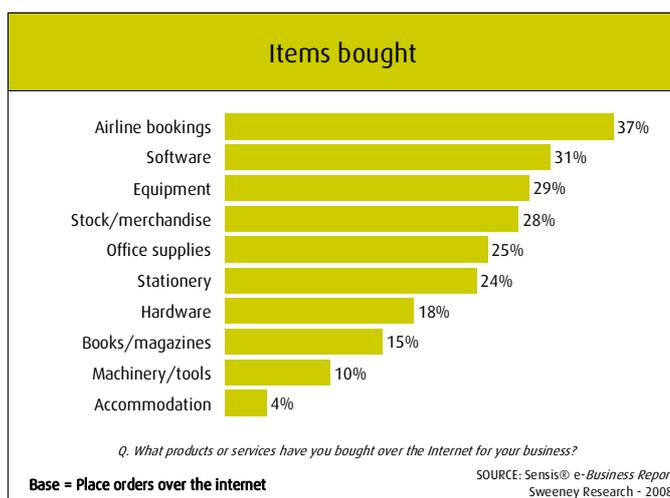


## What businesses buy

The most common use for online procurement by SMEs during the year was for airline tickets, with 37 per cent of all businesses that made purchases online making airline bookings. The proportion of SMEs that reported making airline bookings online was down by 15 percentage points since last year.

Software purchases were the second most popular purchases by SMEs (31 per cent). Purchasing equipment was the third most popular online purchase, reported by 29 per cent of SMEs that purchased online. It is interesting to note that the building and construction sector was the sector most likely to report purchasing equipment for their business online.

The next most popular online purchase by SMEs was stock and merchandise, which was reported by 28 per cent of SMEs that purchased online. This was most predominant in the accommodation, café and restaurant sector (41 per cent) and the retail trade sector (40 per cent).



## SME use of the internet to sell

The last year also saw strong growth in the number of SMEs that were using e-commerce to sell goods and services. This is reflected in the increase from 48 per cent of all SMEs that reported taking orders online last year to 54 per cent for this year. This trend was also reinforced by the rise of businesses that receive payments online from 55 per cent to 63 per cent.

Once again, a greater proportion of medium businesses recorded taking orders online than small businesses, however this gap has narrowed in the past year. The number of small businesses reporting taking orders online rose during the year from 47 per cent to 53 per cent. There was also growth in the proportion of medium businesses that reported taking orders online in the past year, rising from 54 per cent to 56 per cent.

The transport and storage sector again recorded the strongest proportion of SMEs that reported taking orders online with 73 per cent of businesses in the sector reporting this experience, a rise of 11 percentage points over the past year. This is in contrast to the finance and insurance sector, where only 30 per cent of firms reported that they took orders online.

Other business types that were particularly likely to sell using e-commerce included exporters (with 75 per cent reporting that they took orders online) and tourism-based businesses (with 70 per cent reporting that they took orders online). SMEs in metropolitan areas were more likely to report having taken orders online (55 per cent) than those in regional areas (51 per cent). SMEs in the Northern Territory were more likely than those in other states and territories to report taking orders online (67 per cent) with those in Tasmania the least likely (41 per cent).

The proportion of SMEs receiving payments online rose from 55 per cent to 63 per cent, an increase of eight percentage points. Some 62 per cent of small businesses reported taking payments online, up eight percentage points. This compared with medium businesses recording a 16 percentage point increase in the proportion of SMEs that received payments online, rising from 62 per cent to 78 per cent. SMEs in the manufacturing and transport and storage sectors were most likely to report that they had received payments online, at 73 per cent each. At the other end of the spectrum, SMEs in the finance and insurance sector were least likely to report having received payments online, at 49 per cent.

