

July 2004

Sensis[®] *e-Business Report*

**The Online Experience of Small and
Medium Enterprises**



Table of Contents

Introduction	1
About the survey.....	2
Executive summary.....	3
Levels of computerisation.....	5
Equipment ownership.....	5
Ownership trends.....	6
Getting connected	7
Connection levels	7
Reasons for connecting.....	8
Reasons for not connecting.....	9
Expectations for internet connection.....	9
How is the internet accessed?.....	10
How is the internet used – current and expected usage.....	11
Current usage by business size	12
Trends in usage.....	13
What are the essential applications?.....	14
Using web sites	15
Web site ownership	15
Benefits of the site.....	16
Electronic commerce and small and medium businesses	17
Use of the internet for procurement.....	17
What businesses buy	18
SME use of the internet to sell.....	19
Who businesses sell to online	21
Return on investment	22
Degree of interest in engaging in e-commerce	23
The barriers and difficulties of engaging in e-commerce	24
SMEs and SPAM	25
The impact of SPAM on SMEs	25

Introduction

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

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

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

The May 2004 Sensis® *Business Index* included questions on technology usage and electronic commerce (e-commerce). These questions formed the basis of the 2004 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 seven years, the Sensis® *e-Business Report* has examined the experiences of small business with electronic technology and a benchmark e-commerce study was conducted in February 1998. The trends identified from these studies are reported where applicable.

The Sensis® *Business Index* and the Sensis® *e-Business Report* are initiatives of Sensis as part of the company's commitment to this vital business sector. Surveying is conducted by Sweeney Research.

About the survey

The information in this report was sourced from the May 2004 Sensis® *Business Index* and is based on telephone interviews conducted with 1,800 small and medium business proprietors. The sample size is divided between approximately 1,400 small businesses and 400 medium businesses (the latter defined as businesses employing between 20 and 199 people).

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

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

Interviewing was conducted over the period 14th April to 7th May, 2004. All results 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

Division	
Manufacturing	200
Building/Construction	250
Wholesale Trade	150
Retail Trade	250
Accommodation, Cafes 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

Executive summary

This special report examines small and medium sized enterprises (SMEs) and their attitudes towards, and experiences with, e-business. Research with 1,800 SMEs was undertaken across a range of online technologies, including the internet and e-mail. The research was undertaken in May 2004.

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

Computer equipment

There was a further marginal rise in computer ownership among SMEs during the year, with a rise from 92 per cent to 94 per cent. This was broken down between a 94 per cent ownership level for small businesses and 100 per cent ownership for medium businesses. The most significant increase in ownership was in notebook computers, with 41 per cent of SMEs now owning a notebook computer, an increase of six per cent from 35 per cent last year.

The internet

The rate of internet connectivity among small and medium businesses continued to grow during the year at an increased level from the previous year. This is illustrated in the rise in internet connectivity among small businesses increasing from 81 per cent to 86 per cent, a rise of five percentage points. In last year's report, internet connection levels among small businesses increased by two percentage points.

While 86 per cent of all SMEs currently have internet access, a further four per cent expect to connect within the next twelve months and the remaining 10 per cent do not expect to be connected within the year. Whilst the majority of SMEs continue to access the internet via a dial-up modem, broadband access has grown significantly during the past year.

The single most important reason for use of the internet (as identified by 94 per cent of all internet-connected SMEs) remains e-mail (to communicate with clients, customers and suppliers). The second most important use of the internet was to get reference information or research data (90 per cent), while the third highest usage was to look for information about products and services (88 per cent).

Web sites

The proportion of small businesses with a web site increased significantly over the past year from 36 per cent to 45 per cent. A further 13 per cent of small businesses indicated an intention to get one within the next 12 months. However, this trend did not follow for medium businesses, with web site penetration falling from 82 per cent in 2003 to 80 per cent in 2004. A further 15 per cent of medium businesses indicated they expected to get a web site within the next 12 months.

In terms of web site effectiveness, a majority of businesses (53 per cent), have indicated that their web site increased their business effectiveness. The reason most SMEs believed their web site had increased their effectiveness was that the web site provided people with instant information about what their company had to offer.

Use of the internet for procurement

The past year has seen a significant increase in the use of the internet for procurement purposes. This is reflected in the rise from 45 per cent to 55 per cent in the proportion of small businesses that are now placing orders for products and services online over the past year. There was also a similar rise among medium businesses, increasing from 64 per cent to 74 per cent.

In terms of the importance of online orders placed by SMEs as a share of their total purchasing activities, there was considerable growth from last year. In fact, the proportion of e-commerce businesses that indicated their online purchases represented more than five per cent of their total purchasing activities increased from 47 per cent to 60 per cent, reversing the decline seen in the previous year. At the top end of the spectrum, 12 per cent of SMEs who bought online reported that the majority of their procurement was conducted online.

In terms of paying for products and services online, there was a faster rate of adoption over the year than purchasing trends. This was reflected in the rise among small businesses from 47 per cent to 58 per cent for payments made online. There was also a rise in the proportion of businesses paying online with a rise from 66 per cent to 73 per cent.

The most common online purchase made by SMEs during the year was computer software, followed by airline bookings, stock and merchandise and equipment.

Use of the internet to sell

In line with the strong increase in online purchases, a similar trend was seen in online selling. The percentage of small business taking orders online has increased from 32 per cent to 39 per cent during 2004. This represents an improvement in the previous year's rate of growth when rates of adoption increased by three percentage points. Medium businesses recorded a marginal increase in accepting online orders, rising from 49 per cent to 50 per cent.

Online selling as a share of total sales activities, in line with purchasing activities, also saw a strong improvement over the course of the year among e-commerce oriented businesses. For example, the proportion of online businesses that indicated they took more than five per cent of their total sales orders online increased over the year from 43 per cent in 2003 to 51 per cent in 2004. Eight per cent of SMEs who used e-commerce to sell made the majority of their sales online.

In terms of receiving payments online for sales made over the internet, there was a faster rate of growth than for taking orders online for small businesses, as was the case for purchasing behaviour. This was reflected in the proportion of small businesses that received payments for sales over the internet increasing from 32 per cent to 44 per cent in the past year. Medium businesses actually recorded a fall with 60 per cent reporting they received online payments, a drop from 63 per cent in 2003.

A critical factor in the decision of SMEs to commit to an e-commerce strategy (or any other business strategy) was the timeframe for them to recover their investment. A majority of e-commerce businesses (59 per cent) indicated they had already recovered their investment in e-commerce. This result increased by three percentage points from last year.

This year was the second year that a question has been asked of respondents concerning the magnitude of the return on investment for those businesses that have recovered their initial investment. Some 27 per cent of these businesses indicated that the return on investment from their e-commerce strategy had exceeded 50 per cent, up from 22 per cent last year.

While 45 per cent of online businesses use e-commerce and a further 12 per cent have indicated that they thought they could use it, 43 per cent of online SMEs believed they could not use e-commerce. The number one SME concern in relation to e-commerce was once again security and the ability of people to hack into their systems.

SPAM

Of those businesses that were connected to the internet, 82 per cent reported they received unsolicited commercial electronic messages, commonly referred to as SPAM. SPAM presented a major problem to 34 per cent of online businesses, with the main impacts being related to the efficiency and productivity of their businesses.

When asked what action had been taken by businesses for whom SPAM was a major problem, purchasing software was the most popular response with 42 per cent of online businesses having done so. Interestingly, the next most significant response was that those businesses had taken no action to address the problem at all in 27 per cent of respondents. Combined with the use of filtering software already provided free by Internet Service Providers (ISPs), these three actions formed the bulk of the response to SPAM by SMEs.

Levels of computerisation

Introduction

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

Equipment ownership

The 2004 *Sensis® E-Business Report* found that 94 per cent of all small and medium enterprises (SMEs) reported owning a computer of some description. Desktop computers were the most common, with 93 per cent of all SMEs reported owning at least one desktop computer. Some 41 per cent of all SMEs owned at least one notebook computer (39 per cent of small businesses and 81 per cent of medium businesses).

Computer ownership was slightly higher in metropolitan regions with 95 per cent of businesses reporting computer ownership compared to 93 per cent for regional businesses.

There continued to be noticeable differences in computer ownership among businesses in different states and territories. The highest levels of computer ownership were in New South Wales and the Australian Capital Territory (97 per cent each), while the lowest was in Tasmania (87 per cent).

Levels of computer ownership also varied quite noticeably across the various industry sectors. For example, the finance and insurance sector recorded a 100 per cent computer ownership result. This compares to the retail trade sector, which recorded a result of 90 per cent of businesses owning a computer of some description.

