


# Connected Small businesses

How Australian small businesses are growing in the digital economy – detailed survey results

TNS Australia research for   
March 2013



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# 1

## Overview of the research



# Research Aim and Study Design

## Research Aim

Understand the relationship between a business's digital engagement and current growth / future growth expectations

## Study Design



Who we spoke to

Sample of 500 Australian Small / Small-Medium businesses as defined by ABS (Small – businesses with less than 20 employees; small-medium – businesses with 21 to 100 employees). The terms **Small Businesses** and **SMBs** are used in this report to describe this group.



Methodology

20 minute telephone interview  
Fieldwork conducted February 2013



Data management and reporting

Sample structured and data weighted to ABS proportions for state, industry and company size to ensure results are representative of Small/ Small-Medium businesses

This report contains the overall findings. Further implications from the research can be read in the Deloitte Access Economics report available at: **[Deloitte Access Economics - Connected Small Businesses: Report](#)**

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# Headline findings

- Australian SMBs can be classified into 4 levels of digital engagement (Very Low, Low, Medium, High), with these reflecting their digital presence and digital activities
  - Many small businesses have room to improve their digital engagement – with 4 in 5 small businesses not taking full advantage of the internet or using digital marketing strategies
- There is a relationship between digital engagement and business potential. SMBs with **high** digital engagement:
  - Are twice as likely to be growing revenue; and are more likely to anticipate this growth continuing
  - Are four times more likely to be hiring new employees than those with very low digital engagement
  - Tend to have 'growth' as a business objective. Digital is being used as a facilitator for growing their business
  - Have diversified sources of revenue beyond local markets. Across all SMBs sourcing revenue from new customers is important, and the internet is a lead generator for those who are more engaged
- There is a challenge convincing SMBs who are not digitally engaged about the internet's importance
  - Maintenance of the status quo, whether due to lifestyle or economic environment is a key objective for many SMBs. Digital does not have to be used just as a way to gain new customers, but can also be positioned to help support and provide more efficient business processes to help SMBs survive in challenging business environments

For more information about the implications of digital engagement for SMBs, please refer to the Deloitte Access economics report available at: [\\_Deloitte Access Economics - Connected Small Businesses: Report](#)



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# 2

What are the levels of digital engagement amongst Australian SMBs?



What are the levels of Digital Engagement amongst Australian SMBs?

