

September 2010

Sensis[®] *e-Business Report*

The Online Experience of Small and
Medium Enterprises



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Introduction

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

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

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

The June 2010 Sensis® *Business Index* included questions on technology usage and electronic commerce (e-commerce). These questions formed the basis of the 2010 Sensis® *e-Business Report*. The survey investigated levels of understanding and interest by small and medium businesses in what e-commerce has to offer. Over the past 15 years, Sensis has examined the experiences of small business with electronic technology with the first benchmarking report on technology and small businesses collected in February 1994. The trends identified from earlier studies are reported where applicable.

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

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

About the survey

The information in this report was primarily sourced from the June 2010 Sensis® *Business Index* and is based on telephone interviews conducted with approximately 1,800 small and medium business proprietors.

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

At the analysis stage, results were weighted by selected ANZSIC divisions within the metropolitan and non-metropolitan region of each state and territory, to help ensure the sample reflected the actual small and medium business population distribution. The Australian Bureau of Statistics (ABS) Business Register, as at June 1998, was used to help weight the sample to be representative of the total business population.

The results relating to businesses in this Sensis® *e-Business Report* are based on the responses of businesses surveyed.

Location of business

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

SOURCE: Sensis® *e-Business Report*
Sweeney Research - 2010

Division

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

SOURCE: Sensis® *e-Business Report*
Sweeney Research - 2010

Size of business

Number of full time employees

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

SOURCE: Sensis® *e-Business Report*
Sweeney Research - 2010

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

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

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

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

SOURCE: Sensis® e-Business Report
Sweeney Research - 2010

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

SOURCE: Sensis® e-Business Report
Sweeney Research - 2010

Executive summary

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

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

Computer equipment

Overall, some 96 per cent of SMEs reported owning a computer of some description. This comprised of a 96 per cent ownership level for small businesses and 100 per cent ownership for medium businesses. While ownership of desktop computers rose marginally in the past year, there was a small decrease in the ownership of notebook computers, with 61 per cent of SMEs reporting owning a notebook computer. Despite small fluctuations in these numbers, the overall level of computer ownership amongst SMEs has shown little variation over the past three years.

The internet

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

While 94 per cent of all SMEs currently have internet access, only a further two per cent expect to connect within the next 12 months and the remaining four per cent do not expect to be connected within the year. Some 96 per cent of SMEs with internet access have broadband internet access, which was also unchanged from 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 (94 per cent), while the third highest usage was to get reference information or research data (88 per cent).

Australians use of technology

The uptake of technology in Australian households was lower than was the case for SMEs. Some 91 per cent of households reported having a computer of some description, with 88 per cent of households being internet enabled and 83 per cent having broadband connections. Overall, 64 per cent of Australians had made purchases online in the past year.

Websites

The proportion of small businesses with a website continued to increase over the past year from 54 per cent to 60 per cent. A further 11 per cent of online small businesses indicated an intention to have one within the next 12 months. Website penetration also rose for medium businesses, rising from 85 per cent in 2009 to 89 per cent in 2010. A further six per cent of medium businesses indicated they expected to build a website within the next 12 months.

Social media in SMEs

Some 10 per cent of SMEs connected to the internet reported that they used social media in their business. The most common usage of social media was to have a page on a social network site for their business, with blogs and ads on social networks also popular. Six in ten SMEs that used social media reported that it had a positive impact on their business.

In terms of website effectiveness, 73 per cent of businesses indicated their website increased their business effectiveness. The reason most SMEs provided was that the website had made it easier for people to find their business.

Use of the internet for procurement

The past year has seen stable use of the internet for procurement purposes. This is reflected in the relatively little change in the proportion of SMEs procurement activities, with the exception of paying for products and services, which increased slightly over the past year. There was also little change in the amount of business done online by SMEs as a proportion of their total purchasing activities in the past year. The proportion of SMEs that indicated they did more than five per cent of their total procurement online was unchanged at 65 per cent, and the proportion that did the majority of their business online was unchanged at 21 per cent of SMEs that purchase online.

The most common online purchases made by SMEs during the year continued to be airline bookings, accommodation, software, and stock and merchandise.

Use of the internet to sell

Online selling remained a popular trend that continued to grow during the past year. The percentage of SMEs taking orders online has increased from 56 per cent in 2009 to 58 per cent in 2010.

Online selling as a share of total sales activities saw a decline over the course of the year among e-commerce oriented SMEs, dropping from 26 per cent to 24 per cent. Along with the fall in the average level of online sales, the proportion of online SMEs indicating they took more than five per cent of their total sales orders online increased over the year from 64 per cent in 2009 to 61 per cent in 2010. Some 13 per cent of SMEs who used e-commerce to sell made the majority of their sales online, which was down three percentage points in the past year.

The number of SMEs receiving payments online for sales made over the internet also grew, with the proportion of SMEs receiving payments for sales over the internet increasing from 67 per cent to 70 per cent in the past year.

Once again, SMEs were most likely to report that they were making sales online to customers in their local area, with 63 per cent reporting they mainly sold to customers in the same city or town. Of those SMEs that sold online, 27 per cent had made sales to customers overseas.

Digital business strategies

While 94 per cent of SMEs reported that they were online, only 17 per cent of those reported that they had some form of strategy for their businesses digital activities. For most SMEs that did have a digital business strategy, it was most likely to be focused on internet and websites, with only 36 per cent including a mobile component and 33 per cent including a social media component. Over four in ten SMEs with a digital business strategy have had it for less than a year, and over three in four had developed their strategy in-house.

Levels of computer ownership

Introduction

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

Equipment ownership

The 2010 Sensis® e-Business Report found 96 per cent of SMEs reported owning a computer of some description, which was virtually unchanged in comparison to the past year. Desktop computers were the most common, with 93 per cent of SMEs reporting they owned at least one desktop computer. There was also little change in notebook computer ownership, with some 61 per cent of SMEs owning at least one notebook computer (60 per cent of small businesses and 79 per cent of medium businesses).

There was little difference in equipment ownership between metropolitan and regional areas, with 97 per cent of SMEs reporting computer ownership in metropolitan areas compared to 95 per cent.

Whilst historically there has been some difference in computer ownership among businesses in different states and territories, the overall difference changed little in the past year. The highest level of computer ownership was in New South Wales (99 per cent), while the lowest was in Tasmania (90 per cent), making an overall gap in computer ownership of nine percentage points, up marginally from a gap of eight percentage points last year. Most states and territories recorded similar levels of computer ownership in the past year, with the largest change being recorded by SMEs in the Australian Capital Territory, where computer ownership decreased by four percentage points over the past year.

Levels of computer ownership also varied across the industry sectors. At the high end of the scale, SMEs in the finance and insurance sector recorded a 100 per cent computer ownership result. By comparison, SMEs in the building and construction sector recorded a result of 91 per cent of SMEs owning a computer of some description, resulting in a nine percentage point gap across industry sectors.

Computer ownership by industry sector			
	Desktop computer	Notebook computer	Any computer
All Business	93%	61%	96%
Manufacturing	95%	63%	97%
Building/Construction	88%	48%	91%
Wholesale Trade	99%	60%	99%
Retail Trade	91%	63%	98%
Transport/Storage	95%	55%	96%
Communication, Property & Business Services	99%	71%	99%
Finance and Insurance	95%	82%	100%
Health and Community Services	95%	56%	96%
Cultural, Recreational & Personal Services	87%	46%	93%
Accommodation, Cafés and Restaurants	89%	61%	94%

SOURCE: Sensis® e-Business Report
Sweeney Research - 2010

Computer ownership by business size and location			
	Desktop computer	Notebook computer	Any computer
All Businesses	93%	61%	96%
1-2 Employees	89%	51%	93%
3-4 Employees	97%	62%	99%
5-9 Employees	97%	74%	100%
10-19 Employees	100%	83%	100%
20-99 Employees	98%	81%	100%
100-200 Employees	97%	68%	100%
Total Small (1-19)	93%	60%	96%
Total Medium (20+)	98%	79%	100%
Total Metropolitan	95%	62%	97%
Total Rural	91%	57%	95%

SOURCE: Sensis® e-Business Report
Sweeney Research - 2010

The greatest increase during the past year in telecommunication equipment ownership was in the proportion of SMEs reporting ownership of mobile e-mail, up eight percentage points to 25 per cent.

Continued growth was also seen in SMEs using wireless technologies for location and navigation and VOIP. Some 42 per cent of SMEs reported having a satellite navigation device, either in-car or hand-held (up six percentage points for each of the past two years), with 26 per cent reporting they have a mobile e-mail device, also up six percentage points over the past year.

While 3G mobile phone and mobile e-mail ownership were both up, there was a continued decrease in the ownership of mobile phones without internet access, down a further five percentage points. There was also a decrease in the proportion of SMEs with an advanced telephony system, but some growth in the proportion of SMEs reporting a LAN network in their business.

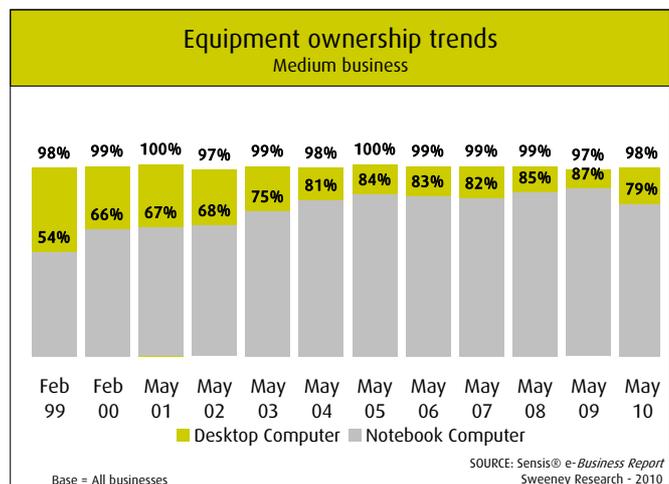
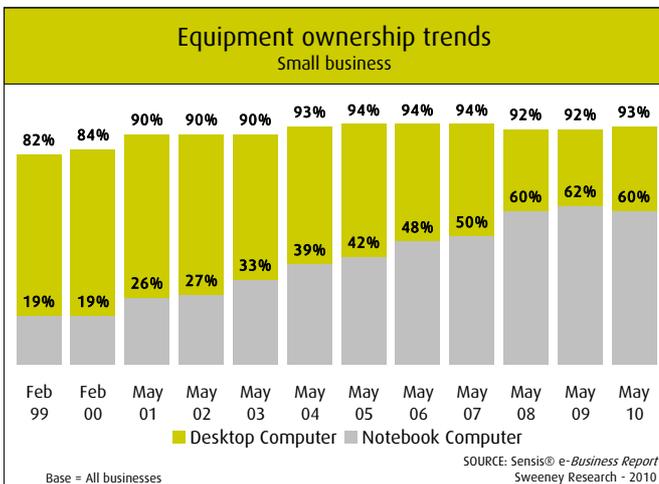
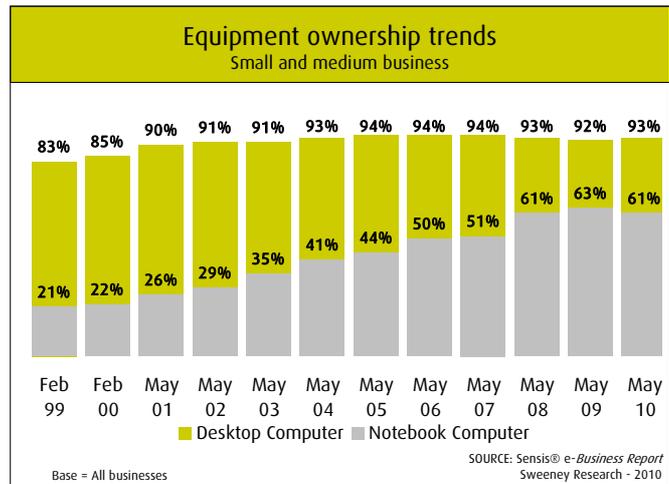
Telecommunication equipment ownership					
	2008	2009	2010		
	All SMEs	All SMEs	All SMEs	Small Business	Medium Business
Fixed line telephone (landline)	96%	96%	96%	97%	95%
Standard mobile telephone (no internet access)	70%	66%	61%	60%	73%
A LAN network supporting your business	56%	56%	59%	57%	90%
3G mobile telephone (with internet access)	52%	62%	64%	62%	85%
An advanced telephony system (eg. PABX or IVR)	31%	30%	26%	23%	81%
Satellite navigation system (in-car or hand-held)	30%	36%	42%	41%	56%
VOIP (Voice over internet protocol)	17%	20%	26%	25%	39%
Blackberry/mobile e-mail	14%	17%	25%	23%	63%

SOURCE: Sensis® e-Business Report
Sweeney Research - 2010

Computer ownership trends

The proportion of SMEs that owned a desktop computer increased to 93 per cent in the past year. This was balanced by a small fall in notebook ownership among SMEs, which decreased from 63 per cent to 61 per cent over the past year.