Computer ownership by industry sector			
	Desktop Computer	Notebook Computer	Any Computer
All Business	93%	41%	94%
Manufacturing	93%	37%	94%
Building/Construction	90%	23%	92%
Wholesale Trade	93%	45%	93%
Retail Trade	90%	30%	90%
Transport/Storage	93%	28%	93%
Communication, Property & Business Services	98%	59%	98%
Finance and Insurance	100%	67%	100%
Health and Community Services	89%	52%	96%
Cultural, Recreational & Personal Services	89%	34%	91%
Accommodation, Cafes and Restaurants	93%	40%	94%

SOURCE: Sensis® Business Index
Sweeney Research - May 2004

Computer ownership by business size and location			
	Desktop Computer	Notebook Computer	Any Computer
All Businesses	93%	41%	94%
1-2 Employees	90%	33%	91%
3-4 Employees	95%	44%	97%
5-9 Employees	96%	41%	96%
10-19 Employees	99%	64%	99%
20-99 Employees	98%	79%	100%
100-200 Employees	100%	91%	100%
Total Small (1-19)	93%	39%	94%
Total Medium (20+)	98%	81%	100%
Total Metropolitan	93%	44%	95%
Total Rural	92%	36%	93%

SOURCE: Sensis® Business Index
Sweeney Research - May 2004

In terms of telecommunication equipment ownership, 41 per cent of businesses reported that they had a LAN network supporting their business. This was followed by 37 per cent of SMEs that indicated that they had an upgraded telecommunications line that involved a broadband connection. Overall, 31 per cent of SMEs indicated that they had an upgraded telecommunications line to run their on-line requirements that didn't involve a broadband connection, with the same proportion of SMEs indicating that they had a WAP enabled mobile phone. Finally, 27 per cent of businesses indicated that they had an advanced telephony system supporting their business.

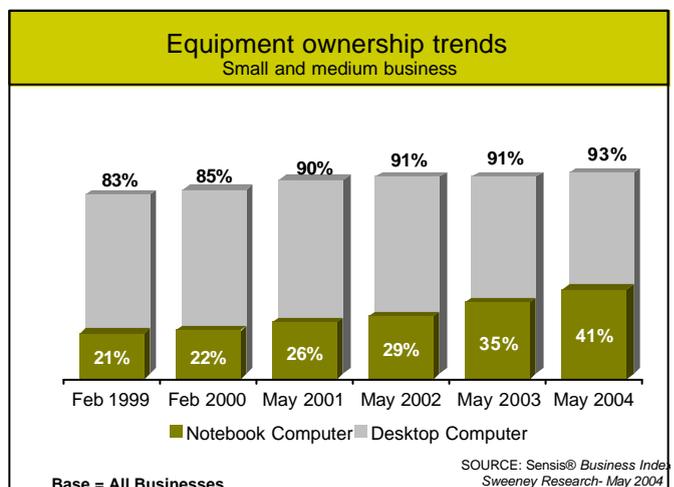
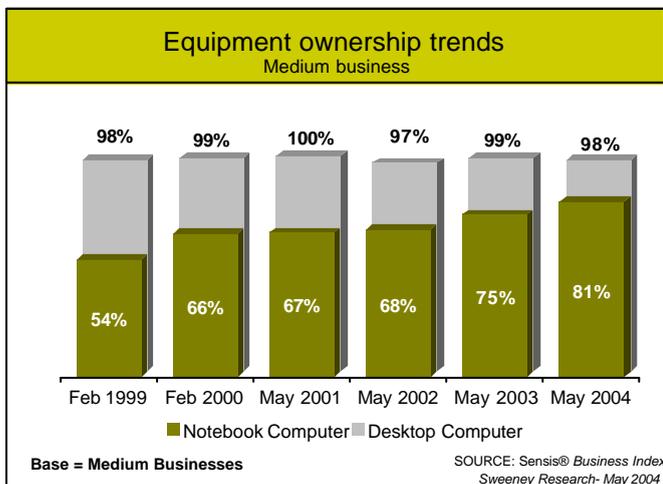
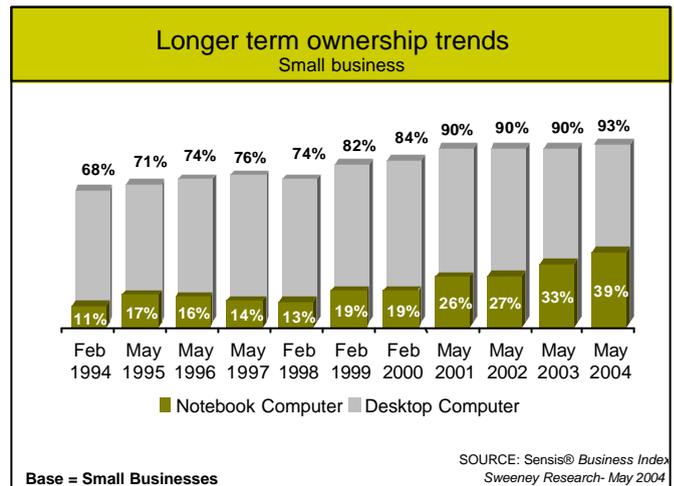
Telecommunication equipment ownership			
	All SMEs	Small Business	Medium Business
An upgraded telecommunications line to run your on-line requirements which doesn't involve broadband connection	31%	31%	37%
An upgraded telecommunications line involving broadband connection	37%	35%	76%
A WAP (or Internet) enabled mobile phone	31%	30%	46%
A LAN network supporting your business	41%	39%	84%
An advanced telephony system (such as a PABX or IVR)	27%	25%	73%

SOURCE: Sensis® Business Index
Sweeney Research- May 2004

Ownership trends

The proportion of small businesses that owned a desktop computer rose by three percentage points to 93 per cent, after having remained relatively stable at 90 per cent over the past three years. There was a larger rise in ownership of a notebook computer by small businesses, which increased from 33 per cent to 39 per cent over the past year.

A similar rise in notebook computer ownership was recorded among medium businesses with an increase during the year from 75 per cent to 81 per cent. In the space of three years notebook computer ownership among SMEs has increased from 26 per cent to 41 per cent.



Getting connected

Connection levels

The proportion of all small and medium enterprises (SMEs) connected to the internet rose during the year from 82 per cent to 86 per cent. This reflected a rise in small businesses internet-connectivity from 81 per cent to 86 per cent and for medium businesses from 98 per cent to 99 per cent. Of the 14 per cent of small businesses that are not connected to the internet, eight per cent had not connected their computers to the internet, while the remaining six per cent did not own a computer.

The business services sector had the highest rate of internet-connectivity at 97 per cent, closely followed by the finance and insurance sector at 96 per cent. The lowest level of connectivity was in the retail trade sector, of which only 77 per cent of SMEs reported having an internet connection.

The result for metropolitan businesses with a rate of internet penetration at 89 per cent was higher than the comparable result for regional businesses at 81 per cent. Another important difference in terms of internet penetration is between businesses aiming for growth, of which 92 per cent were connected to the internet, compared to those businesses that were not aiming for growth, of which only 76 per cent were connected to the internet.

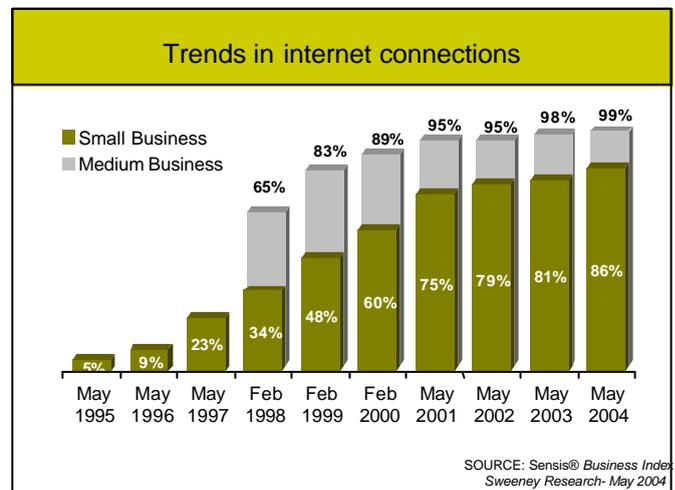
It is worthwhile revisiting recent historical trends in order to fully appreciate just how significant the internet has become as an integral business tool. Since 1998 the proportion of small businesses that are connected to the internet has risen from 34 per cent to 86 per cent. Over this time the trend among medium businesses has been nearly as impressive, rising from 65 per cent to 99 per cent. Examining the trends around these figures shows that while there are still some connections taking place, and still some scope for increased connections particularly among small businesses, the internet has now become part of the standard toolkit for any business.

Internet connections by business size and location			
	No Computers	Use Internet	Do Not Use
All Businesses	6%	86%	8%
1-2 Employees	9%	80%	10%
3-4 Employees	3%	91%	6%
5-9 Employees	4%	90%	6%
10-19 Employees	1%	95%	4%
20-99 Employees	0%	99%	0%
100-200 Employees	0%	99%	1%
Total Small (1-19)	6%	86%	8%
Total Medium (20+)	0%	99%	1%
Total Metropolitan	5%	89%	6%
Total Rural	7%	81%	12%

SOURCE: Sensis® Business Index
Sweeney Research - May 2004
Base = All Businesses

Internet connections by industry sector			
	No Computers	Use Internet	Do Not Use
Manufacturing	6%	84%	10%
Building/Construction	8%	78%	13%
Wholesale Trade	7%	88%	6%
Retail Trade	10%	77%	14%
Transport/Storage	7%	86%	7%
Business Services	2%	97%	2%
Finance and Insurance	0%	96%	4%
Health/Community Services	4%	89%	7%
Personal Services	9%	85%	7%
Hospitality	6%	83%	11%

SOURCE: Sensis® Business Index
Sweeney Research - May 2004
Base = All Businesses



Reasons for connecting

The number one reason for SMEs connecting their businesses to the internet was to provide better service to their customers. This was the same as last year's result. Some 72 per cent of SMEs that are connected to the internet identified the provision of better service to customers as the major reason for having introduced the internet into their business, an increase from the 68 per cent of SMEs that identified this as their main reason last year. Some 78 per cent of medium businesses connected to the internet identified this issue, while a lower 71 per cent of internet-connected small businesses gave this response. The strongest industry sector response in terms of providing better customer service was again the business services sector with an 86 per cent response rate, an increase from 81 per cent for this sector last year.