## Australian SMBs can be categorised in 4 levels of digital engagement



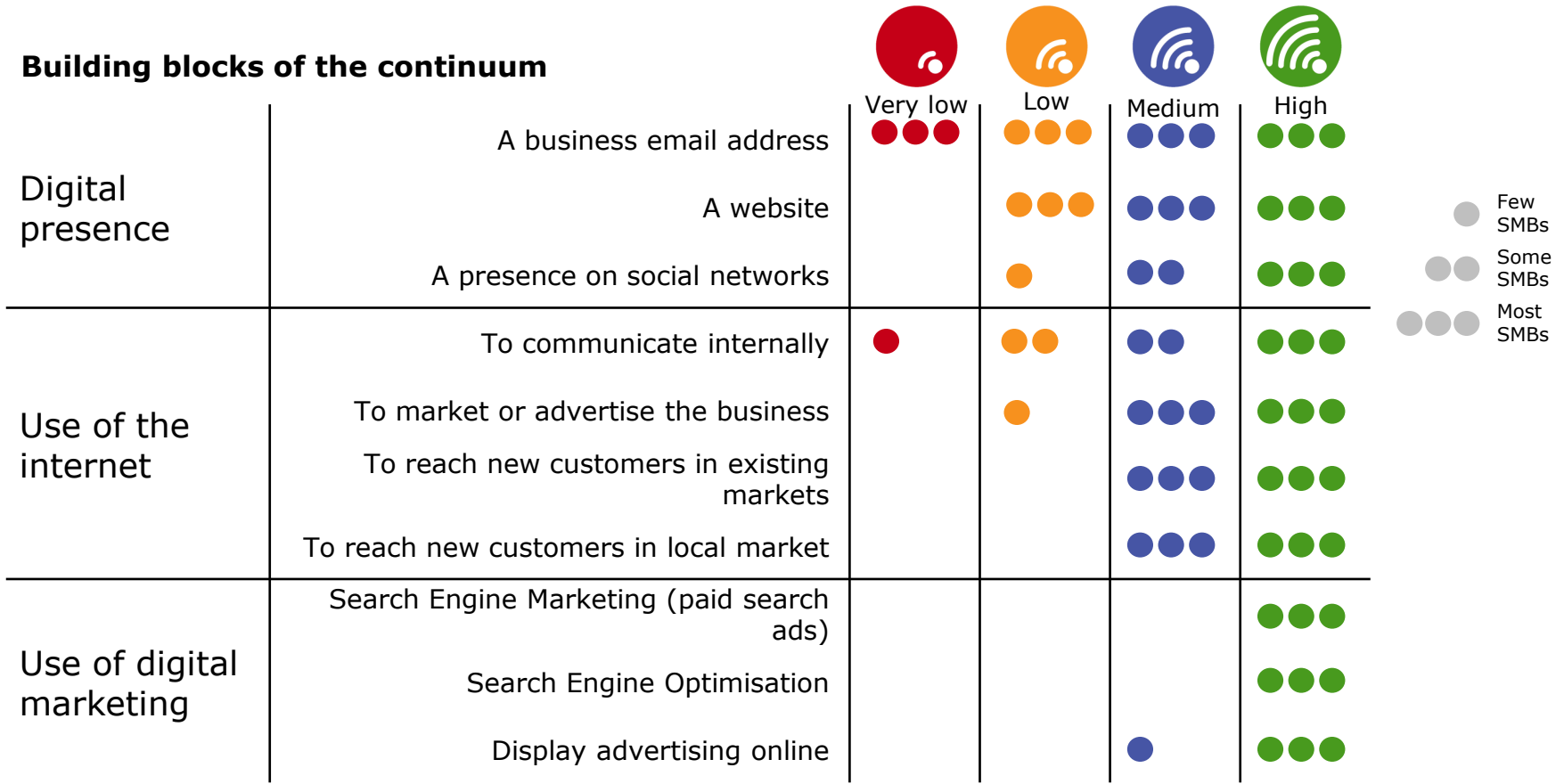
### How the levels were formed:

- 1 A wide range of digital activities were investigated to determine if there was any relationship with current or future business growth
- 2 Statistical analysis was used to determine the digital activities that had the strongest correlation with growth
- 3 Statistical analysis was then used to identify and cluster similar groups of businesses based on the digital activities identified in the previous steps

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# Digital activation differentiates the levels

The different levels of digital engagement are based on the business's current digital presence, how they use the internet and their level of digital marketing. The digital activities below are the most relevant to define growth amongst SMBs.