While the proportion of SMEs with desktop computers was up marginally in the past year, the proportion with notebook computers decreased by two percentage points, reflecting a plateau of notebook ownership over the past three years. There was little change in the level of notebook ownership for small businesses, with the largest decrease being recorded in the level of notebook ownership by medium businesses.



Expenditure in 2009 calendar year

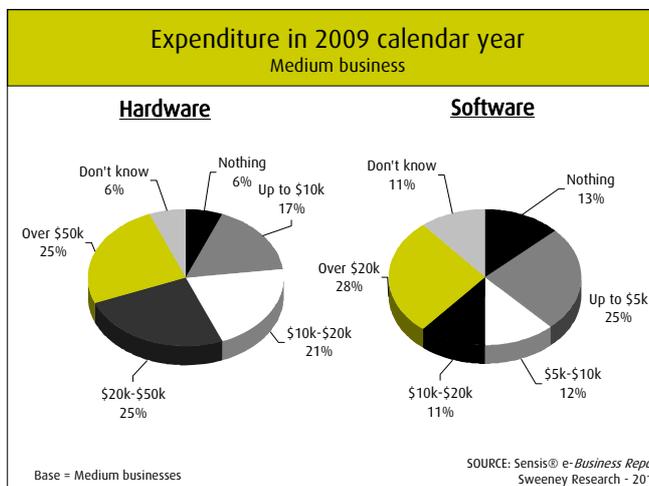
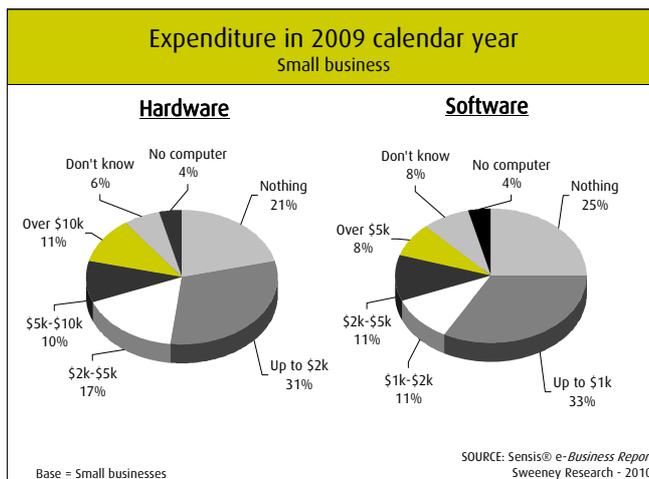
Overall average expenditure on computer hardware and software for SMEs in 2009 was \$18,800. This was an increase of \$7,800 the past year \$11,000 in 2008.

The average level of expenditure on computer hardware during 2008 by SMEs was approximately \$12,000. This represents an increase of \$5,500 during the past year. The average spend of small business differed greatly from medium businesses. While the average spend for small businesses on computer hardware in 2009 was approximately \$7,900, for medium businesses the spend on hardware was \$89,900.

The average hardware spend for small businesses was \$7,900, but the vast majority of small businesses spent far less than this. Over one in five small businesses last year recorded no spend on computer hardware, with over half spending less than \$2,000. Eleven per cent of small businesses reported spending more than \$10,000 on computer hardware in 2009, which was up two percentage points in the past year. This compares to almost four in 10 medium businesses reporting a spend of more than \$10,000 on hardware in 2009.

SMEs also increased their spend on software significantly in the past year. The average expenditure on software for SMEs was \$6,800. This represents an increase of almost \$2,300 over the past year. Again, this varied significantly between small and medium businesses, with the average spend for small businesses relatively up \$900 to \$3,900, compared to \$62,500 for medium businesses (an increase of \$31,600 over the past year).

This was also the case with hardware with most small businesses reporting they spend far less than the average spend on computer software. Some 25 per cent of small businesses reported no spend on software in 2009, and an additional 33 per cent reported a software spend of up to \$1,000. Eight per cent reported spending more than \$5,000 on software in 2009 (unchanged in the past year). This compares with 51 per cent of medium businesses which reported spending in excess of \$5,000 on computer software over the same period.



Trends in mean expenditure

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

Base = All businesses with computers

SOURCE: Sensis® e-Business Report
Sweeney Research - 2010

Expected expenditure in 2009 calendar year

Overall, SMEs were expecting to decrease their spend on computer hardware and software in 2010 compared to 2009 levels.

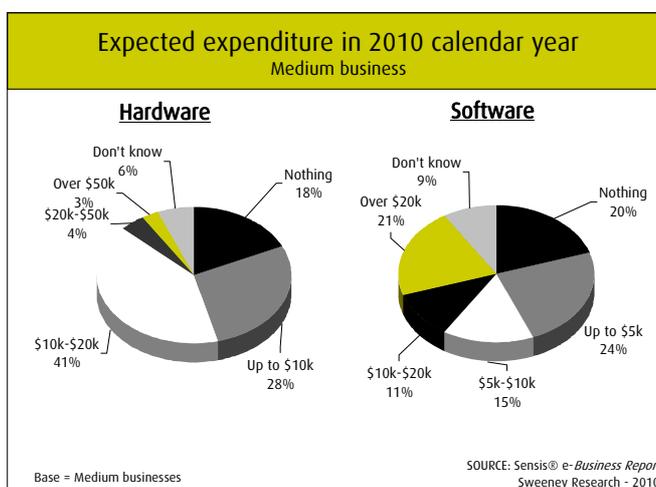
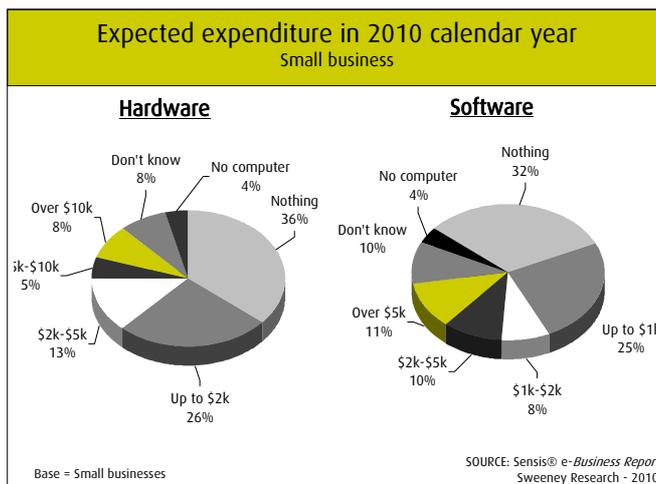
Total average expenditure on computer hardware and software for all SMEs in 2010 was expected to be \$16,400. This would represent a decrease of \$2,400 from the total spend of \$18,800 SMEs reported spending on hardware and software in 2009.

On average, small businesses were expecting to spend \$9,800, with medium businesses expecting to spend \$138,300 on computer hardware and software in 2010.

In terms of expenditure on computer hardware, SMEs were expecting to spend significantly more in 2010 than they did in 2009. The average expected spend across all SMEs was \$8,800, considerably less than the \$12,000 spent in 2009. Increases in spending on hardware were expected in small businesses, which were expecting to spend \$5,500, up from \$3,400 in 2009. However, medium businesses were expecting to spend \$68,200, much lower than the \$89,900 they reported spending in 2009.

Despite expectations for a lower hardware spend, SMEs were expecting to increase their spend on computer software in 2009. The average expected spend across all SMEs was \$7,600 reflects an increase of \$800 per business on the levels recorded this year. Small businesses were expecting to spend \$4,300, up from \$3,900 reported in 2008. This trend was also recorded for medium businesses, which expect to increase their average software spend from the \$60,50 recorded in 2009 to an expected \$70,100 in 2010.

On top of hardware and software actual and expected spends, SME expenditure on maintaining their IT systems was also significant. Overall, SMEs reported having spent an average of \$9,500 on maintaining their systems, with small businesses spending \$5,100 on average and medium businesses spending \$92,400 on average. This was significantly higher than the software spend reported by businesses, although not as high as the amount SMEs that reported they were spending on hardware in the past year. Looking forward, SMEs were expecting to spend some \$9,600 on IT systems maintenance in 2010, up \$100 on the last year's spend.



Expenditure on software and hardware maintenance

	2009 actual expenditure	2010 expectations
Small Business	\$5,100	\$5,200
Medium business	\$92,400	\$90,900
All SMEs	\$9,500	\$9,600

Base = All businesses with computers
SOURCE: Sensis® e-Business Report Sweeney Research - 2010

Getting connected

Connection levels

The proportion of SMEs connected to the internet was unchanged during the year at 94 per cent. This reflected a small fall in small businesses internet-connectivity from 95 per cent to 94 per cent, with an increase recorded by medium businesses at 100 per cent. Of the six per cent of small businesses not connected to the internet, two per cent owned a computer but had not connected to the internet, while the remaining four per cent did not own a computer. These latest figures reflect that there has been relatively little change in the overall proportion of SMEs connected to the internet in the past four years.

The finance and insurance sector again recorded the highest rate of internet-connectivity at 100 per cent, closely followed by the communications, property and business services sector at 98 per cent. The lowest level of connectivity was in the health and community services sector, with 88 per cent of SMEs reporting they have an internet connection, a fall of eight percentage points over the past year. This was also the sector most likely to have computers without an internet connection. This sector reported eight per cent of SMEs with computers that were not connected to the internet, in addition to four per cent of SMEs in that sector with no computer at all.

Metropolitan businesses reported a rate of 95 per cent internet penetration which was slightly higher than the result for regional businesses at 93 per cent. The connection levels amongst metropolitan SMEs has remained stable in the past year, compared to a marginal decrease of one percentage point for SMEs in regional areas.

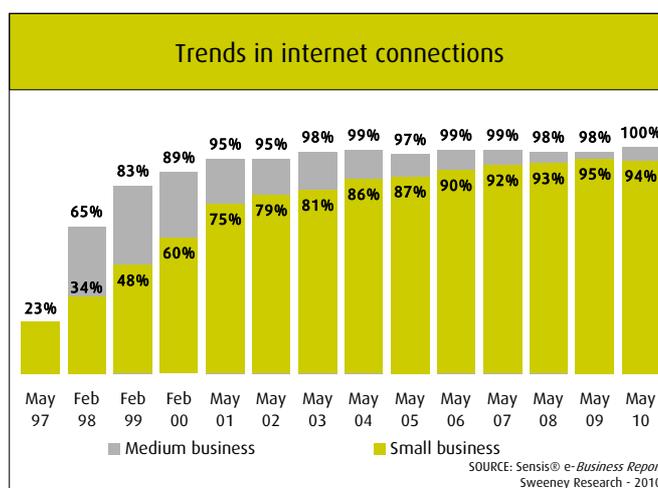
It is worthwhile revisiting recent historical trends in order to fully appreciate just how significant the internet has become as a business tool. Since 1997, the proportion of small businesses that are connected to the internet has risen from 34 per cent. Over this time the trend among medium businesses has been nearly as impressive, rising from 65 per cent to 98 per cent. The largest component of this increase occurred between 1997 and 2001, with increases recorded since then being comparatively small until reaching the 90 per cent level in 2006. Since then changes in the levels of internet connection by small businesses has been incremental.