The second most important reason for internet-connectivity was to make business transactions cheaper with a response rate of 50 per cent. This has increased from being the third top response last year at 43 per cent. The finance and insurance sector and the transport and storage sector, both with a response rate of 63 per cent had the highest industry sector responses in terms of the importance of using the internet to make business transactions cheaper.

The next highest response in terms of reasons for connecting to the internet was to help businesses improve their delivery of goods and services (with a response rate of 49 per cent). The industry sector that was most likely to nominate the importance of the internet to improve the delivery of goods and services was the business services sector.

Reasons for connecting to the internet by business size

	All SMEs	Small Business	Medium Business
To provide better service to our customers.	72%	71%	78%
To make our business transactions cheaper.	50%	49%	66%
To help us improve our delivery of goods or services.	49%	48%	58%
To promote the company more effectively.	47%	46%	58%
To give us or maintain an advantage over our competitors.	44%	43%	53%
To enable us to deliver a 24 x 7 service to our customers.	34%	34%	41%
To distinguish our company as a provider of unique goods or services.	34%	33%	44%
Because our customers requested it.	32%	31%	39%
In order to increase our market share.	30%	29%	33%
To improve our cash flow.	29%	29%	36%
Because of requests from our suppliers.	27%	27%	36%
To reduce our advertising costs.	25%	25%	26%
Because our competitors introduced these applications.	21%	21%	31%
Due to advice/support from my accountant/financial institution.	15%	14%	18%
Due to Government e-commerce initiatives.	9%	9%	10%

*Q. Which of the following would you say are **major reasons** why you introduced the internet or electronic commerce into your business*

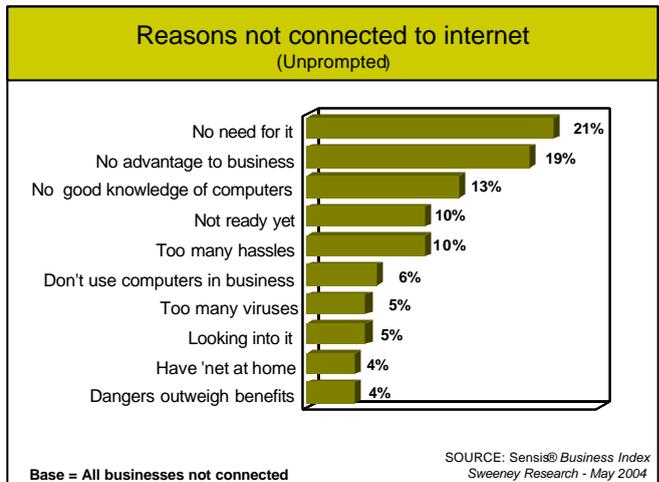
Base = All businesses with Internet

SOURCE: Sensis® Business Index
Sweeney Research - May 2004

Reasons for not connecting

The most important reason why SMEs were not connected to the internet was a view that they had no need for it (21 per cent, a decrease from 29 per cent last year). The industry sector that gave the highest response in terms of stating that they had no need to be connected to the internet was the wholesale trade sector. Regional businesses were more likely to express the view that they had no need for the internet compared to metropolitan businesses.

The next most frequent response was that connecting to the internet would not provide an advantage to the business, which was given by 19 per cent of those SMEs that were not connected to the internet. Businesses in the retail trade sector were most likely to provide such a response.



Expectations for internet connection

While 86 per cent of SMEs are connected to the internet, this leaves some 14 per cent of businesses that are not. Of those businesses, four per cent believe they will connect their businesses to the internet within the next twelve months. However, the remaining 10 per cent of businesses do not expect to do so in the next twelve months.

The strongest resistance to future internet connectivity, by business size, came among those businesses that employ between one to two employees, with 13 per cent stating that they were not expecting to connect to the internet.

For businesses expecting to connect to the internet for the first time within the next twelve months, the number one reason was to be able to access information directly. The second most important reason was to get more work, while the third most important reason was to be more professional.

	Use Internet	Expect to Connect	*Do Not Expect
All Businesses	86%	4%	10%
1-2 Employees	80%	7%	13%
3-4 Employees	91%	2%	7%
5-9 Employees	90%	4%	6%
10-19 Employees	95%	1%	4%
20-99 Employees	99%	0%	1%
100-200 Employees	99%	1%	0%
Total Small (1-19)	86%	4%	10%
Total Medium (20+)	99%	0%	1%
Total Metropolitan	89%	4%	7%
Total Rural	81%	5%	14%

Base = All Businesses
*Includes "Not sure"

SOURCE: Sensis® Business Index
Sweeney Research - May 2004

How is the internet accessed?

In terms of how SMEs access the internet, the majority response at 55 per cent involved the use of a dial-up modem. However, there was a noticeable difference in the importance of this form of internet access between small and medium businesses, with 58 per cent of small businesses identifying this form of internet access compared to only 20 per cent of medium businesses. The level of dial-up access among SMEs has dropped from 62 per cent using this method last year.

In terms of industry sector trends, the building and construction sector had the greatest reliance on dial-up modem for internet access. The lowest reliance again occurred in the finance and insurance sector. Also, regional businesses had a greater reliance on dial-up modem relative to metropolitan businesses.

The second most important method of internet access was through a cable modem, cited by 14 per cent of businesses. ISDN was the number one method of accessing the internet for medium businesses (21 per cent).

In terms of having broadband access, some 43 per cent of internet connected businesses currently reported that they have broadband access. A majority of businesses at 55 per cent indicated they did not have broadband access while the remaining two per cent of businesses were not sure. The proportion of SMEs reporting they have broadband access to the internet has risen by 13 percentage points over the past year.

Medium businesses were more likely to have broadband access than small businesses, with comparative penetration rates at 73 per cent for medium businesses, compared to 41 per cent for small businesses. Of those SMEs that did have broadband access, 75 per cent felt that it had a positive impact on their business.

In terms of why SMEs have introduced broadband access, the major reason was due to the speed of access. Sixty-nine per cent of businesses with broadband access identified this factor. The industry sector that identified this as the most important reason, relative to other sectors, was the manufacturing sector. The next most important reasons for having broadband access involved increased efficiency (19 per cent) and frequency of access (18 per cent).

Overwhelmingly, SMEs reported that broadband had a positive impact on their business, with the main reasons involving increased speed and efficiency.

Accessing the internet			
	Total	Small Business	Medium Business
How do you currently access the Internet?			
Dial-up modem	55%	58%	20%
Cable modem	14%	14%	18%
ADSL	10%	9%	15%
Broadband	8%	7%	11%
ISDN	7%	7%	21%
Digital subscriber line	4%	4%	9%
Wireless connection	1%	-	1%
Satellite	1%	1%	1%
Can't say	1%	3%	8%
Do you currently have broadband access to the Internet?			
Yes	43%	41%	73%
No	55%	57%	24%
Can't say	2%	2%	3%

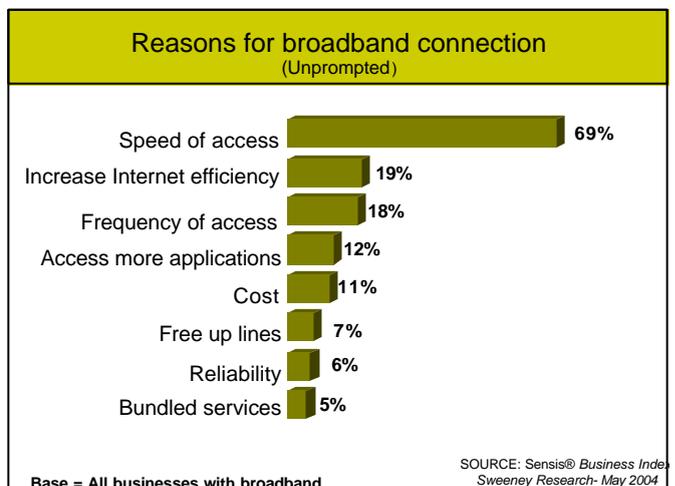
Base = Connected to Internet

SOURCE: Sensis® Business Index
Sweeney Research- May 2004

Broadband access			
	Total	Small Business	Medium Business
How long has your business had broadband access?			
Over 12 months	55%	54%	69%
6 to 12months	25%	29%	18%
Less than three months	9%	8%	8%
Broadband	11%	5%	5%
Has the introduction of broadband access had a positive impact, negative impact or no real impact on your business?			
Positive	75%	75%	81%
Negative	1%	1%	1%
No real impact	24%	24%	18%

Base =Have broadband access

SOURCE: Sensis® Business Index
Sweeney Research- May 2004



How is the internet used – current and expected usage

The number one use of the internet by SMEs was communicating via email, being identified by 94 per cent of internet connected businesses. Given the high level of penetration that exists among internet connected businesses, the expectations for use in the next twelve months points to only a slight rise of two percentage points. Current use of this application has increased by one per cent from 93 per cent last year.