### Selling over the internet by business size

	Connected to internet	Take orders	Receive payments
<b>All Businesses</b>	<b>94%</b>	<b>54%</b>	<b>63%</b>
1-2 Employees	91%	52%	58%
3-4 Employees	95%	53%	68%
5-9 Employees	96%	54%	64%
10-19 Employees	99%	57%	73%
20-99 Employees	98%	57%	71%
100-200 Employees	100%	57%	75%
<b>Total Small (1-19)</b>	<b>93%</b>	<b>53%</b>	<b>62%</b>
<b>Total Medium (20+)</b>	<b>98%</b>	<b>56%</b>	<b>72%</b>

Base = All businesses

SOURCE: Sensis® e-Business Report  
Sweeney Research - 2008

### Selling over the internet Trends – small business

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Connected to internet	60%	75%	79%	81%	86%	87%	90%	92%	93%
Take orders	14%	19%	29%	32%	39%	41%	46%	47%	53%
Receive payments	7%	13%	26%	32%	44%	50%	52%	54%	62%

Base = Small businesses

SOURCE: Sensis® e-Business Report  
Sweeney Research - 2008

### Selling over the internet Trends – medium business

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Connected to internet	89%	95%	94%	98%	99%	97%	99%	99%	98%
Take orders	23%	35%	47%	49%	50%	51%	54%	54%	56%
Receive payments	15%	29%	50%	63%	60%	59%	63%	62%	78%

Base = Medium businesses

SOURCE: Sensis® e-Business Report  
Sweeney Research - 2008

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 70 percentage points between internet connectivity and taking orders online.

The most narrow gap was in the cultural, recreational and personal services sector at 22 percentage points (90 per cent versus 68 per cent). This gap has narrowed by 33 percentage points in the last year in this sector due to a small decrease in the level of internet connectivity within the sector, coupled with a strong increase in the proportion of businesses taking orders online.

Along with the increase in the proportion of SMEs that were taking orders online, the proportion of total online activity that these orders represented also rose significantly, with the average proportion of orders taken online up three percentage points to 30 per cent in the past year. Thirty-five per cent of SMEs who took orders over the internet reported that internet orders accounted for up to five per cent of their total orders. This has decreased from 37 per cent of SMEs last year and reflects growth in the proportion of SMEs receiving increasing levels of their total orders online.

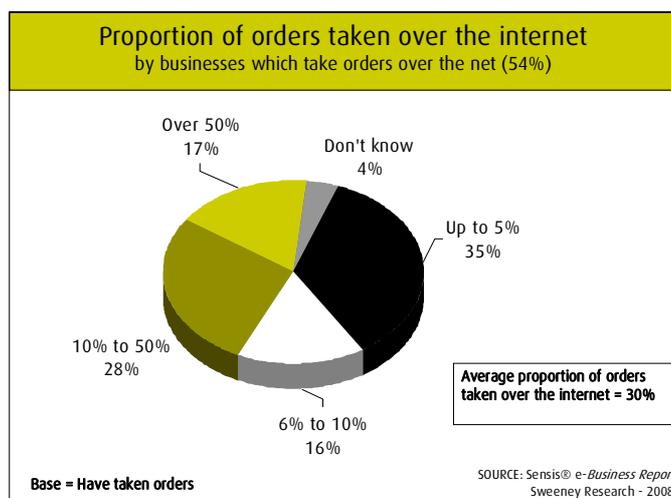
At the upper end, 17 per cent of SMEs who took orders over the internet reported that online orders made up more than half of their total orders, an increase from the 14 per cent recorded last year. SMEs in the cultural, recreational and personal services sector were most likely to report that online 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 Victoria 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
<b>All Businesses</b>	<b>94%</b>	<b>54%</b>	<b>63%</b>
Manufacturing	93%	60%	73%
Building/Construction	92%	31%	71%
Wholesale Trade	96%	67%	66%
Retail Trade	87%	43%	56%
Transport/Storage	99%	73%	73%
Communications/Property/ Business Services	98%	65%	63%
Finance and Insurance	100%	30%	49%
Health/Community Services	95%	46%	61%
Personal Services	90%	68%	58%
Accommodation/Cafés/Restaurants	97%	55%	64%

Base = All businesses

SOURCE: Sensis® e-Business Report  
Sweeney Research - 2008



## Who businesses sell to online

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

This can be seen by looking at the type of customers that businesses sell to over the internet, with local customers in the same city or town being again the most frequent response. This reflected 85 per cent of SMEs that make any sales to local customers and 64 per cent of businesses that mainly sell to local customers, which has not changed over the past year. However, there was a decrease of three percentage points in the proportion of SMEs that mainly sell in their local area.