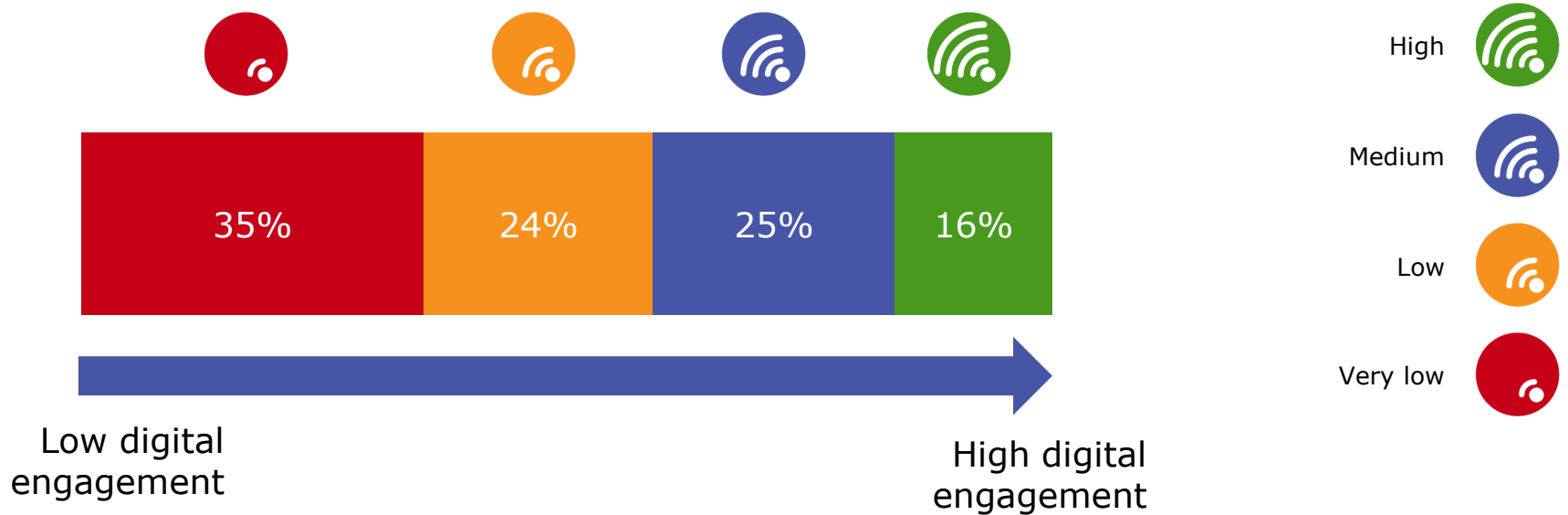


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# SMBs are still at early levels of digital engagement

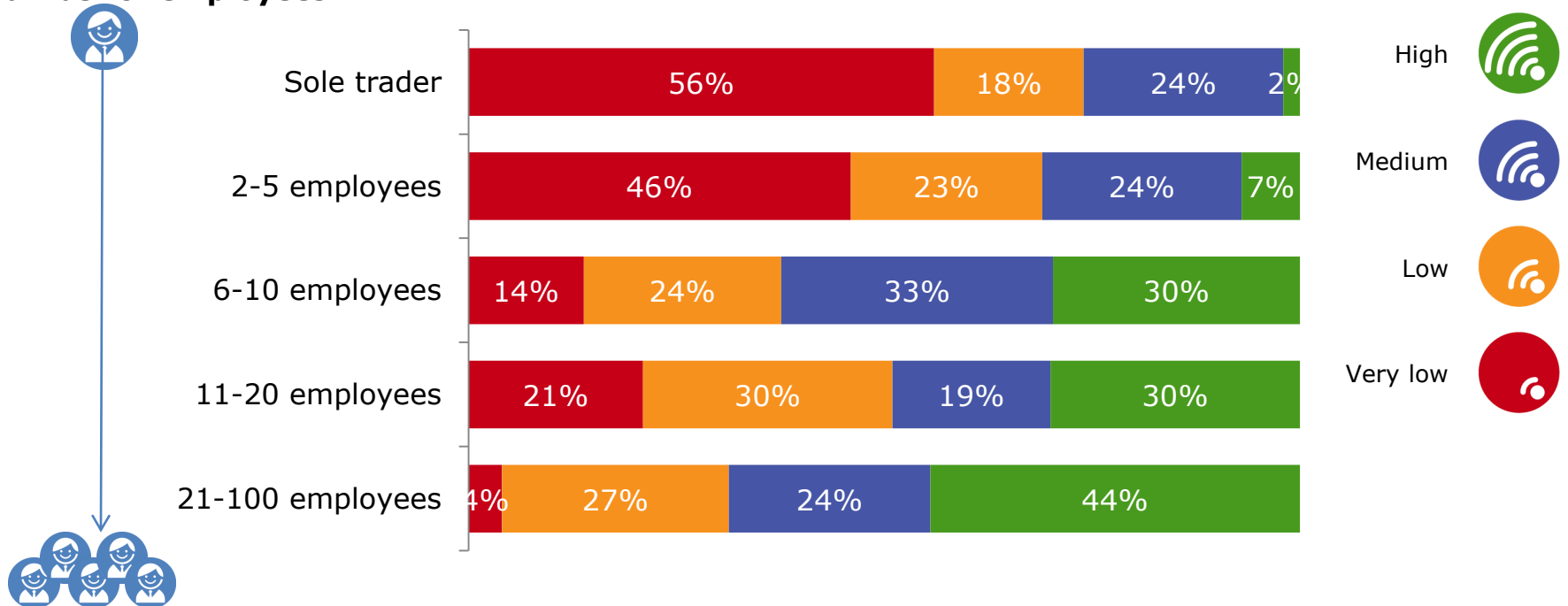
**4 in 5 small businesses are not taking full advantage of digital marketing strategies.**