The second most important application of the internet involved accessing reference information or research data. This is currently used by 90 per cent of businesses that are connected to the internet, an increase from 82 per cent last year, with growth outstripping expectations from last year.

The third most important application of the internet by SMEs was looking for information about products and services. This was identified as an application currently used by 88 per cent of internet connected businesses. This has increased from 83 per cent last year with a further three per cent of internet connected businesses expecting to use this application for the first time within the next twelve months.

The strongest projected rise in any internet application for the year ahead was the use of the internet to take orders for goods and services through e-commerce. While its current rate of penetration among internet connected businesses was 45 per cent, a further 12 per cent of businesses expect to have acquired this application within the next year.

The second strongest projected rise in terms of internet applications for the year ahead was to promote businesses using e-mail marketing (11 per cent). The next strongest were tied between three separate applications (at eight per cent) involving placing orders for products and services; streamlining communications and receiving payment for goods and services.

Current and expected uses of the internet - Summary

	Currently Use	Expect to use	Total
To communicate via email.	94%	2%	96%
To get reference information or research data.	90%	2%	92%
To look for information about products & services.	88%	3%	91%
Internet banking.	78%	5%	83%
To access directories such as the Yellow Pages? <i>OnLine</i> site.	72%	4%	76%
To access and use Online catalogues.	71%	5%	76%
To pay for products and services.	69%	5%	74%
To place orders for products and services.	65%	8%	73%
To streamline communications with customers & staff	61%	8%	69%
To receive payments for products and services.	51%	8%	59%
To take orders for your products and services.	45%	12%	57%
To monitor your markets or the competition.	38%	5%	43%
To promote the business using email marketing.	31%	11%	42%

Base = All businesses with internet

SOURCE: Sensis® Business Index
Sweeney Research - May 2004

Current usage by business size

It is worthwhile noting that the uses of the internet varied by size of business as well as by industry sector.

Looking at the most used internet application, communication via e-mail, usage by small and medium businesses differed by firm size (93 per cent versus 99 per cent). This involved the usage among small businesses remaining stable over the past year, with the growth being among medium businesses, where communication via e-mail has almost complete penetration.

With regard to the second most important internet application, looking for reference information or research data, there was also a difference in its usage between medium businesses (94 per cent) and small businesses (89 per cent).

The internet application that demonstrated the greatest variation between small and medium business usage was streamlining communication with customers and staff, with 84 per cent of internet-based medium businesses identifying this, compared to 60 per cent of internet-based small businesses. This gap of 24 percentage points was the highest for any internet application.

On an industry basis, one of the largest gaps in terms of internet applications between any two industry sectors, was again streamlining communications between customers and staff. Overall, 78 per cent of businesses in the business services and finance and insurance sectors reported using this application compared to only 32 per cent of building and construction businesses.

Current uses of the internet by business size

	All SME's	Small Business	Medium Business
To communicate via email.	94%	93%	99%
To get reference information or research data.	90%	89%	94%
To look for information about products & services.	88%	87%	95%
Internet banking.	78%	77%	85%
To access directories such as the Yellow Pages? <i>OnLine</i> site.	72%	70%	91%
To access and use Online catalogues.	71%	70%	82%
To pay for products or services.	69%	68%	74%
To place orders for products or services.	65%	64%	75%
To streamline communications with customers & staff.	61%	60%	84%
To receive payments for products and services.	51%	51%	61%
To take orders for your products and services.	45%	45%	50%
To monitor your markets or the competition.	38%	37%	55%
To promote the business using email marketing.	31%	31%	36%

Base = All businesses with internet

SOURCE: Sensis® Business Index
Sweeney Research - May 2004

Trends in usage

In terms of trends in usage of various internet applications, the largest rise during the year was recorded in paying for goods and services. This rose from 48 per cent usage by all SMEs to 59 per cent, an increase of 11 percentage points. The greatest reliance on paying for goods and services by an industry sector was the transport and storage sector (80 per cent).

The next most significant rises in internet applications was split between three applications which recorded increases of 10 percentage points over the year. These were getting reference information or research data (up from 67 per cent to 77 per cent); placing orders for products and services (up from 46 per cent to 56 per cent); and receiving payments for products and services (up from 34 per cent to 44 per cent). The industry sector with the highest usage of reference information was the finance and insurance sector. SMEs in the business services sector were most likely to place orders, while in terms of receiving payments online, the industry sector with the greatest usage was the retail sector.

Usage of several applications had grown at a higher rate than expected over the past year. These applications were accessing reference information or research data; to pay for products and services; placing orders for products and services; receiving payment for products and services; and, monitoring markets or competitors.

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

	2003	2004	Increase
To communicate via email.	76%	81%	5%
To look for information about products and services.	68%	76%	8%
To get reference information or research data.	67%	77%	10%
Internet banking.	60%	67%	7%
To access directories ie Yellow Pages® OnLine site.	57%	62%	5%
To access and use Online catalogues.	53%	61%	8%
To pay for products and services.	48%	59%	11%
To place orders for products and services.	46%	56%	10%
To streamline communications with customers & staff.	44%	52%	8%
To receive payments for products and services.	34%	44%	10%
To take orders for your products and services.	33%	39%	6%
To monitor your markets or the competition.	25%	33%	8%
To promote the business using email marketing.	21%	27%	6%

Base = All businesses

SOURCE: Sensis® Business Index
Sweeney Research - May 2004

What are the essential applications?

The most essential application of the internet in terms of SME usage was again email. This was identified by 77 per cent of businesses as an essential application. Metropolitan businesses were more likely to identify email as an essential application compared to regional businesses (81 per cent versus 68 per cent).

The next most important applications in terms of being identified as essential activities were internet banking (66 per cent); finding reference information or research data (58 per cent); and looking for information about products and services that businesses might buy (55 per cent). In fact, these applications coupled with email, were the only four internet applications that were identified by a majority of internet based businesses as essential business applications, a similar situation to last year.

Of all industry sectors, SMEs in the cultural, recreational and personal services sector and the accommodation, cafes and restaurant sector identified internet banking as the most essential internet application of all industry sectors (77 per cent). This contrasts with SMEs in the building and construction sector who were least likely to regard it as an essential application (48 per cent).

The greatest increase in the percentage of internet-connected SMEs regarding an application as essential was payment for products and services, which increased from 33 per cent last year to 44 per cent this year, an increase of 11 percentage points. Internet banking recorded the second highest increase in the proportion of internet-connected SMEs that regarded it as an essential application.

What are the essential applications?			
	All SME's	Small Business	Medium Business
To communicate via email.	77%	76%	90%
Internet banking.	66%	66%	73%
To get reference information or research data.	58%	58%	58%
To look for information about products and services.	55%	55%	55%
To streamline communications with customers & staff.	46%	44%	70%
To pay for products and services.	44%	44%	47%
To access and use Online catalogues.	42%	42%	40%
To access directories ie Yellow Pages® OnLine site.	41%	41%	46%
To place orders for products and services.	38%	38%	40%
To receive payments for products and services.	34%	34%	43%
To take orders for your products and services.	31%	31%	37%
To monitor your markets or the competition.	22%	21%	33%
To promote the business using email marketing.	19%	19%	24%

Base = All businesses with internet

SOURCE: Sensis® Business Index
Sweeney Research - May 2004

Using web sites

Introduction

For some businesses, design and construction of a web site was the next step after connecting to, and using, the internet. This section examines small and medium business attitudes to web sites and their status in terms of having one.

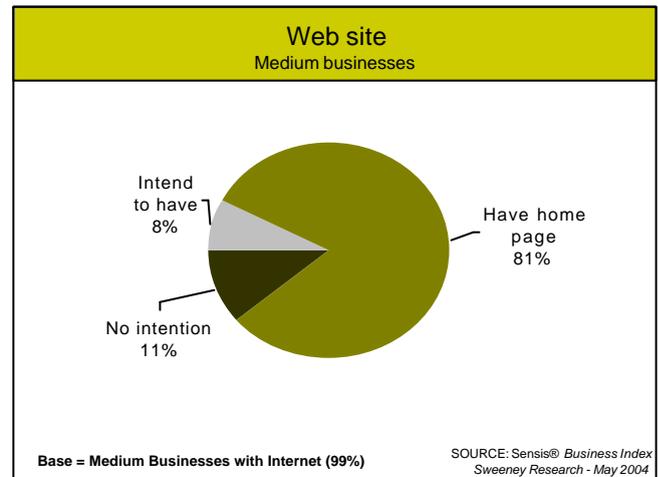
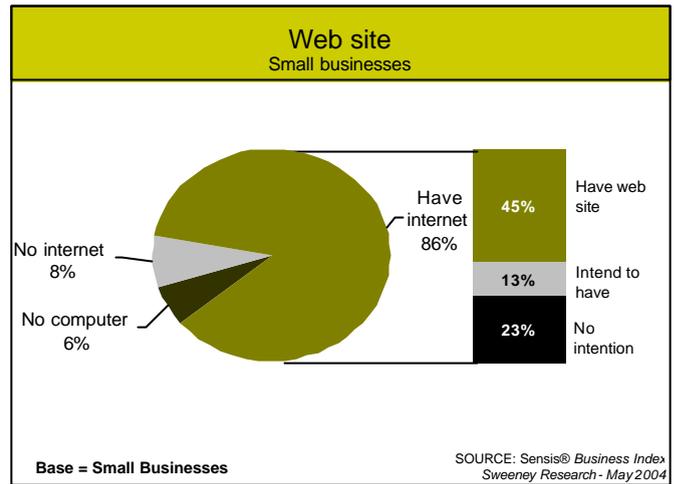
Web site ownership

The percentage of small businesses with a web site increased during the year from 36 per cent to 45 per cent in total. Another 13 per cent of small businesses indicated that they intend to get a web site within the next 12 months. The remaining 28 per cent of small businesses indicated that they had no intention of getting a web site this year.