Customers that were interstate or elsewhere in their state were the next most frequent responses, with 59 per cent of SMEs selling to customers interstate and 54 per cent selling to customers outside their town but elsewhere in the state.

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 six per cent of SMEs that used e-commerce to sell mainly to overseas customers. However, the total scope for exporting through e-commerce was more significant, with 34 per cent of SMEs who made sales through e-commerce having made at least some sales to overseas customers. This figure was down marginally in the past year.

SMEs in regional areas that used e-commerce were less likely to make sales in their local area than their metropolitan counterparts, reflecting in part their smaller local market. However, SMEs in regional areas were much more likely to mainly sell elsewhere in the state, reflecting sales to customers in their capital cities. SMEs in regional areas were less likely to mainly sell to customers overseas than metropolitan SMEs. There was little difference between small and medium businesses and where they were most likely to make sales to.

Types of customers sold to				
	Mainly sell to	Total sell to	Total sell to	
			Small business	Medium business
Local – same city or town	61%	85%	85%	86%
Elsewhere in State	14%	59%	69%	69%
Interstate	21%	54%	64%	64%
Overseas	3%	34%	32%	32%

Base = Take orders over the internet

SOURCE: Sensis® e-Business Report  
Sweeney Research - 2008

## Return on investment

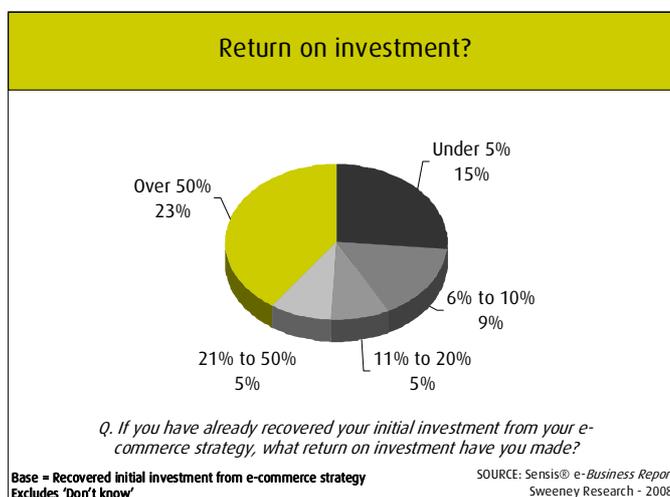
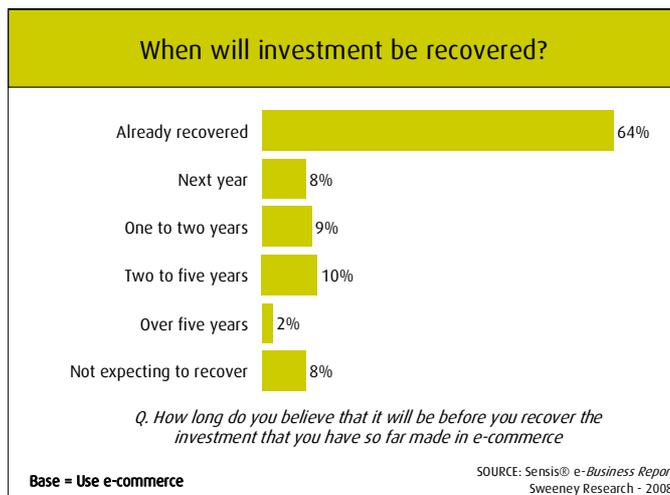
For the seventh year now, the Sensis® e-Business Report has been tracking the time that SMEs have been taking to recover their investment in e-commerce. The latest results found that some 64 per cent of SMEs reported that they had recovered their investment in e-commerce. A further eight per cent of those SMEs who have invested in an e-commerce strategy said that they are expecting to recover their investment in the next year.