# Size varies between Digitally Engaged groups

**Sole traders and SMBs with less than 5 employees need the most support getting digitally engaged, as these businesses have the highest proportion of Very Low digital engagement. Businesses with more employees have the highest levels of digital engagement. This relationship would be anticipated as larger businesses can allocate more resources to marketing activity. It is important to note that businesses of all sizes still exist within each level.**

## Number of employees



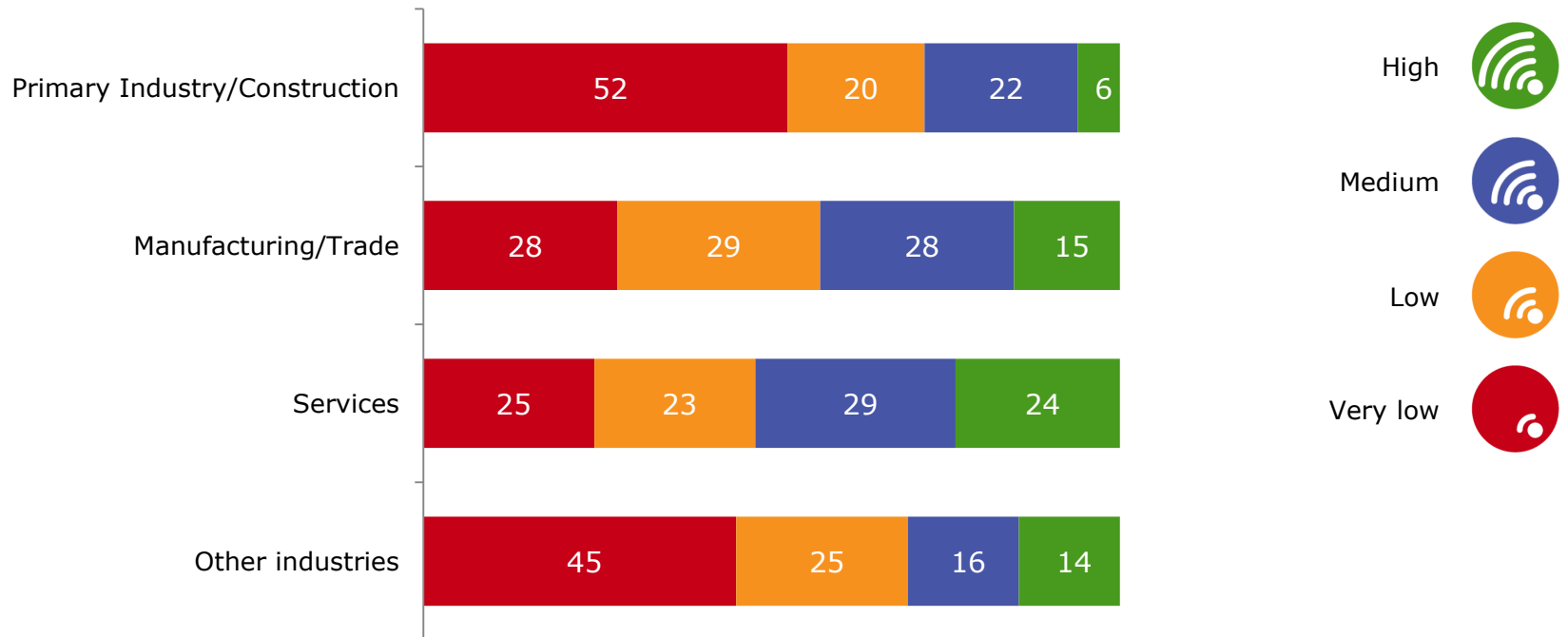
Source: 2b. Base: Total SMBs; Sole trader (70), 2-5 (245), 6-10 (79), 11-20 (57), 21-100 (49),