The percentage of internet-connected medium businesses with a web site fell marginally during the year from 82 per cent to 80 per cent. Of those medium businesses with an internet connection (99 per cent) 81 per cent reported that they had a web site. A further eight per cent of internet-connected medium businesses expected to get a web site within the next twelve months. While the remaining 11 per cent of internet-connected medium businesses have no intention of getting a web site.

The highest rate of web site penetration by industry sector was the cultural, recreational and personal services sector at 74 per cent of internet connected businesses. At the other end of the spectrum was the building and construction sector, which reported a web site penetration rate of 20 per cent of internet-connected businesses, the lowest of any industry.

Metropolitan businesses reported a higher incidence of web sites with a 55 per cent rate of adoption compared to 52 per cent for regional businesses, however, this difference has narrowed from the eight percentage point differential that existed last year. Also, non-family based businesses had web site penetration at 58 per cent compared to 52 per cent for family based businesses. Businesses that were aiming for growth were significantly more likely to have a web site than businesses that were not aiming for growth (60 per cent of internet-connected businesses aiming for growth compared to 40 per cent of their non-growth oriented counterparts).



	2004		Cf. 2003
	Have Web Site	Intend to Have	Have Web Site
All Businesses	46%	13%	39%
1-2 Employees	35%	12%	26%
3-4 Employees	52%	14%	44%
5-9 Employees	55%	14%	50%
10-19 Employees	67%	14%	69%
20-99 Employees	79%	15%	83%
100-200 Employees	85%	15%	85%
Total Small (1-19)	45%	13%	36%
Total Medium (20+)	80%	15%	82%

Base = All businesses

SOURCE: Sensis® Business Index Sweeney Research - May 2004

Benefits of the site

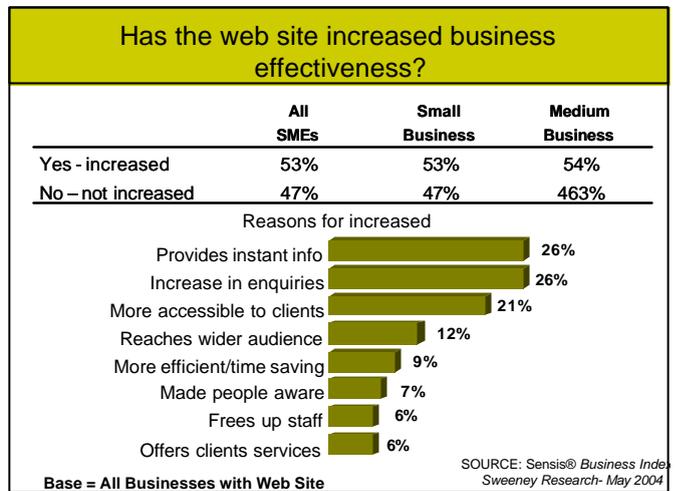
On the issue of whether a web site had improved the effectiveness of the business, 53 per cent of businesses stated that it had. A higher proportion of metropolitan businesses believed that it improved their effectiveness with 56 per cent as against 46 per cent for metropolitan businesses who believed that it did not.

In terms of web site effectiveness the strongest industry response was received from the accomodation, cafes and restaurant sector with a response of 73 per cent in terms of web site effectiveness. The weakest response came from the health and community services sector at 42 per cent. Growth-oriented businesses were more likely to feel that their web site had increased the effectiveness of their business than those businesses that were not aiming for growth (56 per cent compared to 45 per cent).

In terms of the reasons why businesses believed that their web site had improved their businesses, the two top factors were that it gave people instant information about what their company had to offer and that it had resulted in an increase in enquiries. Both of these factors were identified by 26 per cent of respondents.

Other reasons for businesses identifying the benefits of their web site included: that they were now more accessible to more clients (21 per cent); and that it enabled them to reach a wider audience (12 per cent).

The main benefits of having an internet website varied considerably by industry sector. While either the provision of instant information on their company or the increase of enquiries were the top reason for SMEs in most sectors, SMEs in the retail sector were most likely to nominate that it made them more accessible to their clients; SMEs in the hospitality sectors were most likely to nominate that it made people more aware of their business; and for those SMEs in the health and community services sector, the main benefit was that it meant that people did not need to physically visit their business or phone them for information.



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 there was significant increases in the proportion of SMEs that were using the internet for various stages of the procurement process, following more subdued growth in 2003.

There was a significant increase in the proportion of businesses that had used the internet for procurement purposes. The proportion of SMEs that had placed orders for products and services over the internet rose from 46 per cent in 2003 to 56 per cent in 2004, an increase of 10 percentage points.

There was considerable variation by industry sector as to whether businesses used the internet to place orders for goods and services. SMEs in the health and community services sector were the most likely to place orders for products and services on the internet, while those SMEs in the transport and storage and building and construction sectors were the least likely to place an order online.

The proportion of SMEs that reported using the internet to pay for products and services increased from 48 per cent in 2003 to 59 per cent in 2004, an increase of 11 percentage points.

For the second year in a row, the proportion of small businesses using the internet to pay for goods and services has exceeded the proportion that place orders on line, with the differential increasing by a further percentage point over the past year.

For small businesses, the area of the procurement process that experienced the greatest growth in internet penetration was payment, where there was a growth of 11 percentage points, closely followed by placing orders over the internet, which grew by 10 percentage points.

For medium businesses the greatest growth in the past year occurred in placing orders over the internet, which grew by 11 percentage points. Payment for goods and services online by medium businesses grew by seven percentage points.

Buying over the internet By business size				
	Connected to internet	Look for information	Place Orders	Pay
All Businesses	86%	76%	56%	59%
1-2 Employees	80%	67%	49%	51%
3-4 Employees	91%	83%	67%	70%
5-9 Employees	90%	81%	50%	59%
10-19 Employees	95%	80%	62%	69%
20-99 Employees	99%	94%	73%	74%
100-200 Employees	99%	95%	82%	70%
Total Small (1-19)	86%	75%	55%	58%
Total Medium (20+)	99%	94%	74%	73%

Base = All Businesses

SOURCE: Sensis® Business Index
Sweeney Research- May 2004

Buying over the internet Trends – small business					
	2000	2001	2002	2003	2004
Connected to internet	60%	75%	79%	81%	86%
Look for information on products or services	46%	51%	64%	67%	75%
Place orders for products or services	17%	26%	41%	45%	55%
Pay for products or services	11%	23%	40%	47%	58%

Base = All Businesses

SOURCE: Sensis® Business Index
Sweeney Research- May 2004

Buying over the internet Trends – Medium Business					
	2000	2001	2002	2003	2004
Connected to internet	89%	95%	94%	98%	99%
Look for information on products or services	65%	79%	82%	91%	94%
Place orders for products or services	28%	49%	61%	64%	74%
Pay for products or services	17%	39%	55%	66%	73%

Base = All Businesses

SOURCE: Sensis® Business Index
Sweeney Research- May 2004

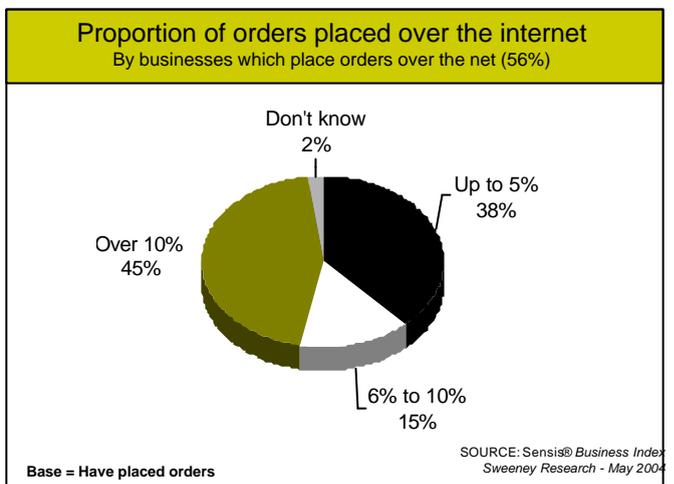
Of those SMEs that were connected to the internet, SMEs in regional areas showed a marginally higher propensity to place orders online (66 per cent of those SMEs in regional areas that were connected to the internet, compared to 65 per cent for metropolitan SMEs). Internet-connected SMEs in New South Wales were the most likely to place orders online, with those in South Australia the least likely. In addition, internet connected SMEs that were aiming for growth were more likely to report having placed orders online than their counterparts that were not aiming for growth.