Internet connections by business size and location			
	No computers	Use internet	Do not use
All Businesses	4%	94%	2%
1-2 Employees	7%	89%	4%
3-4 Employees	1%	98%	1%
5-9 Employees	0%	99%	1%
10-19 Employees	0%	100%	0%
20-99 Employees	0%	100%	0%
100-200 Employees	0%	100%	0%
Total Small (1-19)	4%	94%	2%
Total Medium (20+)	0%	100%	0%
Total Metropolitan	3%	95%	2%
Total Rural	5%	93%	2%

Base = All businesses
SOURCE: Sensis® e-Business Report
Sweeney Research - 2010

Internet connections by industry sector			
	No computers	Use internet	Do not use
Manufacturing	3%	95%	2%
Building/Construction	9%	91%	0%
Wholesale Trade	1%	95%	4%
Retail Trade	2%	95%	3%
Transport/Storage	4%	95%	1%
Communications, Property & Business Services	1%	98%	1%
Finance and Insurance	0%	100%	0%
Health/Community Services	4%	88%	8%
Personal Services	7%	92%	1%
Accommodation, Cafés and Restaurants	6%	89%	5%

Base = All businesses
SOURCE: Sensis® e-Business Report
Sweeney Research - 2010

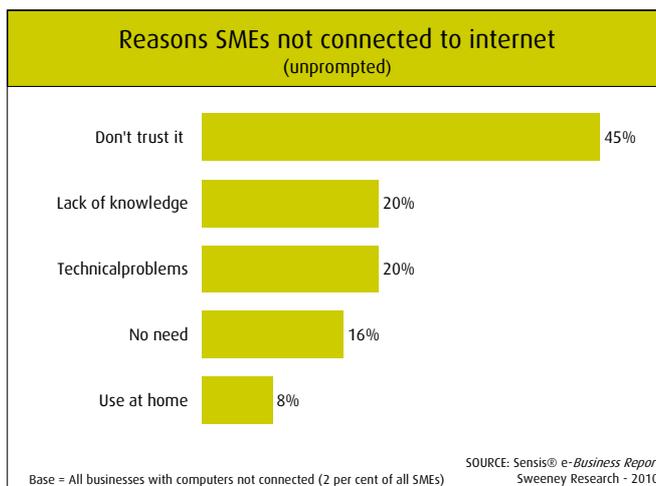


Reasons for not connecting

Among the very small number of businesses that had computers but were not connected to the internet, the overwhelming reason given by SMEs that were not connected to the internet was a view they did not trust it to protect their information.

The other three key reasons given for not connecting to the internet despite owning a computer were a lack of knowledge and technical and service issues, which were each given by 20 per cent of those SMEs. A lack of knowledge was the most common reason given by SMEs in regional areas for not having connected to the internet.

Overall, 93 per cent of SMEs reported being connected to the internet at home, up two percentage points 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 two per cent believe they will connect their businesses to the internet within the next 12 months, up one percentage point from the past year. The remaining four per cent of businesses do not expect to do so in the next 12 months. This level of expectation is the same as last year.

The strongest resistance to future internet connectivity, by SME size, came among those businesses with one to two employees, which was the business size with the lowest level of internet connectivity. Six 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 a belief that it would increase their business performance and sales, followed by wanting to use e-mail, and being able to be contacted by their customers and clients.

	Use internet	Expect to connect	*Do not expect
All Businesses	94%	2%	4%
1-2 Employees	89%	5%	6%
3-4 Employees	98%	1%	1%
5-9 Employees	99%	0%	1%
10-19 Employees	100%	0%	0%
20-99 Employees	100%	0%	0%
100-200 Employees	100%	0%	0%
Total Small (1-19)	94%	2%	4%
Total Medium (20+)	100%	0%	0%
Total Metropolitan	95%	1%	4%
Total Rural	93%	3%	4%

Base = All businesses
 *Includes "Not sure"
 SOURCE: Sensis® e-Business Report
 Sweeney Research - 2010

Broadband connections

Broadband remained the almost universal standard for internet in Australian businesses. Some 96 per cent of SMEs that were online currently reported having broadband access to the internet, which is unchanged from the past year.

ADSL was the most popular form of broadband connection amongst SMEs, being the choice of 56 per cent of those with broadband access to the internet, followed by 20 per cent with a cable connection and 17 per cent with a wireless connection. There was virtually no change in the types of broadband connection that SMEs reported in the past year, with no more than one percentage point variation from last year’s results for any connection type.

Overall, some 22 per cent of SMEs with an internet connection reported that they intended to get a faster internet connection in the next twelve months. SMEs in metropolitan areas were more likely than those in regional areas to report this intent (24 per cent compared to 18 per cent in regional areas).

Of those businesses connected to the internet, the level of broadband connection was highest amongst SMEs in New South Wales (99 per cent each) and lowest in South Australia (93 per cent).

In terms of industry sector trends, the communications, property and business services and manufacturing sectors had the greatest proportion of online businesses with broadband connections at 99 per cent each. The lowest level of broadband connection occurred in the health and community services sector at 89 per cent.

The main reason SMEs identified for introducing broadband access was due to the speed of access. Overall, 65 per cent of SMEs with broadband access identified this factor. The next most important reasons for having broadband access involved increased internet efficiency (28 per cent) and being able to access more applications (19 per cent).

Accessing the internet			
<i>Do you currently have broadband access to the internet?</i>			
	Total	Small Business	Medium Business
Yes – have broadband	96%	96%	99%
No – do not have broadband	3%	3%	1%
Don't know	1%	1%	0%
<i>How do you currently access the internet? (Amongst those with broadband access)</i>			
DSL/ADSL		56%	
Cable		20%	
Wireless		17%	
Satellite		1%	
Don't know		5%	

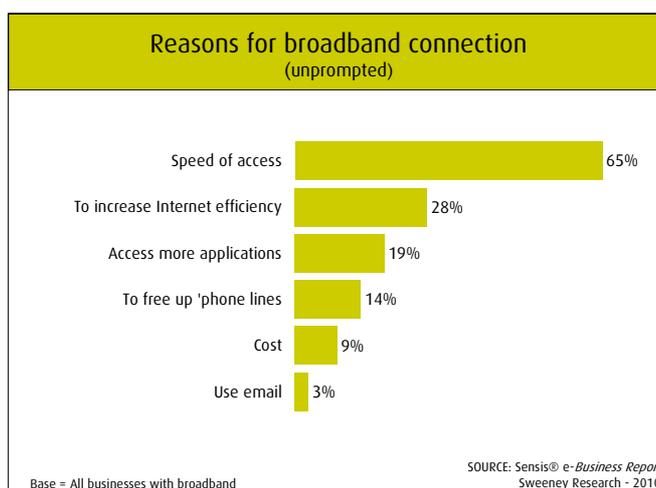
Base = SMEs with internet access

SOURCE: Sensis® e-Business Report
Sweeney Research - 2010

SME broadband access			
<i>How long has your business had broadband access?</i>			
	Total	Small Business	Medium Business
Over 12 months	98%	98%	100%
Less than 12 months	2%	2%	0%
<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	76%	76%	82%
Negative	0%	0%	1%
No real impact	24%	24%	18%

Base = Have broadband access

SOURCE: Sensis® e-Business Report
Sweeney Research - 2010



Using the internet

How the internet is used – current and expected usage

For those SMEs with internet access, the number one use of the internet by SMEs was again communicating via email, identified by 98 per cent of internet connected businesses. Given the high level of penetration which exists among internet-connected businesses, only a further one per cent of SMEs expect to take up this application in the next year. Usage of this application was up by a marginal one percentage point over the past year, with this use at almost saturation level.

The second most important application of the internet reported by SMEs was looking for information about products and services. This is a current use for 91 per cent of SMEs connected to the internet, down one percentage point from 92 per cent last year.

The next most important applications of the internet were getting reference information or research data, internet banking and looking for suppliers of products and services. These applications were identified by 88 per cent of internet-connected SMEs each.

The application which recorded the greatest increase in usage amongst SMEs in the past year was using a website to advertise or promote a business, which was up by five percentage points in the past year. This was followed by accessing directories such as the Yellow Pages™ and using online auction sites to sell goods or services, which were both up four percentage points in the past year.

This year saw strong growth for the majority of applications. However, it is also 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 advertise and promote businesses, as well as advertising businesses on other websites, which were both nominated by 10 per cent of SMEs as something they wanted to do in the next year.

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	91%	3%	94%
To get reference information or research data	88%	4%	92%
Internet banking	88%	3%	91%
To look for suppliers of products or services	88%	4%	92%
To access directories such as the Yellow Pages	87%	3%	90%
To pay for products and services	81%	3%	84%
To access and use online catalogues	79%	3%	82%
To place orders for products and services	79%	5%	84%
To receive payments for products and services	74%	5%	79%
To streamline communications with customers and staff	68%	6%	74%
To use a website to advertise or promote your business	63%	10%	73%
To take orders for products and services	62%	5%	67%
To monitor your markets or the competition	42%	5%	47%
To promote the business using e-mail marketing	31%	9%	40%
To use online auction sites to sell goods or services	23%	6%	29%
To advertise your business on other websites	22%	10%	32%

Base = All businesses with internet

SOURCE: Sensis® e-Business Report
Sweeney Research - 2010

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 that were connected to the internet.

The second most important internet application was to look for information about products or services. There was slightly more difference in the use of this application between medium businesses (94 per cent) and small businesses (91 per cent). This gap has fallen to three percentage points last year, from four percentage points the year before and 10 percentage points the year before that.

The internet application which demonstrated the greatest variation between small and medium business usage was again using a website to promote their business. Some 83 per cent of medium businesses with the internet identified this, compared to 61 per cent of small businesses with the internet. This gap of 22 percentage points was the highest for any internet application.

The only internet application used by more small businesses than medium businesses was using online auction sites to sell goods and service. This application was used by 23 per cent of small businesses compared to 33 per cent of medium businesses. Receiving payments for products or services was used by equal number of SMEs (81 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	91%	91%	94%
To look for suppliers of products or services	88%	88%	94%
To get reference information or research data	88%	88%	90%
Internet banking	88%	87%	92%
To access directories such as the Yellow Pages	87%	86%	95%
To pay for products and services	81%	81%	81%
To access and use online catalogues	79%	79%	85%
To place orders for products and services	79%	78%	90%
To receive payments for products and services	74%	74%	75%
To streamline communications with customers and staff	68%	68%	78%
To use a website to advertise or promote your business	63%	61%	83%
To take orders for products and services	62%	62%	66%
To monitor your markets or the competition	42%	42%	56%
To promote the business using e-mail marketing	31%	31%	45%
To use online auction sites to sell goods or services	23%	23%	22%
To advertise your business on other websites	22%	22%	30%

Base = All businesses with internet

SOURCE: Sensis® e-Business Report
Sweeney Research - 2010

Trends in usage

In terms of trends in usage of various internet applications across SMEs, the largest rise during the year was split between using a website to advertise or promote their business, accessing directories such as the Yellow Pages™ and using online auction sites. Use of these applications rose by four percentage points each in the last year. Overall, 59 per cent of SMEs reported using a website to advertise or promote their business, with the greatest usage among SMEs in the accommodation, cafes and restaurants sector with 74 per cent. The greatest usage of the internet to access directories such as the Yellow Pages™ by an industry sector was the communications, property and business services sector with 89 per cent. Using the internet to use online auction sites was most predominant in the retail trade sector (30 per cent).

Increases in usage were also recorded for receiving payments for products or services, taking orders for products and services, paying for products and services, streamlining communications with customers and staff and internet banking.

There were six applications that recorded declines in usage over the past year: getting reference information or research data, advertising a business on other websites, promoting a business using e-mail marketing, looking for information about products and services, monitoring markets and competition and communicating via e-mail. There was no change in the usage level for placing orders for products and services and for accessing and using online catalogues in the past year. Having recorded a three percentage point fall in usage levels amongst SMEs over the past year, using the internet to get reference information or research data was still one of the top applications for SMEs and was most favoured by SMEs in the communications, property and business services sector (92 per cent).