The latest results show a small decline in the proportion of SMEs reporting they have recovered their investment, which has decreased by four percentage points from 68 per cent.

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 that they did not know (43 per cent). This was followed by 23 per cent of SMEs who had recovered their investment reporting that they had recovered in excess of 50 per cent of their return on investment.

The proportion of SMEs who recovered their investment and reported a return in excess of 50 per cent has decreased during the last year, falling by three percentage points, mainly due to the significant increase in the proportion of SMEs that did not know what their return on investment had been. The proportion of SMEs reporting a return on investment of less than five per cent has increased marginally from 14 percentage points last year to 15 per cent this year.

SMEs in New South Wales 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 regional areas were more likely to report a return on investment of over 50 per cent than those in metropolitan areas (29 per cent compared to 20 per cent). Small businesses were also more likely than medium businesses to report a return on investment of over 50 per cent.



## Degree of interest in engaging in e-commerce

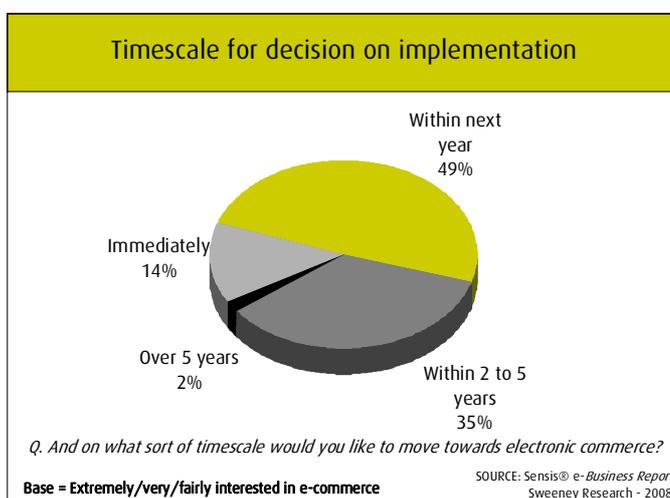
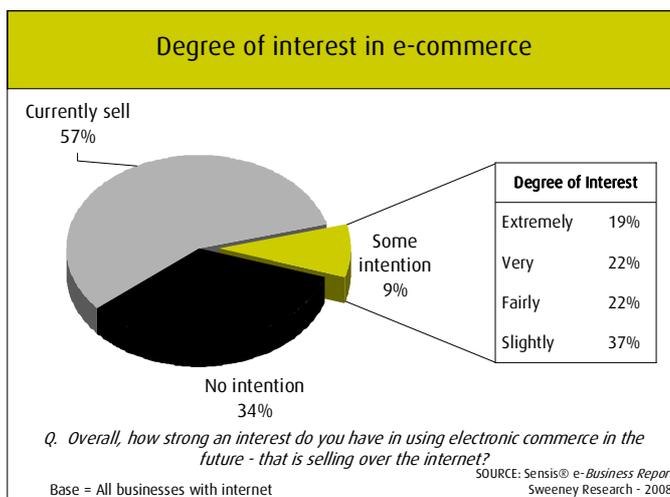
The proportion of SMEs that were online and intending to introduce e-commerce into their businesses fell marginally over the past year, mainly due to strong increases in the proportions of SMEs that have taken up e-commerce in the past year, with those that have no intention of taking up e-commerce having also fallen significantly. Of those that were intending to introduce it, the degree of interest has softened, and they are less likely to be looking to include it sooner.

The intention to introduce e-commerce among SMEs that were online but not already using e-commerce to sell fell marginally over the past year by one percentage point to nine per cent. Among those firms that are connected to the internet, some 57 per cent currently make sales using e-commerce, with 34 per cent reporting that they currently had no intention of introducing e-commerce to their business.

Of the remaining nine per cent of online businesses that felt they could use e-commerce, 41 per cent of businesses indicated that they were either extremely interested or very interested in using e-commerce within their businesses, down slightly from 43 per cent last year. This was divided between 19 per cent that were extremely interested (down from 27 per cent) and 22 per cent that were very interested (up from 15 per cent). Some 37 per cent were only slightly interested, up from 33 per cent last year.