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# Digital Engagement occurs across industry types

**Primary industry and construction tend to operate at lower levels of digital engagement, whereas we see more high digitally engaged SMBs in the service industry.**

## Digital engagement by industry type



Source: 3a.Base: Total SMBs; Primary industry / construction (132), Manufacturing / trade (79), Services (212), Other industries (69)

# 3

What is the relationship between digital engagement and growth?



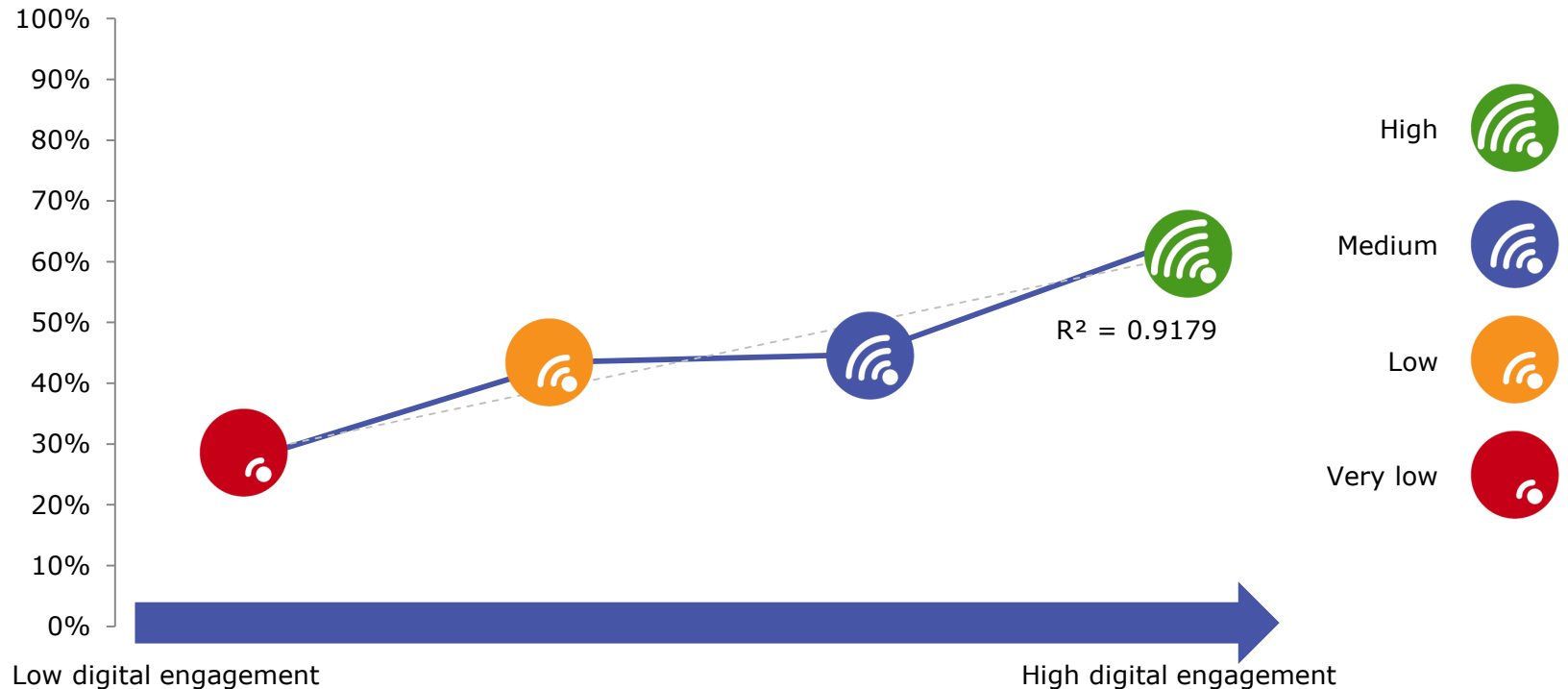
What is the relationship between digital engagement and growth?