Trends in current uses of the internet – based on all businesses				
	2008	2009	2010	Change 2009 to 2010
To use a website to advertise or promote business	54%	55%	59%	+4%
To access directories such as the Yellow Pages® directories	76%	78%	82%	+4%
To use online auction sites	20%	18%	22%	+4%
To receive payments for products and services	63%	67%	70%	+3%
To take orders for your products and services	54%	56%	58%	+2%
To pay for products and services	71%	74%	76%	+2%
To streamline communications with customers and staff	60%	62%	64%	+2%
Internet banking	78%	81%	83%	+2%
To place orders for products and services	67%	74%	74%	-
To access and use online catalogues	67%	74%	74%	-
To communicate via email	92%	91%	92%	-1%
To monitor your markets or the competition	40%	41%	40%	-1%
To look for information about products and services	83%	87%	86%	-1%
To promote the business using email marketing	27%	31%	30%	-1%
To advertise your business on other websites	20%	23%	21%	-2%
To get reference information or research data	79%	86%	83%	-3%
To look for suppliers of products or services	N/A	N/A	83%	N/A

Base = All businesses

SOURCE: Sensis® e-Business Report
Sweeney Research - 2010

What are the essential uses?

The most essential internet application for SMEs was again email. This was identified by 81 per cent of businesses as an essential application, down three percentage points in the last year. Metropolitan businesses were more likely to identify email as an essential application compared to regional businesses (84 per cent versus 77 per cent).

The next most important application identified as essential was internet banking at 74 per cent, down one percentage point in the past year. Of all industry sectors, SMEs in the manufacturing and health and community services sectors were most likely to identify internet banking as an essential internet application (80 per cent each). This contrasts with SMEs in the accommodation, cafes and restaurant sector which were least likely to regard it as an essential application (58 per cent).

There were six other applications considered essential by the majority of SMEs: finding reference information or research data (66 per cent); looking for information about products and services businesses might buy (63 per cent); paying for products and services (57 per cent); placing orders for products and services and receiving payment for products and services (53 per cent each); and streamlining communications with customers and staff (51 per cent each).

Only three applications were regarded as essential by an increased number of SMEs – the greatest increase was using online auction sites to sell goods, which rose by three percentage points over the past year, however only 11 per cent of SMEs regarded this application as essential. The other uses that increased were paying for products or services and placing orders for products and services, both procurement-related uses.

What are the essential uses?			
	All SMEs	Small Business	Medium Business
To communicate via email	81%	81%	85%
Internet banking	74%	74%	76%
To get reference information or research data	66%	66%	69%
To look for information about products and services	63%	64%	59%
To pay for products and services	57%	56%	57%
To place orders for products and services	53%	53%	52%
To receive payments for products and services	53%	53%	54%
To streamline communications with customers and staff	51%	50%	65%
To access directories such as the Yellow Pages	48%	47%	58%
To access and use online catalogues	47%	47%	49%
To use a website to advertise or promote your business	44%	43%	56%
To take orders for products and services	43%	43%	43%
To monitor your markets or the competition	24%	23%	32%
To promote the business using e-mail marketing	19%	18%	27%
To advertise your business on other websites	13%	13%	14%
To use online auction sites to sell goods or services	11%	11%	13%

Base = All businesses with internet

SOURCE: Sensis® e-Business Report
Sweeney Research - 2010

Technology in Australian households

Introduction

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

Equipment ownership and internet connections

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

Some 91 per cent of Australian households reported having a computer of some description in 2010, a rise of one percentage point over the past year. Some 75 per cent had a desktop computer (down three percentage points), with notebook ownership currently at 58 per cent (up eight percentage points). This compares with 93 per cent of SMEs with a desktop computer, 61 per cent with a laptop computer and 96 per cent having a computer of any description.

In terms of internet connections, some 88 per cent of households were internet-enabled (up three percentage points in the past year), compared with 94 per cent of SMEs. The proportion of households using a dial-up internet connection continued to decline, at only eight per cent of households (down from 13 per cent). While there was a marginal increase in the proportion of households with a standard broadband connection at 60 per cent (up one percentage point), there was a much larger 14 percentage point increase in the proportion of households with a wireless broadband connection, at 45 per cent.

There is still some evidence of a “digital divide”, with only 72 per cent of Australians with a household income of up to \$35,000 connected to the internet, which declined by a marginal one percentage point in the past year. In comparison, 99 per cent of households with an income of more than \$85,000 were connected to the internet, a gap of 27 percentage points

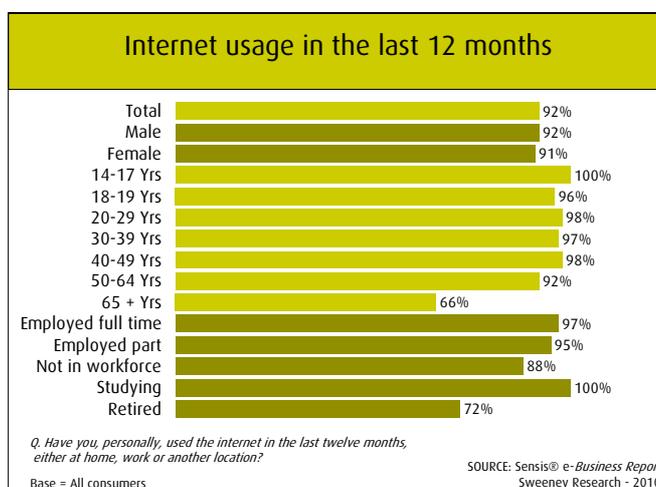
The groups most likely to report below average usage were those aged 65 and above and retirees. For those Australians 65 years and above only 66 per cent reported accessing the internet in the past 12 months. However, usage in this age group has increased by six percentage points over the past year.

Computerisation in the home			
	2010		Cf. 2009
	Currently have	Expect to get in next 12 months	Currently have
A desk top computer or PC	75%	11%	78%
A notebook computer	58%	12%	50%
Total computer	91%	20%	90%
Dial-up internet	8%	0%	13%
Broadband internet	60%	4%	59%
Wireless broadband	45%	5%	31%
Total internet	88%	7%	85%

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 - 2010

Base = All consumers



What Australians are doing online

With further increases in the proportion of Australians using the internet, the Sensis® e-Business Report also found the level of usage of most internet applications by Australians has also increased significantly in the past year.

Looking for information on products or services continued to be by far the most used internet application, used by 82 per cent of Australians, up four percentage points in the past year. This compared to the next most popular application, paying for purchases or bills, which was reported by 65 per cent of Australians, up by three percentage points in the past year. This was closely followed by ordering goods or services and banking at 64 per cent each.

Only two applications saw declines in usage over the past year: writing a blog and belonging to an online community, which both declined by two percentage points over the past year.

The greatest increase in usage in the past year was in the proportion of Australians who reported using a social networking site, with 56 per cent of Australians reporting they have done this in the past 12 months, up 15 percentage points in the past year. Also increasingly popular was using the internet to make phone calls and downloading or streaming video content. Overall 35 per cent of Australians reported they had used the internet to make phone calls in the past year, up 14 percentage points. Some 47 per cent of Australians reported they downloaded or streamed video content in the past year, up 11 percentage points.

Internet applications in the last 12 months		
	Internet users last 12 months	All Australians
Looked for information on products or services	90%	82%
Paid for purchases or bills	71%	65%
Ordered goods/services	69%	64%
Undertaken banking	69%	64%
Made bookings	68%	63%
Used a social networking site	61%	56%
Read a blog	45%	42%
Supplied personal information online	43%	40%
Downloaded or streamed video content	51%	47%
Bought through an online auction site	34%	32%
Belonged to an online community	27%	25%
Used the internet to make phone calls	38%	35%
Written a blog	15%	14%
Sold through an online auction site	18%	16%
Uploaded a video onto the internet	21%	19%

Q. In the last twelve months have you undertaken any of the following via the internet? SOURCE: Sensis® e-Business Report Sweeney Research - 2010

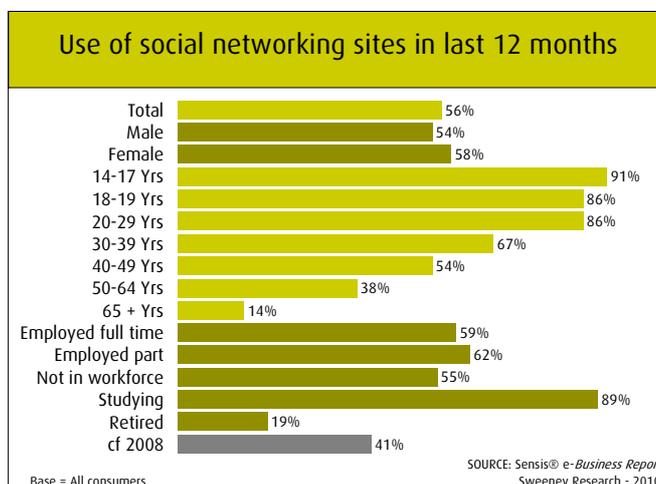
Internet applications in the last 12 months			
Trends – All Australians			
	2009	2010	Change
Used a social networking site	41%	56%	+15%
Used the internet to make phone calls	21%	35%	+14%
Downloaded or streamed video content	36%	47%	+11%
Uploaded a video onto the internet	14%	19%	+5%
Looked for information on products or services	78%	82%	+4%
Undertaken banking	60%	64%	+4%
Ordered goods/services	61%	64%	+3%
Bought through an online auction site	29%	32%	+3%
Supplied personal information online	37%	40%	+3%
Paid for purchases or bills	62%	65%	+3%
Made bookings	60%	63%	+3%
Sold through an online auction site	14%	16%	+2%
Read a blog	41%	42%	+1%
Written a blog	16%	14%	-2%
Belonged to an online community	27%	25%	-2%

Q. In the last twelve months have you undertaken any of the following via the internet? SOURCE: Sensis® e-Business Report Sweeney Research - 2010

Social networking

Overall, 56 per cent of Australians reporting they had used social networking sites in the past year.

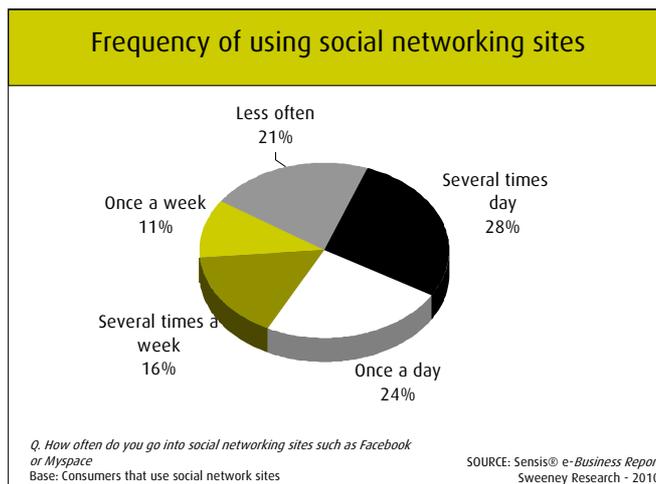
Age continued to influence use of social networking sites, with younger Australians much more likely to use a social networking site, however the greatest increases in the past year were amongst older users. There was a marginal one percentage point increase in usage for the 14 to 17 year old age group, and a four percentage point decrease in the 18 to 19 year old age group. By contrast the greatest increase in usage in the past year was amongst those aged in their 40s, with usage up by 26 percentage points in the past year. At the 65 and over end of the age spectrum there was also a nine percentage point increase in usage of social networking sites in the past year.



Social networking sites had a high usage frequency, with 28 per cent of households using the sites several times a day, up five percentage points in the past year, and 24 per cent using them daily – meaning that over half of users accessed these sites at least daily. Only 11 per cent reported usage less than once a week, down from seven per cent last year.

With more than six in 10 employees using social networking sites, and 28 per cent of those reporting they access social networking sites at their workplace it is interesting to look at how this has impacted the workplace.

While 65 per cent of SMEs reported they do not allow their employees to use social network sites while at work, this was down four percentage points from the past year.