Looking at the relative importance of online orders as a proportion of total procurement activity, the most frequent response was that it formed over 10 per cent of total procurement activity. In general, these latest results reflect an increase in online ordering over the past year. In 2003, 47 per cent of SMEs that ordered online reported that online orders made up more than five per cent of their total procurement activity. This has increased to 60 per cent in 2004, an increase of 13 percentage points. At the top end of the online procurement spectrum, some 12 per cent of SMEs that ordered online reported that their online purchases made up over half of their total procurement activity.

Buying over the internet by industry sector				
	Connected to Internet	Look for information	Place Orders	Pay
All Businesses	86%	76%	56%	59%
Manufacturing	84%	74%	51%	54%
Building/Construction	78%	65%	48%	47%
Wholesale Trade	88%	75%	54%	55%
Retail Trade	77%	70%	57%	55%
Transport/Storage	86%	76%	48%	69%
Business Services	97%	89%	63%	74%
Finance and Insurance	96%	86%	71%	71%
Health/Community Services	89%	69%	74%	45%
Personal Services	85%	73%	54%	56%
Hospitality	83%	72%	62%	61%

SOURCE: Sensis® Business Index
Sweeney Research- May 2004

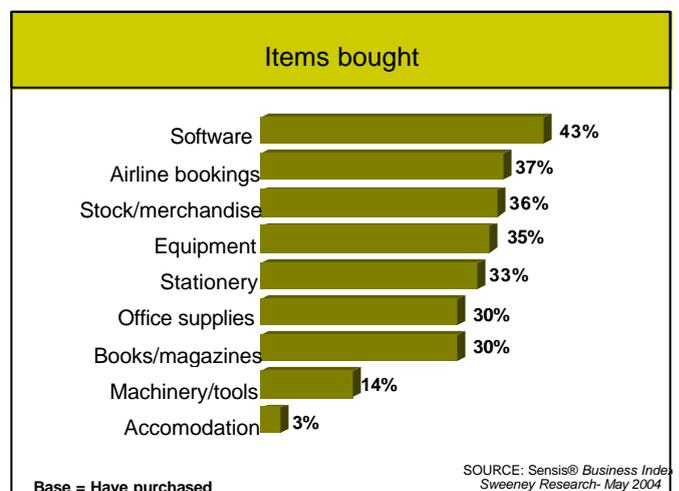
Base = All Businesses



What Businesses Buy

The most common online purchasing experience of SMEs during the year was computer software, with 43 per cent of online businesses identifying this form of purchase. The highest experience in this area was the transport and storage sector with 63 per cent identifying computer-software related purchases.

The next most important online purchases included, airline bookings (37 per cent), stock/merchandise (36 per cent), equipment (35 per cent), stationery (33 per cent); office supplies (30 per cent) and books and magazines (30 per cent). All of these items increased significantly over the past year, indicating increased familiarity amongst SMEs with placing orders online.



SME use of the internet to sell

During the year there has been a further rise in the proportion of businesses that use the internet to sell products and services. This is illustrated by the increase from 33 per cent of all SMEs that take orders online in 2003 to 39 per cent for this year. In fact, this trend is highlighted even more in the rise of businesses that receive payments online from 34 per cent to 44 per cent. As was the case last year, this resulted in the rate of penetration of receiving payments online outpacing that of taking orders online during the year (10 percentage points rise versus six percentage points).

In terms of taking orders online, small businesses recorded a much larger increase than was the case for medium businesses, where the increase was marginal. Small businesses recorded a rise during the year from 32 per cent to 39 per cent for taking orders online. This compares with medium businesses, which recorded a rise from 49 per cent to 50 per cent.

The transport and storage sector recorded the strongest proportion of SMEs that reported taking orders online with 50 per cent of businesses in the sector reporting this experience. This compared to the building and construction sector, which had only 23 per cent of firms reporting that they received payments online.

With regard to receiving payments online, small businesses recorded a rise from 32 per cent to 39 per cent, an increase of seven percentage points. This compares to the situation for medium business, which actually recorded a fall in the proportion of SMEs that received payments on line, decreasing from 63 per cent to 60 per cent.

In terms of receiving payments online, firms in the retail trade sector were most likely to report that they had received payments online, at 51 per cent. At the other end of the spectrum, SMEs in the hospitality sector were least likely to report having received payments online, at 32 per cent.

Selling over the internet By Business Size			
	Connected to Internet	Take Orders	Receive payment
All Businesses	86%	39%	44%
1-2 Employees	80%	34%	33%
3-4 Employees	91%	43%	56%
5-9 Employees	90%	41%	51%
10-19 Employees	95%	51%	61%
20-99 Employees	99%	51%	62%
100-200 Employees	99%	35%	49%
Total Small (1-19)	86%	39%	44%
Total Medium (20+)	99%	50%	60%

Base = All Businesses

SOURCE: Sensis® Business Index
Sweeney Research - May 2004

Selling over the internet Trends – small business					
	2000	2001	2002	2003	2004
Connected to internet	60%	75%	79%	81%	86%
Take orders	14%	19%	29%	32%	39%
Receive payments	7%	13%	26%	32%	44%

Base = All Businesses

SOURCE: Sensis® Business Index
Sweeney Research - May 2004

Selling over the internet Trends – Medium Business					
	2000	2001	2002	2003	2004
Connected to internet	89%	95%	94%	98%	99%
Take orders	23%	35%	47%	49%	50%
Receive payments	15%	29%	50%	63%	60%

Base = All Businesses

SOURCE: Sensis® Business Index
Sweeney Research - May 2004

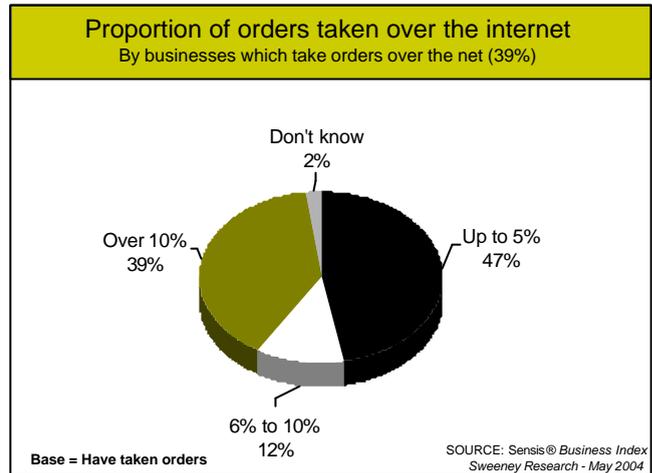
In terms of evolving an internet strategy from basic internet connectivity to a comprehensive e-commerce strategy involving receiving payments online, a comparison was made between industry sectors. The largest gap between any industry sector in terms of internet penetration relative to receiving payments online was again the finance and insurance sector. This reflected a noticeable gap of 60 percentage points between internet connectivity and receiving payments online (96 per cent versus 36 per cent). This sector displayed the largest gap last year, with the gap increasing further from the 57 percentage points recorded last year. The narrowest gap was in the retail trade sector at 26 percentage points (77 per cent versus 51 per cent).

Selling over the internet by Industry Sector			
	Connected to internet	Take Orders	Receive Payment
All Businesses	86%	39%	44%
Manufacturing	84%	36%	47%
Building/Construction	78%	23%	40%
Wholesale Trade	88%	46%	48%
Retail Trade	77%	42%	51%
Transport/Storage	86%	50%	43%
Business Services	97%	42%	49%
Finance and Insurance	96%	31%	36%
Health/Community Services	89%	26%	36%
Personal Services	85%	48%	36%
Hospitality	83%	53%	32%

SOURCE: Sensis® Business Index
Sweeney Research - May 2004

Base = All Businesses

In terms of using the internet to take sales orders as a share of total sales activities, 47 per cent of SMEs who took orders over the internet reported that internet orders accounted for up to five per cent of their total orders. This was down from 52 per cent of SMEs last year, and reflects a general upward movement in the amount of orders being placed online. This figure compares to 51 per cent who reported taking over five per cent of their orders online, up from 43 per cent last year. Indeed, eight per cent of SMEs who took orders over the internet reported that online orders made up over half of their total orders. SMEs in the business services sector were most likely to report that online orders made up the majority of their orders, with retail and health and community services SMEs least likely to report receiving the majority of their orders online.



Who businesses sell to online

Despite the global nature of the internet and its potential to expand markets across traditional geographical boundaries, SMEs tended to make most online sales to customers who were relatively nearby. In fact the further a customer was, the less likely it was that an SME would make a sale to them.