**Highly digitally engaged  
SMBs are **twice** as likely  
to be growing revenue**

# Digital is good for SMBs

**There is a clear and strong relationship between the level of digital engagement and current levels of growth.**

## % who are currently growing



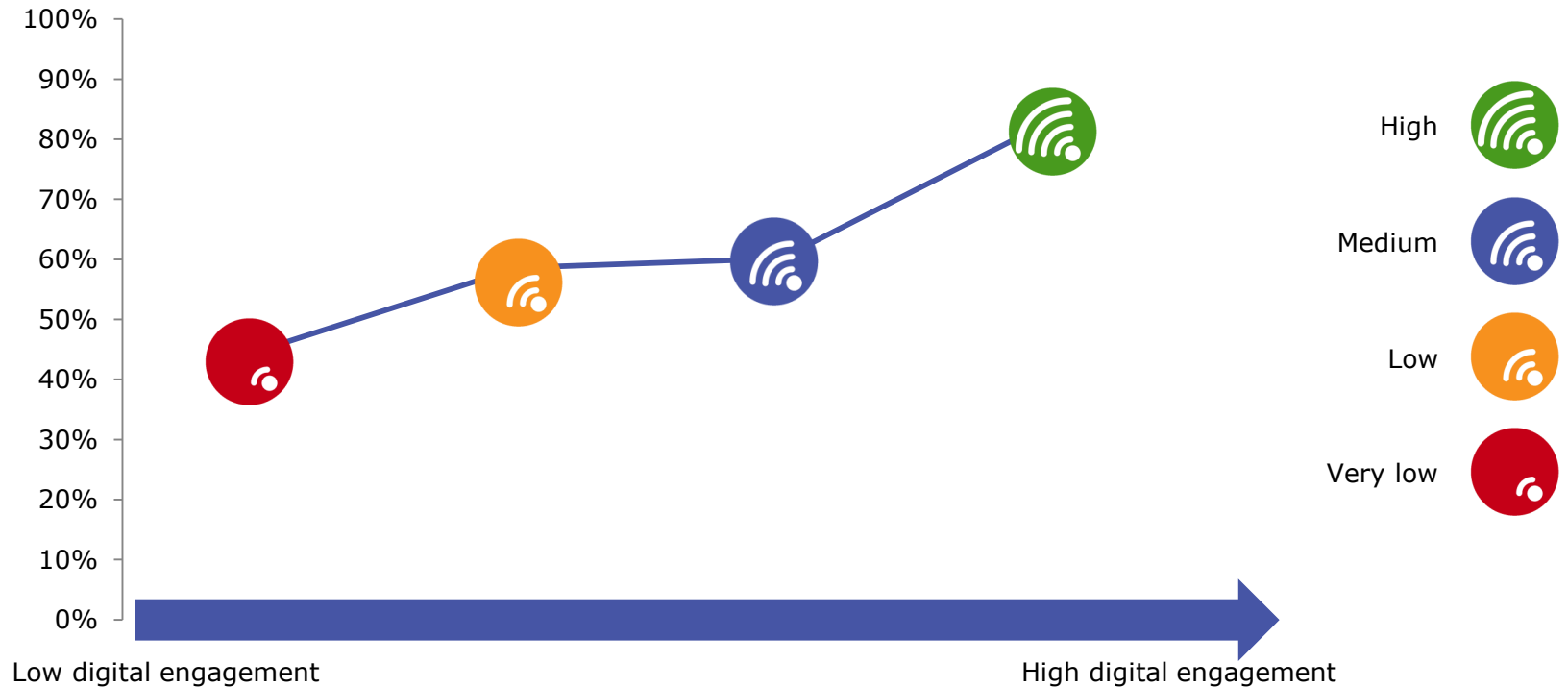
Source: C1a. Base: Total SMBs; Very low (172); Low (118); Medium (125); High (81)