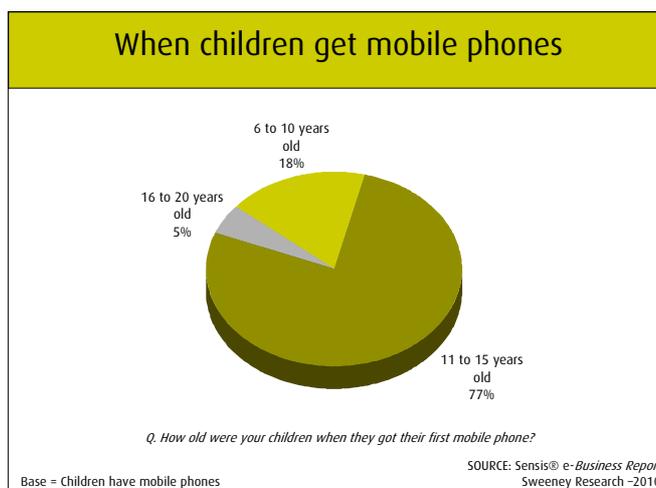
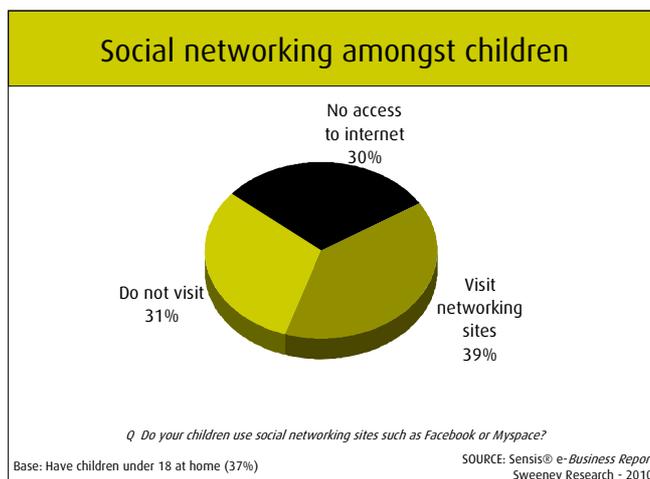
Our children online

Overall, 70 per cent of Australian households with children under 18 reported their children used the internet. The most frequent age children were reported to have started using the internet was between six and 10 years of age (46 per cent), however 26 per cent were reported to have started using the internet when they were five years or younger, up two percentage points in the past year.

Some 67 per cent of Australian households with children reported supervising their children on the internet, down from 72 per cent last year. Almost four in ten Australian households with children report their children visit social networking sites, with 31 per cent reporting their children use online chat rooms. Overall, 39 per cent of Australian households with children reported using an internet content filter, up eight percentage points in the past year.

Some 43 per cent of Australian households with children reported that their children had mobile phones. The most common age for children to get their first mobile phone was between 11 and 15 years old, with over three-quarters of children getting their first phone at this age. Almost one in five children got their first phone when they were between 6 and 10 years old, with five per cent getting their first phone between 16 and 20 year old. There were negligible reports of children acquiring their first phone under six years of age.

In 64 per cent of cases parents reported that they paid for their children’s mobile phone costs, with this much more likely to be the case for lower income households.



Internet usage on mobile phones

Accessing the internet through desktop and notebook computers no longer counts for all internet access, with using the internet on mobile phones becoming increasingly frequent.

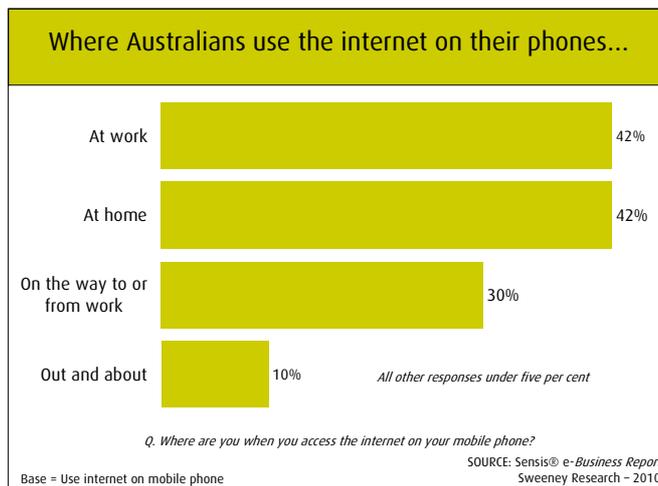
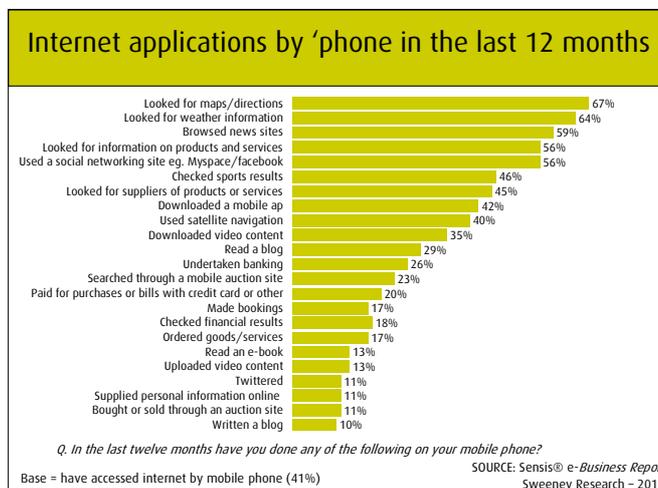
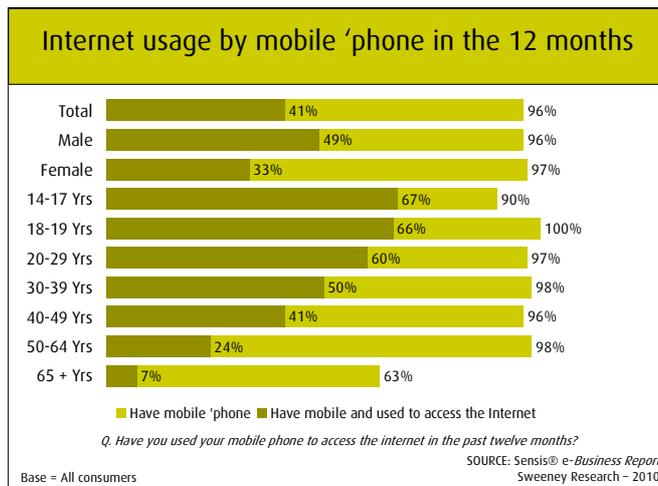
Mobile penetration is high amongst Australian consumers, with 96 per cent reporting they owned a mobile phone. On average, 41 per cent of Australians with mobile phones now use their phone to access the internet, up from 26 per cent last year. Use of a mobile phone to access the internet was higher amongst males at 49 per cent, compared to 33 per cent for females.

While younger Australians were more likely to access the internet on their mobile phones, accessing the internet on a mobile was fairly common across most age groups, with over half (56 per cent) of those aged up to 49 reporting that they used the internet on their mobile phones. The age group which reported the greatest increase in usage in the past year was those aged between 18 and 19, which was up 32 percentage points in the past year.

Accessing information was a key use of internet on mobile phones, with looking for maps, weather and news the top applications reported by Australians. Using internet on mobiles for social networking was also a highly used application; on par with people looking for information on products and services (56 per cent each).

Overall, accessing the internet on a mobile phone for business-related reasons was high and grew further over the past year. Looking for information on products or services increased 15 percentage points to 56 per cent. Looking for suppliers of products or services increased nine percentage points to 45 per cent, and ordering goods or services increased five percentage points to 17 per cent.

It is interesting to note that Australians are not just using the internet on their mobile phones when other methods of connection are not available. The most frequently nominated places for Australians to use the internet on their mobile phones was at home or work (42 per cent each), regardless of the fact that they were likely to have other methods to connect to the internet at either of these locations. The next most likely place that Australians reported using the internet on their mobile phones was on the way to or from work (30 per cent).



Social media in businesses

Incidence of use

Overall, one in ten businesses that are online use social media for business purposes. Medium businesses were more likely to use social media than smaller businesses (18 per cent compared to eight per cent), and female business operators were also more likely to use social media for business purposes (13 per cent compared to nine per cent for male-operated SMEs).

There was also considerable variation by sector, with those SMEs in the cultural, recreational and personal services sector, and the accommodation, cafes and restaurant sector twice as likely as average to use social media (20 per cent each). The lowest propensity to use social media for business purposes was in the health and community services sector at four per cent.

The most likely way that businesses reported using social media in their business was by having a page for their business on social networking sites, with one in three SMEs that used social media reporting they did this. This was closely followed by having a blog for their business and placing ads on social networks. Other social media applications were much lower in usage by comparison to these three.

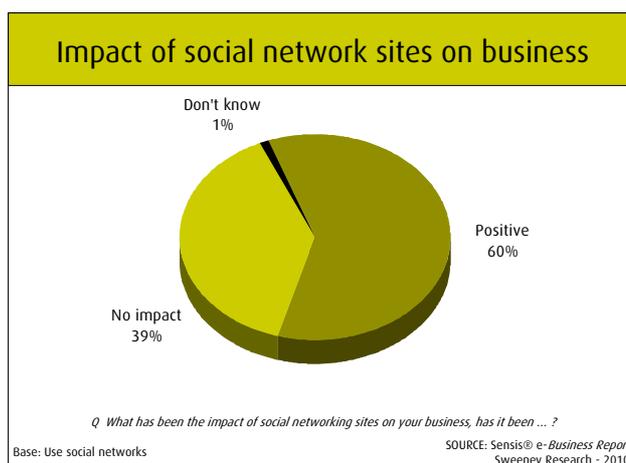
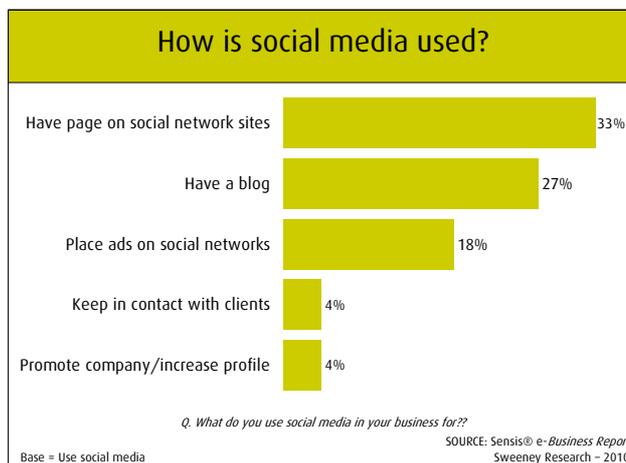
SMEs reported that they were using their social networking pages predominantly as a space to collaborate with their customers (51 per cent) and for sharing news about their business (48 per cent). Other key uses included building contacts (34 per cent); sharing tips and insights (30 per cent), advertising (28 per cent) and posting photos and videos (26 per cent).

Those businesses with a social network page were very likely to be monitoring online comments made about their business (86 per cent), and of those, over six in ten reported that they responded to online comments made about their business. Some 44 per cent of SMEs with a social networking page also monitored online comments about their competitors.

Overall, those SMEs with a social network page were very likely to rate its impact on their business as positive (60 per cent), or no impact (39 per cent). No SMEs with a social networking site rated it's impact as negative, with only one per cent undecided.