This can be seen by looking at the type of customers that businesses sell to over the internet, with local customers in the same city or town being again the most frequent response. This reflected 85 per cent of SMEs that sell to local customers and 60 per cent of businesses that mainly sell to local customers.

Customers that were elsewhere in the state was the second most frequent response, with 55 per cent of SMEs selling to customers outside their town but elsewhere in the state, and 11 per cent mainly selling to these customers.

The next most frequent set of responses involved interstate customers, with 21 per cent of SMEs identifying these as their main online customers, while 54 per cent identified supplying these online customers.

In terms of overseas customers, five per cent of SMEs identified such customers as a major group for their business, while 36 per cent identified supplying such customers. This reflected a drop from last year’s levels of 11 per cent of SMEs that used e-commerce to sell mainly to overseas customers, and 46 per cent selling to overseas customers in total.

SMEs in regional areas that used e-commerce were less likely to make sales to each of these customer groups than were their metropolitan counterparts, with the exception of overseas customers, which regional SMEs were marginally more likely to sell to than metropolitan SMEs.

Types of customers sold to				
	All SMEs		Mainly Sell To	
	Mainly Sell To	Total Sell To	Small Business	Medium Business
Local – same city or town	60%	85%	62%	39%
Elsewhere in State	11%	55%	10%	15%
Interstate	21%	54%	20%	34%
Overseas	5%	36%	5%	6%

Base = Use e-commerce

SOURCE: Sensis® Business Index
Sweeney Research- May 2004

Return on investment

For the third year now, the Sensis® *E-Business Report* has been tracking the time that SMEs have been taking to recover their investment in e-commerce. These results have been remarkably consistent, with the previous two reports showing 56 per cent of SMEs reporting that they had recovered their investment in e-commerce.

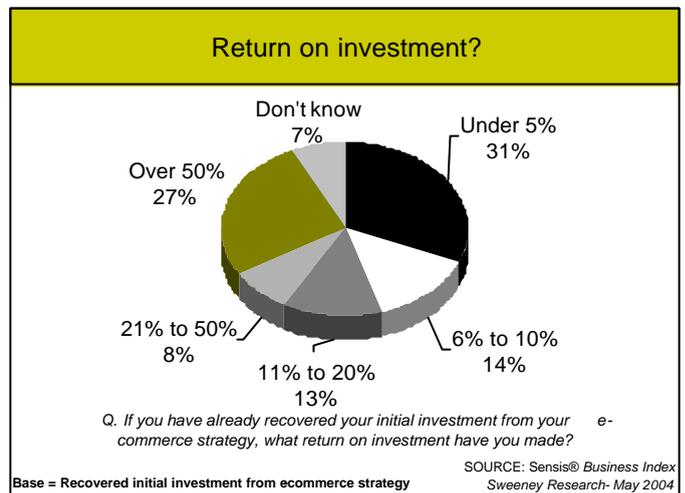
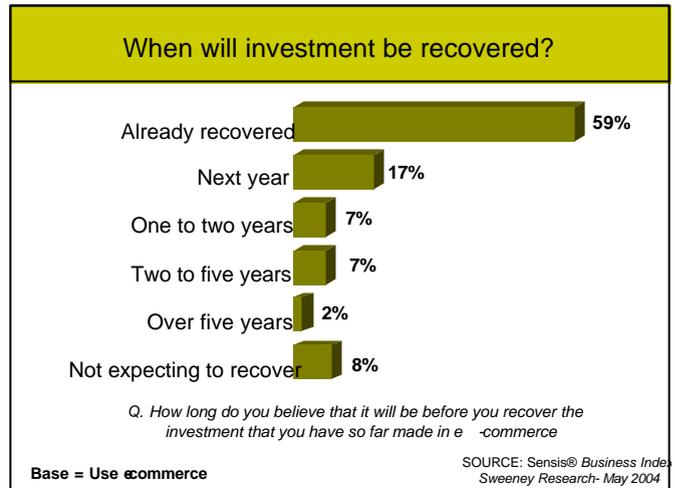
The latest results show a steady increase in the proportion of SMEs that are reporting having recovered their investment, which has increased by three percentage points to 59 per cent. In addition, a further 17 per cent of those SMEs who have invested in an e-commerce strategy report that they are expecting to recover their investment in the next year.

From a business investment perspective what is even more compelling than the payback period is the return on that investment. In terms of the return on investment (ROI), the most frequent response by 31 per cent of businesses who had recovered their investment was that their return had been under five per cent. However, this was closely followed by the 27 per cent of SMEs who had recovered their investment and reported that they had made a return on investment of greater than 50 per cent, representing an impressive result.

The proportion of SMEs who had recovered their investment and reported a return in excess of 50 per cent has increased by five percentage points from 22 per cent last year. This result reflects a general upward movement in the reported returns that SMEs have made on their e-commerce investments.

The other interesting point to note was that SMEs were far less likely to report that they did not know what their return on investment was. While last year 43 per cent of those SMEs who had recovered their investment reported that they did not know what the return on that investment was, this year that figure had fallen to seven per cent.

Interestingly, SMEs in Tasmania were the most likely to report a return on investment of greater than 50 per cent, with those in New South Wales the least likely.



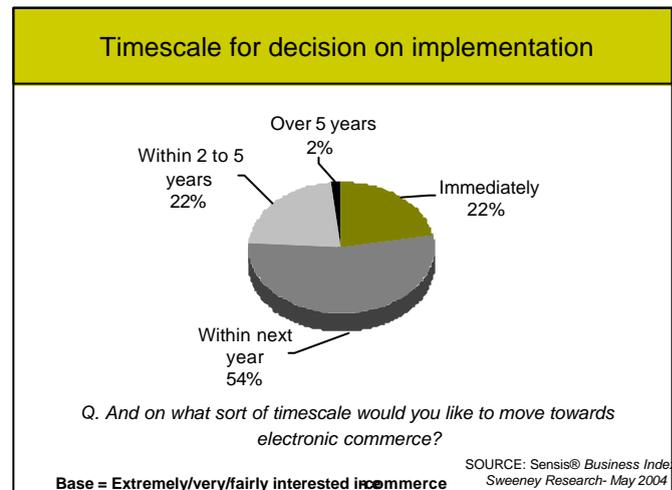
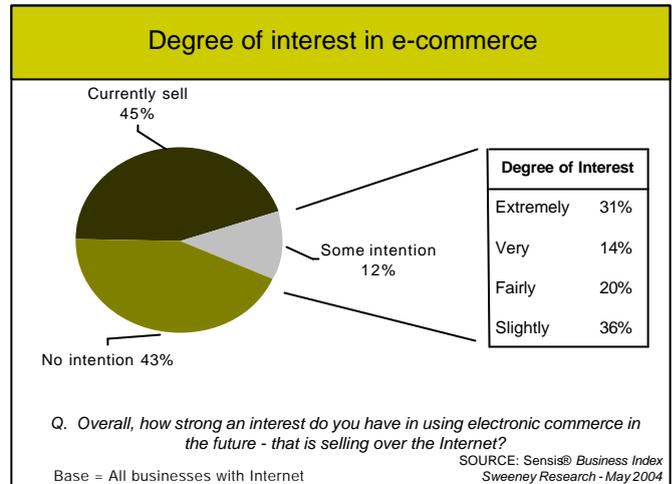
Degree of interest in engaging in e-commerce

Looking at those firms that are connected to the internet, some 45 per cent currently make sales using e-commerce, with 43 per cent reporting that they currently had no intention of introducing e-commerce to their business.

Of those businesses that felt they could use e-commerce, some 45 per cent of businesses indicated that they were either extremely interested or very interested in using e-commerce within their businesses, an increase from 34 per cent last year. This was divided between 31 per cent that were extremely interested (up from 13 per cent) and 14 per cent that were very interested (down from 21 per cent). Some 36 per cent stated they were only slightly interested compared to 31 per cent that responded in this way last year. The business services sector recorded the highest industry sector response in terms of being extremely interested in using e-commerce (58 per cent of SMEs in the sector that do not currently use e-commerce)

In terms of the expected timescale for implementing an e-commerce strategy, the majority response (54 per cent) was within the next year. This was up noticeably on the comparable 2002 result where 45 per cent stated within the next year. The second highest response levels were equally split between immediately and within two to five years, with 22 per cent reporting each of these responses.

Examining trends, there was an increase in this year's response rate to introducing e-commerce into their businesses either immediately or within the forthcoming year. This has increased from 57 per cent two years ago, to 69 per cent last year and 76 per cent this year. The greatest component in this shift was the proportion of SMEs who indicated that they would be looking at implementing e-commerce immediately, which increased from five per cent last year to 22 per cent this year.



The barriers and difficulties of engaging in e-commerce

From a range of prompted options, the security issue of people hacking into systems was again the number one concern of SMEs. Some 43 per cent of e-commerce oriented businesses identified this as a major concern, an increase of two percentage points. A further 24 per cent identified this as a minor concern.

The second most important concern involved a lack of expertise and knowledge. This was identified by 19 per cent of e-commerce oriented businesses as a major concern, with a further 28 per cent identifying this as a minor concern. These percentages have dropped in the past year from 28 per cent and 27 per cent respectively. The next most important concerns included the cost of hardware and software, a lack of personal contact and the cost and time to introduce e-commerce.