In terms of the expected timescale for implementing an e-commerce strategy, the most frequent response (49 per cent) was within the next year. This was a decrease from last year where 56 per cent expected to implement an e-commerce strategy within the next year. In addition to this, some 14 per cent reported that they were interested in introducing e-commerce “immediately” into their businesses, down from 17 per cent last year. These results represent a softening from last year in the level of enthusiasm amongst those SMEs that have decided to implement e-commerce in their businesses. Last year some 27 per cent reported that they intended to introduce e-commerce in time frames greater than one year, which this year has increased to 37 per cent.

The greater enthusiasm expressed last year has translated into the strong take-up rates that were seen this year, however last year’s results were much higher than average, and the relative level of enthusiasm to adopt e-commerce this year is still well above levels seen in previous years.



## 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 was again the number one concern for SMEs, and has risen over the past year. Some 46 per cent of online businesses identified this as a major concern, a rise of four percentage points. A further 32 per cent identified this as a minor concern, up two percentage points.

The second most important concern again involved a lack of expertise and knowledge. This was identified by 26 per cent as a major concern (up from 24 per cent last year), with a further 42 per cent identifying this as a minor concern. The next most important concerns included the cost and time to introduce new technologies (up 10 percentage points to 25 per cent); a lack of personal contact (identified by 22 per cent as a major concern, unchanged in the past two years); and the cost of hardware and software (up four percentage points to 20 per cent).

The issue that was the least likely to be identified as a major concern among SMEs, of all the prompted responses, was the concern that their customers would be able to easily compare their products with competitor products. Some 11 per cent identified this as a major concern and 31 per cent as a minor concern.

This year saw most concerns increase slightly amongst SMEs, with the exception that e-commerce systems would be incompatible with existing systems (down two percentage points), and a lack of personal contact which was unchanged.

The issue which had the largest increase as a major concern was about the cost and time involved to introduce e-commerce, which increased by 10 percentage points.

The largest concern small businesses identified relative to medium businesses involved a perceived lack of expertise and knowledge of computers. Overall, 27 per cent of small businesses identified this issue, compared to 16 per cent of medium businesses, a gap of 11 percentage points, with this gap having increased by two percentage points over the past year. The most significant concerns of medium businesses compared to small businesses was that their customers would not be prepared to carry out financial transactions over the internet, 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	46%	32%	22%
Lack of expertise and knowledge in computers	26%	42%	31%
Cost and time with introducing new technologies	25%	41%	34%
Lack of personal contact with the customer	22%	34%	43%
The cost of hardware and software	20%	44%	36%
A feeling that most of your customers aren't yet ready	15%	34%	51%
Incompatibility with your existing systems	13%	31%	56%
Customers not being prepared to carry out financial transactions over the internet	13%	37%	50%
Customers can more easily compare your product offer with that of your competitors	11%	31%	58%

Base = All businesses with internet

SOURCE: Sensis® e-Business Report  
Sweeney Research - 2008

### Concerns about e-commerce Trends

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

Base = All businesses with internet

SOURCE: Sensis® e-Business Report  
Sweeney Research - 2008

### 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	46%	46%	41%
Lack of expertise and knowledge in computers	26%	27%	16%
Cost and time with introducing new technologies	25%	25%	22%
Lack of personal contact with the customer	22%	22%	19%
The cost of hardware and software	20%	20%	18%
A feeling that most of your customers aren't yet ready	15%	15%	16%
Incompatibility with your existing systems	13%	13%	18%
Customers not being prepared to carry out financial transactions over the internet	13%	13%	19%
Customers can more easily compare your product offer with that of your competitors	11%	12%	9%

Base = All businesses with internet

SOURCE: Sensis® e-Business Report  
Sweeney Research - 2008

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

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### Internet

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## Sensis® *Business Index* "Special Reports"

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

- e-Business: - The online experience of Australian SMEs – Annually 1995 to July 2008
- 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.

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