Social networking in the workplace				
Do you allow your employees to use social networking sites such as Facebook, Myspace etc while at work?				
	2010			Cf 2009
	Total	Small Business	Medium Business	Total
Yes	35%	35%	35%	31%
No	65%	65%	65%	69%
<i>Base = Businesses with the internet and have employees</i>				
Do you use social media for business purposes				
	Total	Small Business	Medium Business	
Yes	10%	10%	18%	
No	90%	90%	82%	
<i>Base = Businesses with the internet</i>				

SOURCE: Sensis® e-Business Report
Sweeney Research - 2010



Using websites

Introduction

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

Website ownership

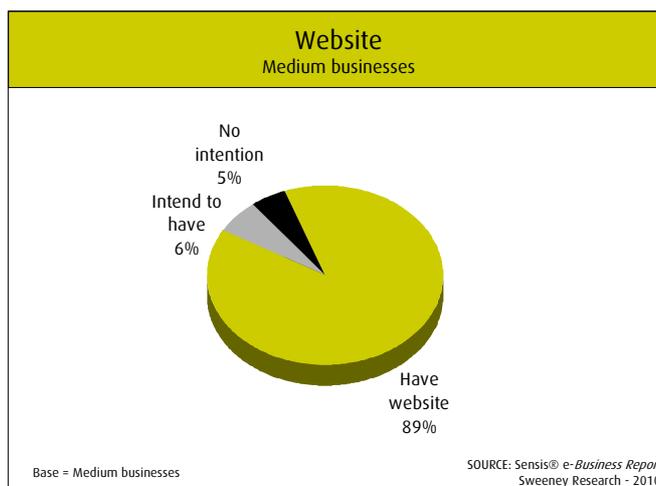
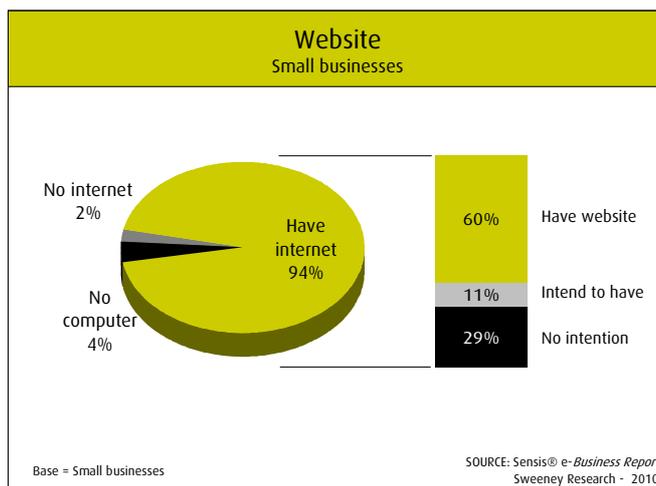
The proportion of small businesses with a website increased in the past year to 60 per cent of all small businesses (65 per cent of online small businesses). Another 11 per cent of small businesses indicated they intend to get a website within the next 12 months. The remaining 29 per cent of small businesses indicated that while they were connected to the internet they had no intention of getting a website this year.

This trend was mirrored in medium businesses with the percentage of medium businesses with a website increased during the year by four percentage points. While 100 per cent of medium businesses had an internet connection, 89 per cent reported they had a website, up four percentage points. A further six per cent of internet-connected medium businesses expect to get a website within the next 12 months. The remaining five per cent of internet-connected medium businesses had no intention of getting a website, which was unchanged from the past year.

The highest rate of website penetration by industry sector was the cultural, recreational and personal services sector at 76 per cent of all businesses in the sector. At the other end of the spectrum was the building and construction sector, which reported a website penetration rate of 41 per cent of all businesses in the sector, the lowest of any industry; however this was up by seventeen percentage points in the past year.

Metropolitan businesses reported a higher incidence of websites with a 65 per cent rate of adoption compared to 54 per cent for regional businesses.

Other business types more likely to have a website were those businesses aiming for significant growth (75 per cent); medium businesses (89 per cent); businesses that exported (81 per cent website penetration); and businesses that considered themselves to be innovative (75 per cent).



	2010		Cf. 2009 Have website
	Have website	Intend to have	
All Businesses	61%	11%	56%
1-2 Employees	53%	11%	46%
3-4 Employees	57%	13%	53%
5-9 Employees	78%	8%	72%
10-19 Employees	86%	6%	80%
20-99 Employees	89%	6%	84%
100-200 Employees	96%	1%	93%
Total Small (1-19)	60%	11%	54%
Total Medium (20+)	89%	6%	85%

Base = All businesses
SOURCE: Sensis® e-Business Report Sweeney Research - 2010

Benefits and costs of the site

Seventy-three per cent of SMEs with websites stated having a website improved the effectiveness of their business, up from 71 per cent last year. Metropolitan SMEs were slightly more likely to report their website had increased the effectiveness of their business (77 per cent) than SMEs in regional areas (63 per cent). Small businesses, however, were also more likely to feel that their website had improved the efficiency of their business (74 per cent) than medium businesses (66 per cent).

The most common reason given for increased business effectiveness from their website was that it allowed people to find them easily, closely followed by being able to use it to promote their products and services, and getting more business and sales.

The benefits of the website were not without costs but on average, SMEs reported spending approximately \$3,100 on building and maintaining their website last year. Small businesses reported spending an average of \$2,400 on their website, compared to an average figure of \$13,000 for medium businesses. Businesses aiming to significantly grow their business reported spending an average of \$7,600 on their business, compared to \$2,200 for businesses not aiming for growth.

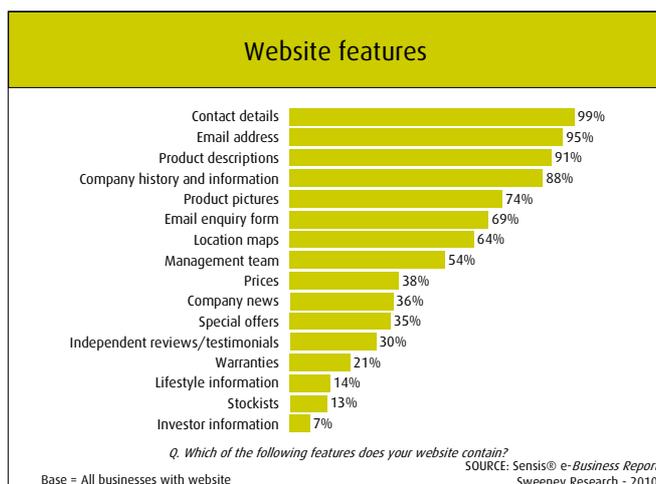


Website features

SMEs reported having a wide range of information and features on their websites. Almost all SMEs had their contact details on their website (99 per cent), with most sites also having e-mail addresses (95 per cent).

With consumers reporting that information on products and services was one of their key uses of the internet, it is interesting to note that this was one of the key features that SMEs were putting on their websites. Of those SMEs with websites, 91 per cent reported that they put product descriptions on their websites with 74 per cent of SMEs reporting they put product pictures on their sites. Some 38 per cent reported putting prices on their websites with 35 per cent saying they included special offers on their sites.

Information about the company was also an important factor with 88 per cent putting company history on their site, 54 per cent including information on their management team, 36 per cent including company news, and 30 per cent putting on independent reviews and testimonials.



Electronic commerce and small and medium businesses

Introduction

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

Use of the internet for procurement

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

There was little change in the proportion of SMEs connected to the internet, which dropped by one percentage point in the past year. There was also a one percentage point decline in the proportion of SMEs using the internet to look for information about products and services, with 86 per cent of SMEs reporting having done this in the past year. There was no change in the proportion of SMEs placing orders over the internet (74 per cent), and a rise of two percentage points in the proportion of SMEs using the internet to pay for goods and services (76 per cent).

There was considerable variation by industry sector as to whether businesses used the internet to place orders for goods and services. SMEs in the finance and insurance sector were the most likely to place orders for products and services on the internet (86 per cent), while those SMEs in the transport and storage sector were the least likely to place an order online (67 per cent).

The proportion of SMEs that reported using the internet to pay for products and services also increased from 74 per cent in 2009 to 76 per cent in 2010, a rise of two percentage points.

For medium businesses, there was growth across every stage of the procurement process, with the only exception being looking for information on products and services, which was unchanged in the past year. For small businesses, the only area of the procurement process to grow in the past year was paying for products and services, which was up by two percentage points. There were falls of one percentage point each in the proportion of small businesses looking for products or services and ordering products and services online.

Metropolitan SMEs reported higher usage across all stages of the process, being more likely to look for information on products and services online (87 per cent compared to 84 per cent), more likely to use the internet to place orders than regional businesses (77 per cent compared to 70 per cent) and more likely to use the internet to pay for products or services (77 per cent compared to 76 per cent). SMEs in New South Wales were the most likely to place orders online (81 per cent), with those in South Australia the least likely (64 per cent).

Buying over the internet by business size				
	Connected to internet	Look for information	Place orders	Pay
All Businesses	94%	86%	74%	76%
1-2 Employees	89%	78%	69%	71%
3-4 Employees	98%	93%	79%	84%
5-9 Employees	99%	92%	77%	75%
10-19 Employees	100%	96%	75%	74%
20-99 Employees	100%	94%	90%	83%
100-200 Employees	100%	99%	87%	69%
Total Small (1-19)	94%	86%	73%	76%
Total Medium (20+)	100%	94%	90%	81%

Base = All businesses

SOURCE: Sensis® e-Business Report
Sweeney Research - 2010

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

Base = Small businesses

SOURCE: Sensis® e-Business Report
Sweeney Research - 2010

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

Base = Medium businesses

SOURCE: Sensis® e-Business Report
Sweeney Research - 2010

In addition, SMEs exporting were far more likely to report having placed orders online (78 per cent) than those that did not export (74 per cent).

The average proportion of total SME procurement made online has fallen marginally this year to 30 per cent, in line with the falling number of SMEs that are procuring online.. Some 21 per cent of SMEs that placed orders online reported that they placed the majority of their orders over the internet, which is unchanged from the past year.

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

Accommodation bookings were the second most popular purchases by SMEs (50 per cent). Purchasing software, stock and merchandise were the third most popular online purchases, each reported by 49 per cent of SMEs which purchased online.

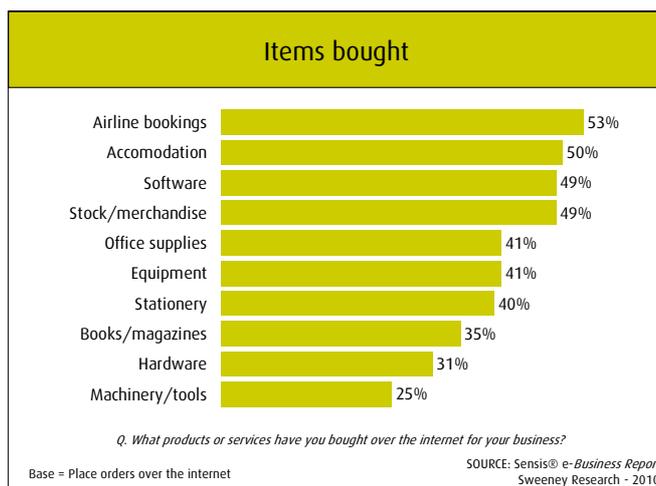
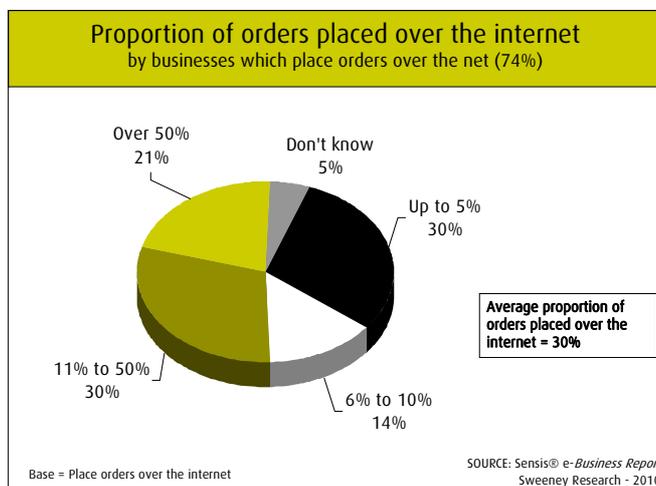
The next most popular online purchase by SMEs was office supplies and equipment, which were each reported by 41 per cent of SMEs that purchased online, closely followed by stationery at 40 per cent.

It is interesting to note the communications, property and business services sector was the sector most likely to report purchasing equipment for their business online.