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This applies both now and in the future

**Those SMBs with high levels of digital engagement expect a greater level of future growth than those with lower engagement.**

**% who believe they will increase revenue next 12 months**



Source: C2a. Base: Total SMBs; Very low (172); Low (118); Medium (125); High (81)

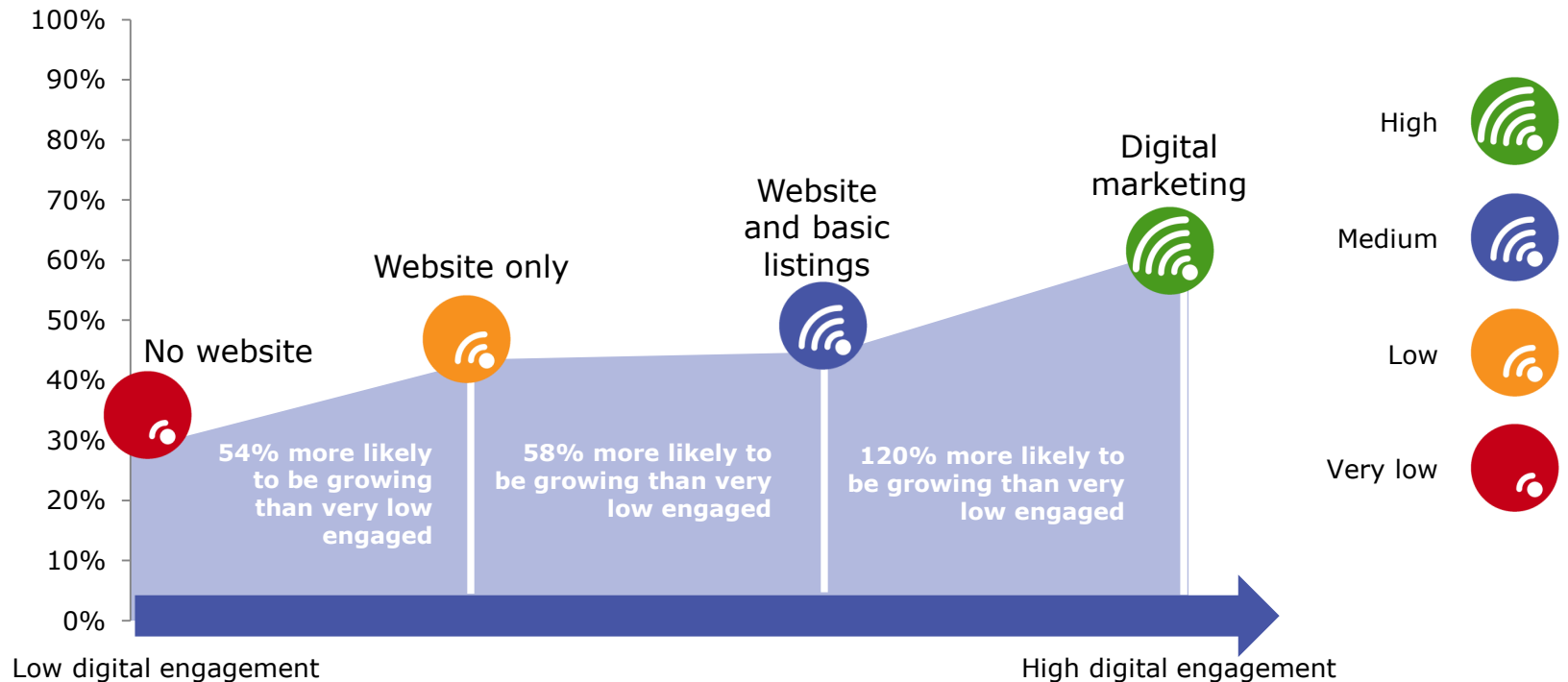


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# It is no longer enough to just have a website