The issue that was the least likely to be identified as a major concern among businesses, of all the prompted responses, was the ability of customers to more easily compare their products and services with those of competitors. Only nine per cent identified this as a major concern and 27 per cent as a minor concern. The second lowest concern involved the technology being too new to be relied upon. The issue that was least likely to be a concern at all for businesses was incompatibility with existing systems.

Compared to last year's results the biggest drop in major concerns involved the belief that their customers were not ready for e-commerce, reflecting the growing acceptance and growth of e-commerce as a standard business tool. In 2003, 27 per cent of e-commerce oriented businesses identified this as a major concern, while this year only 11 per cent identified it as a major concern, a drop of 16 percentage points.

Overall, the extent to which issues were considered major concerns only increased across three areas. The issue which had the largest increase as a major concern was the cost and time to introduce e-commerce, which increased by 13 percentage points from four per cent in 2003 to 17 per cent this year. Other issues which increased as major concerns for businesses were incompatibility with systems and security concerns around people being able to hack into systems.

The largest concern small businesses identified relative to medium businesses involved a lack of expertise and knowledge. With 23 per cent of small businesses identifying this issue, compared to 11 per cent for medium businesses. While the most significant concern of medium businesses relative to small businesses, involved the ability of customers to compare their products with their competitors.

Concerns about e-commerce (Prompted)			
	Major Concern	Minor Concern	No Concern
People being able to hack into your computer system	43%	24%	33%
Your lack of expertise and knowledge in computers	19%	28%	53%
The cost of hardware and software	18%	31%	51%
Lack of personal contact with the customer	17%	33%	50%
Cost and time with introducing new technologies	17%	37%	46%
Customers not being prepared to carry out financial transactions over the Internet	16%	32%	52%
A feeling that most of your customers aren't yet ready	11%	34%	55%
Incompatibility with your existing systems	10%	25%	65%
Customers can more easily compare your product offer with that of your competitors	9%	27%	63%

SOURCE: Sensis® Business Index
Sweeney Research - May 2004

Base = Use or have potential to use e-commerce

Concerns about e-commerce trends					
Rate as Major Concern	Feb 2000	May 2001	May 2002	May 2003	May 2004
A feeling that most of your customers aren't ready for e-commerce	33%	33%	31%	27%	11%
Cost of hardware and software	26%	19%	24%	20%	18%
Lack of expertise and knowledge	37%	28%	30%	28%	19%
Customers can more easily compare your product	N/A	N/A	N/A	11%	9%
Incompatibility with existing systems	N/A	N/A	N/A	8%	10%
Cost and time to introduce	10%	10%	9%	4%	17%
Lack of personal contact	47%	39%	36%	27%	17%
People able to hack into system	34%	34%	42%	41%	43%
Customers not prepared to transact on net	38%	34%	23%	23%	9%

SOURCE: Sensis® Business Index
Sweeney Research - May 2004

Base = Use or have potential to use e-commerce

Concerns about e-commerce by business size			
Rate as Major Concern	All SMEs	Small Business	Medium Business
People able to hack into your computer system	45%	45%	45%
Lack of expertise and knowledge in computers	22%	23%	11%
The cost of hardware and software	18%	18%	18%
Lack of personal contact with the customer	24%	24%	25%
Cost and time with introducing new technologies	23%	24%	17%
Customers not being prepared to carry out financial transactions over the Internet	15%	15%	13%
A feeling that most of your customers aren't yet ready	14%	14%	17%
Incompatibility with your existing systems	10%	8%	17%
Customers can more easily compare your product offer with that of your competitors	7%	6%	16%

SOURCE: Sensis® Business Index
Sweeney Research - May 2004

Base = Use or have potential to use e-commerce

SMEs and SPAM

Introduction

This section examines the impact of unsolicited commercial electronic messages, commonly referred to as SPAM, on small and medium enterprises (SMEs).

The impact of SPAM on SMEs

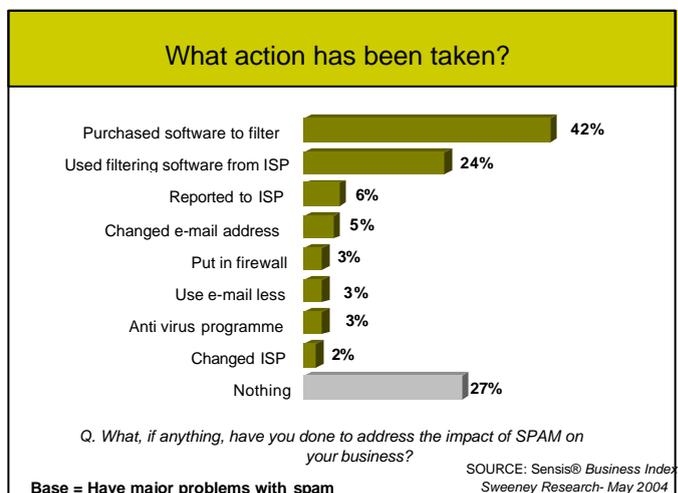
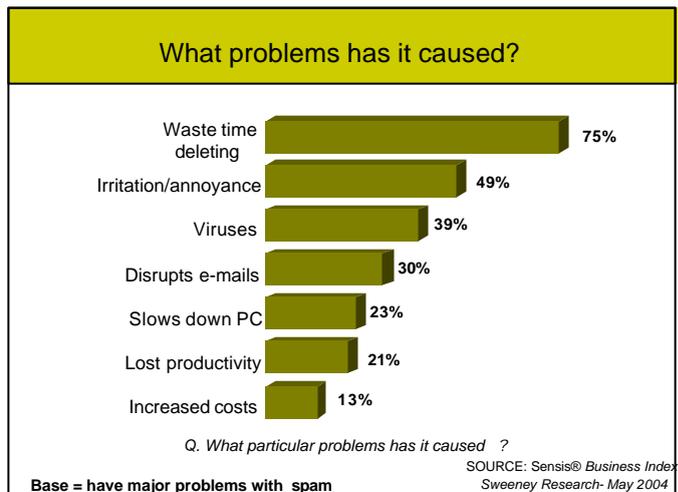
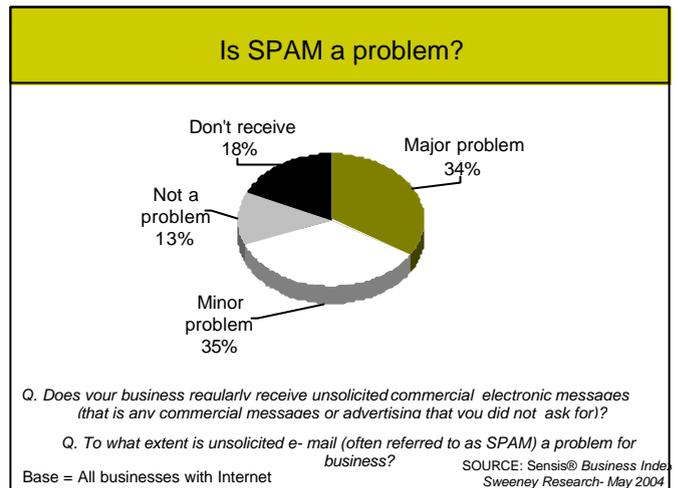
Of those businesses that were connected to the internet, 82 per cent reported that they did receive unsolicited commercial electronic messages. Receiving SPAM was a problem shared by businesses of all types, however, one of the few characteristics that SPAM did tend to differentiate on was that of gender, with businesses that were operated by a male somewhat more likely to receive SPAM than their female-operated counterparts.

SMEs that reported having some level of problem caused by SPAM were fairly equally split over whether SPAM was causing them a major problem (34 per cent) or a minor problem (35 per cent). A further 13 per cent of internet connected SMEs reported that while they did receive SPAM, it was not causing their business problems.

The main problems caused by SPAM were related to the impact that it had on the efficiency and productivity of their businesses. For those businesses that reported that they had a major problem with SPAM, the main problem was the time that they had to spend deleting e-mails (75 per cent). In addition, almost half of those businesses with a major SPAM problem reported an irritation and annoyance factor. Viruses were also a concern, with 39 per cent of businesses with a major SPAM problem reporting concerns about viruses.

For those businesses that reported a major problem with SPAM, the main action that they had taken to address the problem was purchasing filtering software (42 per cent). The next most frequent response from those businesses was that they had done nothing about the problem (27 per cent). The other main action taken against SPAM by these businesses was using free filtering software that had been provided by their Internet Service Provider (24 per cent).

For those businesses that reported that they had a minor problem with SPAM, 37 per cent had done nothing to address the problem, with 35 per cent having purchased filtering software and 19 per cent using free filtering software provided by their ISP.



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

Internet

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- e-Business: - The online experience of Australian SMEs – Annually 1995 to July 2004
- Innovation – March 2001
- Finance & Banking Issues – August 1993, August 1995 and November 1999
- Attitudes to Changes in FBT – July 1999
- Workers Compensation and Workplace Safety – November 1998
- The Paper Work Burden on Small Business – October 1996
- Women in Business – July 1994 and February 1996
- Attitudes to Government – October 1994 and November 1995

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

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