Buying over the internet by industry sector				
	Connected to internet	Look for information	Place orders	Pay
All Businesses	94%	86%	74%	76%
Manufacturing	95%	89%	78%	75%
Building/Construction	91%	77%	69%	70%
Wholesale Trade	95%	87%	71%	77%
Retail Trade	95%	88%	75%	71%
Transport/Storage	95%	86%	67%	77%
Communications/Property/Business Services	98%	93%	80%	86%
Finance and Insurance	100%	83%	86%	82%
Health/Community Services	88%	80%	70%	81%
Personal Services	92%	86%	71%	71%
Accommodation/Cafés/Restaurants	89%	75%	71%	64%

Base = All businesses

SOURCE: Sensis® e-Business Report
Sweeney Research - 2010



SME use of the internet to sell

While there was little change in the proportion of SMEs that were purchasing online, the last year did see some small growth in the number of SMEs using e-commerce to sell goods and services. This is reflected in the increase from 56 per cent of all SMEs that reported taking orders online last year to 58 per cent for this year. This trend was also reinforced by the rise of SMEs that receive payments online from 67 per cent to 70 per cent.

While the growth in small businesses selling online was small, there was stronger growth from medium businesses. The number of medium businesses that reported taking orders online rose during the year from 56 per cent to 66 per cent, with those taking payments rising from 70 per cent to 75 per cent over the past year.

The wholesale trade sector recorded the strongest proportion of SMEs taking orders online with 73 per cent of businesses in this sector reporting this experience, up three percentage points in the past year. This is in contrast to the finance and insurance sector, where only 40 per cent of firms reported they took orders online, down five percentage points in the past year.

Other business types particularly likely to sell using e-commerce included exporters (with 74 per cent reporting they took orders online) compared to 56 per cent of businesses that did not export. SMEs in metropolitan areas were slightly more likely to report having taken orders online (63 per cent) than those in regional areas (49 per cent). SMEs in the Northern Territory were more likely than those in other states and territories to report taking orders online (64 per cent) with those in South Australia and Tasmania the least likely (50 per cent).

The proportion of SMEs receiving payments online rose from 67 per cent to 70 per cent, an increase of three percentage points. Some 70 per cent of small businesses reported taking payments online, up three percentage points. Medium businesses were more likely to report receiving payments online than their smaller counterparts, increasing by five percentage points. SMEs in the transport and storage sector were most likely to report that they had received payments online, at 82 per cent, up five percentage points. At the other end of the spectrum, SMEs in the health and community services sector were least likely to report having received payments online, at 48 per cent.

Selling over the internet by business size			
	Connected to Internet	Take orders	Receive payments
All Businesses	94%	58%	70%
1-2 Employees	89%	52%	61%
3-4 Employees	98%	68%	78%
5-9 Employees	99%	56%	77%
10-19 Employees	100%	67%	68%
20-99 Employees	100%	69%	77%
100-200 Employees	100%	49%	64%
Total Small (1-19)	94%	58%	70%
Total Medium (20+)	100%	66%	75%

Base = All businesses

SOURCE: Sensis® e-Business Report
Sweeney Research - 2010

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

Base = Small businesses

SOURCE: Sensis® e-Business Report
Sweeney Research - 2010

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

Base = Medium businesses

SOURCE: Sensis® e-Business Report
Sweeney Research - 2010

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

The largest gap in any industry sector between internet penetration and taking orders online was in the health and community services sector. This sector recorded a gap of 53 percentage points between internet connectivity and taking orders online, with this gap increasing by 23 percentage points over the past year.

The most narrow gap was in the retail trade and building and construction sectors at 22 percentage points each. The gap in the retail trade sector has decreased by 10 percentage points over the past year while the gap in the building and construction sector has reduced by 23 percentage points over the same period of time.

While there was an increase in the proportion of SMEs taking orders online, the proportion of total online activity these orders represented fell, with the average proportion of orders taken online down two percentage points to 24 per cent in the past year. Those SMEs in the communications, property and business services sector that took orders online reported the highest average proportion of their business online at 37 per cent. Thirty-three per cent of SMEs taking orders over the internet reported internet orders accounted for up to five per cent of their total orders, unchanged in the past year.

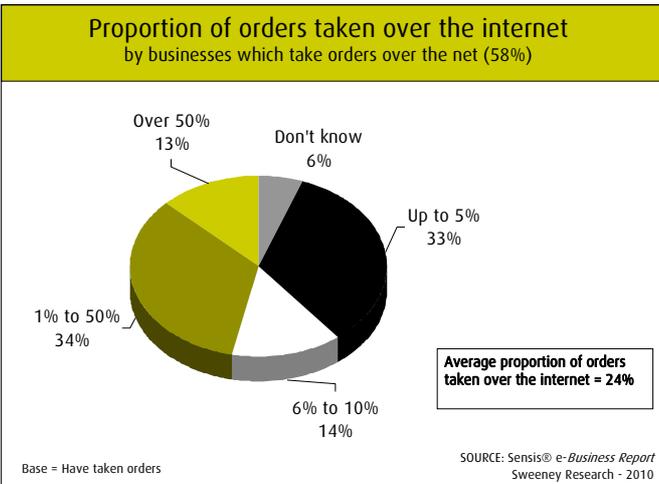
At the upper end, 13 per cent of SMEs who took orders over the internet reported online orders made up more than half of their total orders, a decrease from the 16 per cent recorded last year. SMEs in the finance and insurance sector were most likely to report online orders made up the majority of their orders, with the building and construction sector least likely to report receiving the majority of their orders online.

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

Selling over the internet by industry sector			
	Connected to internet	Take orders	Receive payments
All Businesses	94%	58%	70%
Manufacturing	95%	59%	74%
Building/Construction	91%	69%	71%
Wholesale Trade	95%	58%	72%
Retail Trade	95%	73%	68%
Transport/Storage	95%	54%	83%
Communications/Property/ Business Services	98%	74%	76%
Finance and Insurance	100%	62%	56%
Health/Community Services	88%	35%	48%
Personal Services	92%	46%	72%
Accommodation/Cafés/Restaurants	89%	54%	48%

Base = All businesses

SOURCE: Sensis® e-Business Report
Sweeney Research - 2010



Who businesses sell to online

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

Overall, businesses were most likely to make a sale to customers relatively close to them – in total 86 per cent of SMEs reported making sales to local customers, with 63 per cent of businesses mainly selling online to local customers. This year saw an decrease of four percentage points in the proportion of SMEs that mainly sell online in their local area and a decrease of three percentage points in the total proportion of SMEs that sold in their local area online.

Customers elsewhere in their state or territory and interstate were the next most frequent responses, with 52 per cent of SMEs selling to customers outside their town but elsewhere in their state or territory and 52 per cent selling to customers interstate. These proportions have both decreased slightly in the past year.

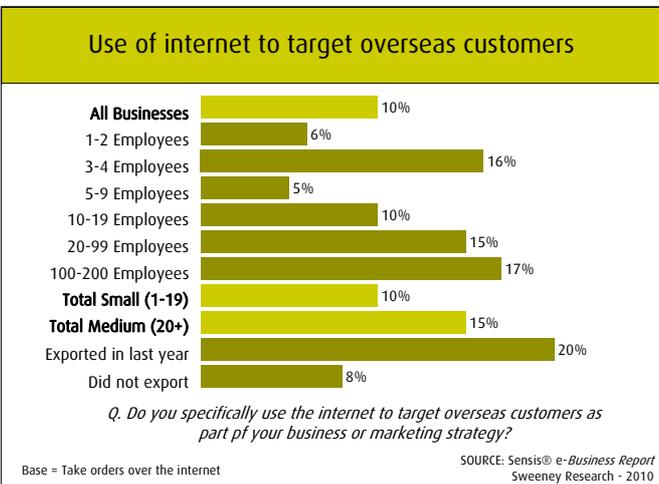
Overseas customers were identified by two per cent of SMEs as the main e-commerce customer group for their business. This was down from last year’s level of four per cent of SMEs, which used e-commerce to sell mainly to overseas customers. However, the total scope for exporting through e-commerce was more significant, with 27 per cent of SMEs who made sales through e-commerce having made at least some sales to overseas customers. Reflecting continued weaknesses in exports due to global economic conditions, this figure was down by two percentage points in the past year.

With 27 per cent of SMEs making some sales to overseas customers, it is interesting to note some 10 per cent of SMEs that took orders online used the internet to target international customers. This figure has dropped by seven percentage points in the past year. Medium businesses were much more likely to use the internet to target overseas customers than small businesses (15 per cent compared to 10 per cent). Only 20 per cent of SMEs, which exported in the past year, used the internet to target overseas customers, down from 48 per cent, and interestingly, eight per cent of SMEs which did not currently export also tried to get customers in overseas markets by using the internet, only down one percentage point in the past year.

Types of customers sold to				
	Mainly sell to	Total sell to	Total sell to	
			Small business	Medium business
Local – same city or town	63%	86%	86%	88%
Elsewhere in State	11%	52%	51%	55%
Interstate	17%	52%	49%	54%
Overseas	2%	27%	24%	30%

Base = Take orders over the internet

SOURCE: Sensis® e-Business Report
Sweeney Research - 2010



Return on investment

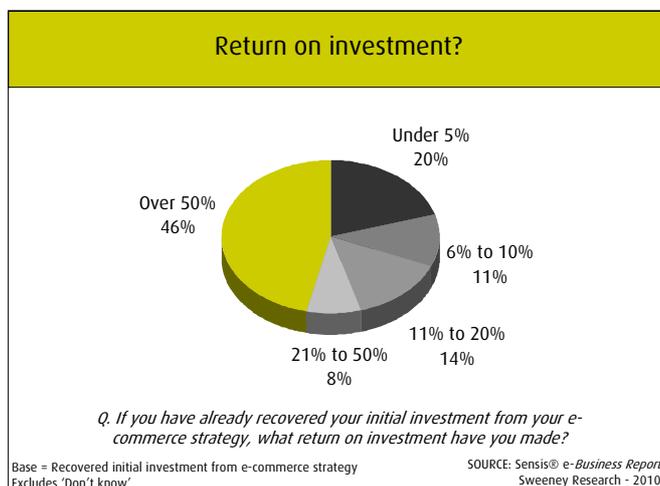
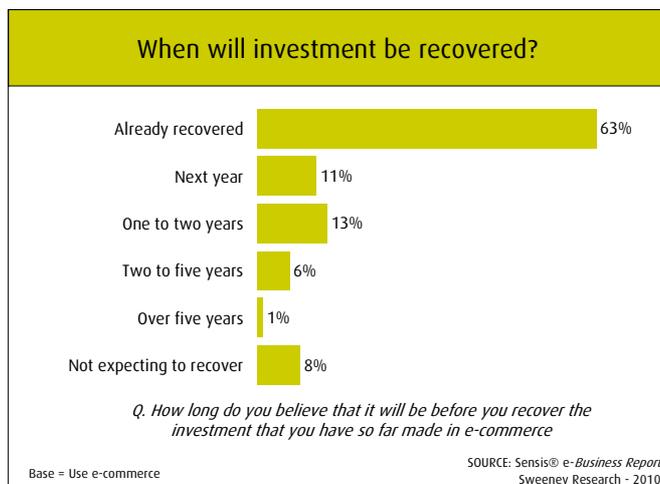
Since 2002 the Sensis® e-Business Report has been tracking the time that SMEs have been taking to recover their investment in e-commerce. The latest results found some 63 per cent of SMEs reported they had recovered their investment in e-commerce. A further 11 per cent of those SMEs who have invested in an e-commerce strategy said they are expecting to recover their investment in the next year.

The latest results show a small decrease in the proportion of SMEs reporting they have recovered their investment, which was down by four percentage points from 67 per cent last year.

From a business investment perspective, it is important when forming a business case for e-commerce investments to look at the likely return on that investment. In terms of the return on investment, the most frequent response among SMEs who had recovered their investment was they did not know (30 per cent). Of those SMEs who did know their return on investment, returns tended to be at the extremes of the spectrum. The most frequent response was they had a return on investment of more than 50 per cent, which was reported by 46 per cent of SMEs. This was followed by 20 per cent of SMEs who knew their return on investment reporting they had achieved a return of under five per cent of their original investment.

The proportion of SMEs who recovered their investment and reported a return in excess of 50 per cent has almost doubled during the last year, up from 24 per cent. The proportion of SMEs reporting a return on investment of less than five per cent has also increased from 13 percentage points last year to 15 per cent this year. Taking into account a decrease in the proportion of SMEs that did not know their return on investment this year, these results reflect a significant increase in the level of return that SMEs reported from their e-commerce investments.

SMEs in New South Wales were the most likely to report a return on investment of greater than 50 per cent, with those in the Northern Territory the least likely. SMEs in metropolitan areas were more likely to report a return on investment of more than 50 per cent than those in regional areas (35 per cent compared to 24 per cent of SMEs reporting they had recovered their investment). Small businesses were also significantly more likely than medium businesses to report a return on investment of over 50 per cent (33 per cent compared to 19 per cent).



Degree of interest in engaging in e-commerce

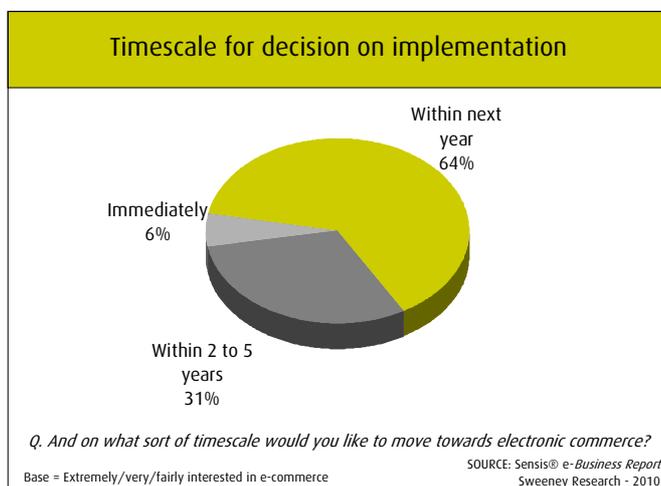
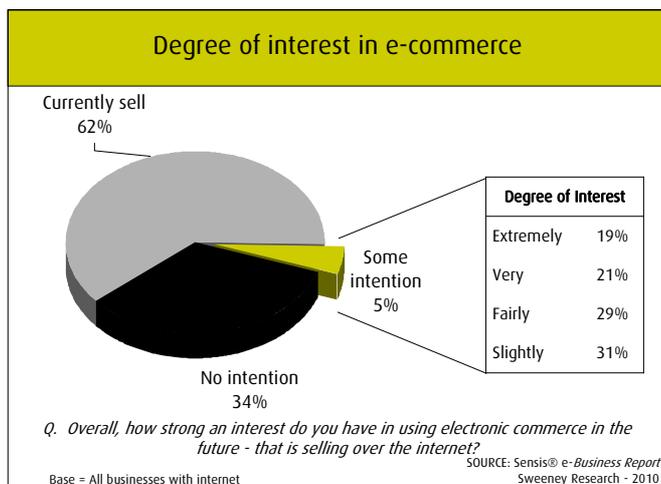
The proportion of SMEs online and intending to introduce e-commerce into their businesses fell marginally over the past year, mainly due to increases in the proportions of SMEs that have taken up e-commerce in the past year, with those that have no intention of taking up e-commerce having only increased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

Of those intending to introduce it, the degree of interest strengthened over the past year, with the proportion of SMEs that reported that they were “extremely” interested increasing by eight percentage points over the past year - although the total level of interest was relatively unchanged. There was also a strong increase in the proportion of SMEs looking to introduce e-commerce in the next year, but fewer of these SMEs were looking to introduce it “immediately”.

The intention to introduce e-commerce among SMEs that were online but not already using e-commerce to sell fell by three percentage points over the past year to five per cent. Among those firms connected to the internet, some 62 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, which was relatively unchanged over the past year, rising a marginal one percentage point.

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

In terms of the expected timescale for implementing an e-commerce strategy, the most frequent response (64 per cent) was within the next year. This was a slight decrease from last year where 46 per cent expected to implement an e-commerce strategy within the next year. In addition to this, some six per cent reported they were interested in introducing e-commerce “immediately” into their businesses, down from 17 per cent last year.



Concerns about online commerce and advertising

When SMEs were asked what concerned them about e-commerce from a range of prompted options, security concerns relating to hacking remained the number one concern for SMEs, a slight increase over the past year. Some 46 per cent of online businesses identified this as a major concern, an increase of three percentage points. A further 26 per cent identified this as a minor concern, which dropped by six percentage points over the past year.

The second most important concern this year remained a lack of personal contact with the customer. This was identified by 24 per cent as a major concern (up two percentage points in the past year), with a further 33 per cent identifying this as a minor concern. The next most important concerns included a lack of expertise with computers (up two percentage points to 23 per cent); the cost and time to introduce new technologies (identified by 23 per cent as a major concern, up four percentage points in the past year); and being able to measure return on investment (identified by 20 per cent of SMEs).

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

With online advertising now being a part on online activity for many SMEs, it is interesting to look at how SME concerns about online advertising varied from general e-commerce concerns. The main concerns noted by SMEs were a lack of expertise and knowledge and the ability to measure return on investment - both of which were major concerns for 28 per cent of SMEs.

The lack of expertise and knowledge for online advertising was nine percentage points lower than was the case for e-commerce in general. However the concern about inability to measure return on investment was eight percentage points higher for online advertising than was the case for e-commerce in general.

Concerns about e-commerce (Prompted)			
	Major concern	Minor concern	No concern
People able to hack into your computer system	46%	26%	28%
Lack of personal contact with the customer	24%	33%	43%
Lack of expertise and knowledge in computers	23%	36%	41%
Cost and time with introducing new technologies	23%	36%	41%
Being able to measure your return on investment	20%	29%	51%
The cost of hardware and software	18%	40%	42%
Customers not being prepared to carry out financial transactions over the internet	14%	36%	51%
Incompatibility with your existing systems	12%	32%	56%
Customers can more easily compare your product offer with that of your competitors	12%	29%	60%
A feeling that most of your customers aren't yet ready	12%	30%	58%

SOURCE: Sensis® e-Business Report
Sweeney Research - 2010

Base = All businesses with internet

Concerns about e-commerce Trends											
Rate as major concern	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
People able to hack into system	34%	34%	42%	41%	43%	40%	49%	42%	46%	43%	46%
Lack of expertise and knowledge	37%	28%	30%	28%	19%	19%	28%	24%	26%	21%	23%
Cost and time to introduce	10%	10%	9%	4%	17%	12%	22%	15%	25%	19%	23%
Lack of personal contact	47%	39%	36%	27%	17%	16%	22%	22%	22%	22%	24%
Cost of hardware and software	26%	19%	24%	20%	18%	13%	19%	16%	20%	18%	18%
A feeling that most of your customers aren't ready	33%	33%	31%	27%	11%	12%	14%	12%	15%	10%	12%
Incompatibility with existing systems	N/A	N/A	N/A	8%	10%	5%	16%	15%	13%	13%	12%
Customers not prepared to transact on net	38%	34%	23%	23%	9%	12%	18%	12%	13%	10%	14%
Customers can more easily compare your product	N/A	N/A	N/A	11%	9%	9%	12%	9%	11%	10%	12%

SOURCE: Sensis® e-Business Report
Sweeney Research - 2010

Base = All businesses with internet

Concerns about online advertising (Prompted)			
	Major concern	Minor concern	No concern
Your lack of expertise or knowledge	28%	27%	45%
Being able to measure the return on your investment	28%	24%	48%
The cost of implementing	25%	27%	48%
Cost and time with introducing new technologies	22%	30%	48%
A feeling that most of your customers aren't yet ready	15%	25%	60%
Tried it already and it doesn't work	9%	18%	73%

SOURCE: Sensis® e-Business Report
Sweeney Research - 2010

Base = All businesses with internet

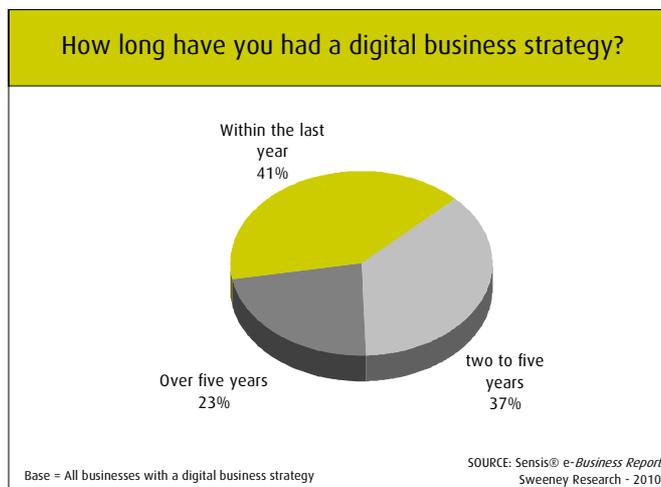
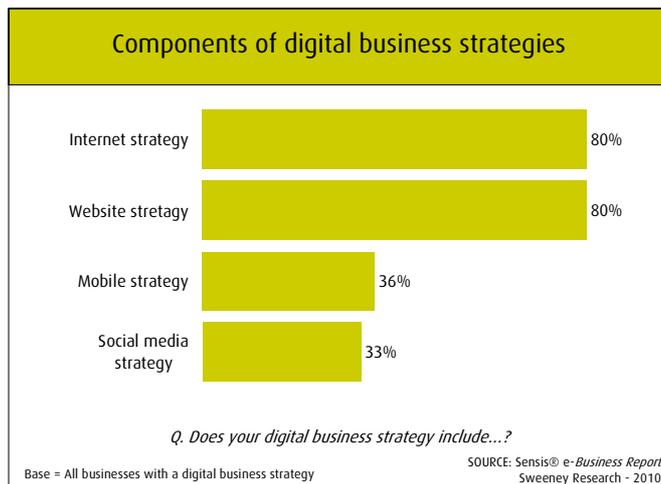
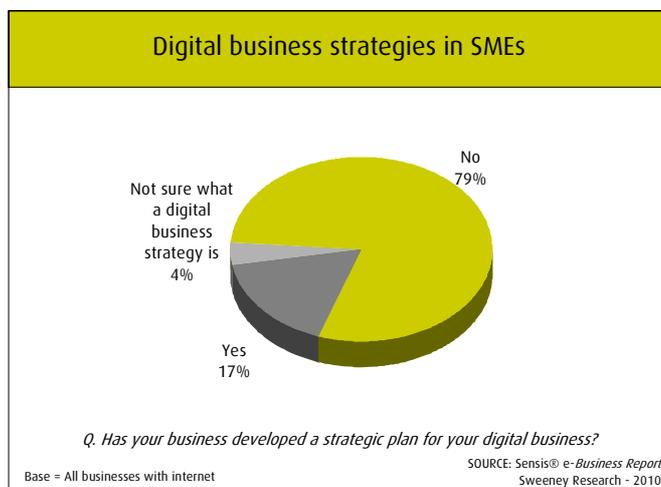
Digital business strategies

With 94 per cent of SME using the internet in their business, it is interesting to look at how SMEs strategically plan their digital business strategy, including all online aspects of their business, such as internet, website and mobile sites.

Of those SMEs that are on the internet, it is interesting to note that only 17 per cent reported having an actual digital business strategy, with 79 per cent reporting that they did not have one and 4 per cent not sure. Digital business strategies were more common in metropolitan areas, where 19 per cent of SMEs reported having one compared to only 14 per cent of their regional counterparts. SMEs in New South Wales and Victoria were the most likely to report having a digital business strategy at 20 per cent each, with those in Western Australia the least likely at only 10 per cent. SMEs in the manufacturing and communications, property and business services sectors were the most likely to report having a digital business plan (22 per cent each).

For those SMEs that did have a digital business strategy, it was most likely to have components covering the internet and websites, with both of these included in 80 per cent of digital business strategies. Mobile strategies were included in 36 per cent and social media strategies were included in 33 per cent of digital business strategies. It is interesting to note that SMEs in the cultural, recreational and personal services sector were most likely to report having a social media strategy as part of their digital media strategy (63 per cent). More than three in four SMEs that had a digital business strategy reported that it had been developed in-house.

SMEs that had a digital business strategy were most likely to report having developed it within the past year (41 per cent), with 37 per cent reporting that they had developed their digital business strategy in the last two to five years and only 23 per cent having had a digital business strategy for more than five years. It is particularly interesting to note this in when more than 90 per cent of SMEs have been online for more than five years. SMEs in the Australian Capital Territory were most likely to report having had a digital business strategy for over five years.



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