**SMBs who are making use of digital marketing strategies such as search engine marketing, search engine optimisation and digital display advertising are more likely to be growing.**

## % who are currently growing



Source: C1. Base: Total SMBs; Very low(172); Low (118); Medium (125); High (81)

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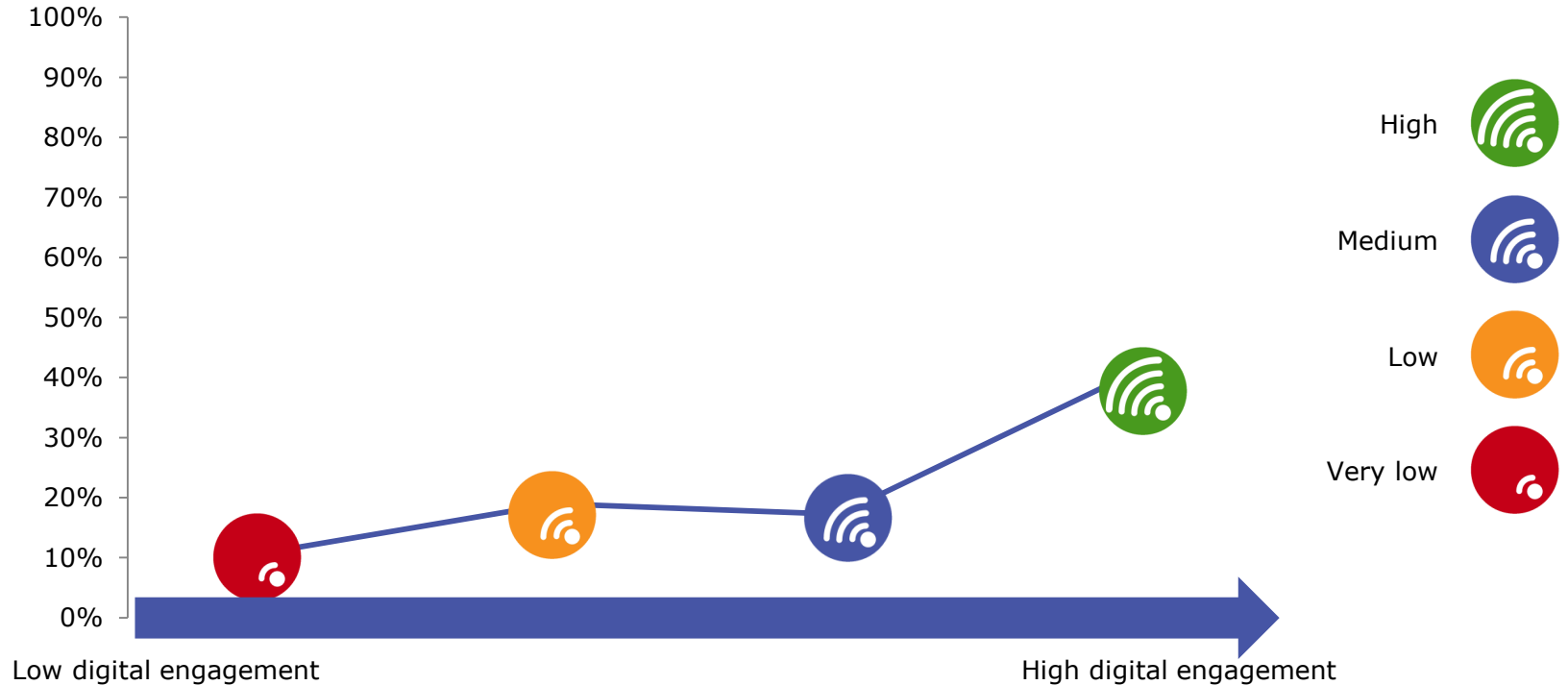




# Jobs growth more likely amongst highly engaged SMBs

**SMBs who have high levels of digital engagement are more likely to be anticipating employee growth.**

## % who will increase number of employees in next 12 months

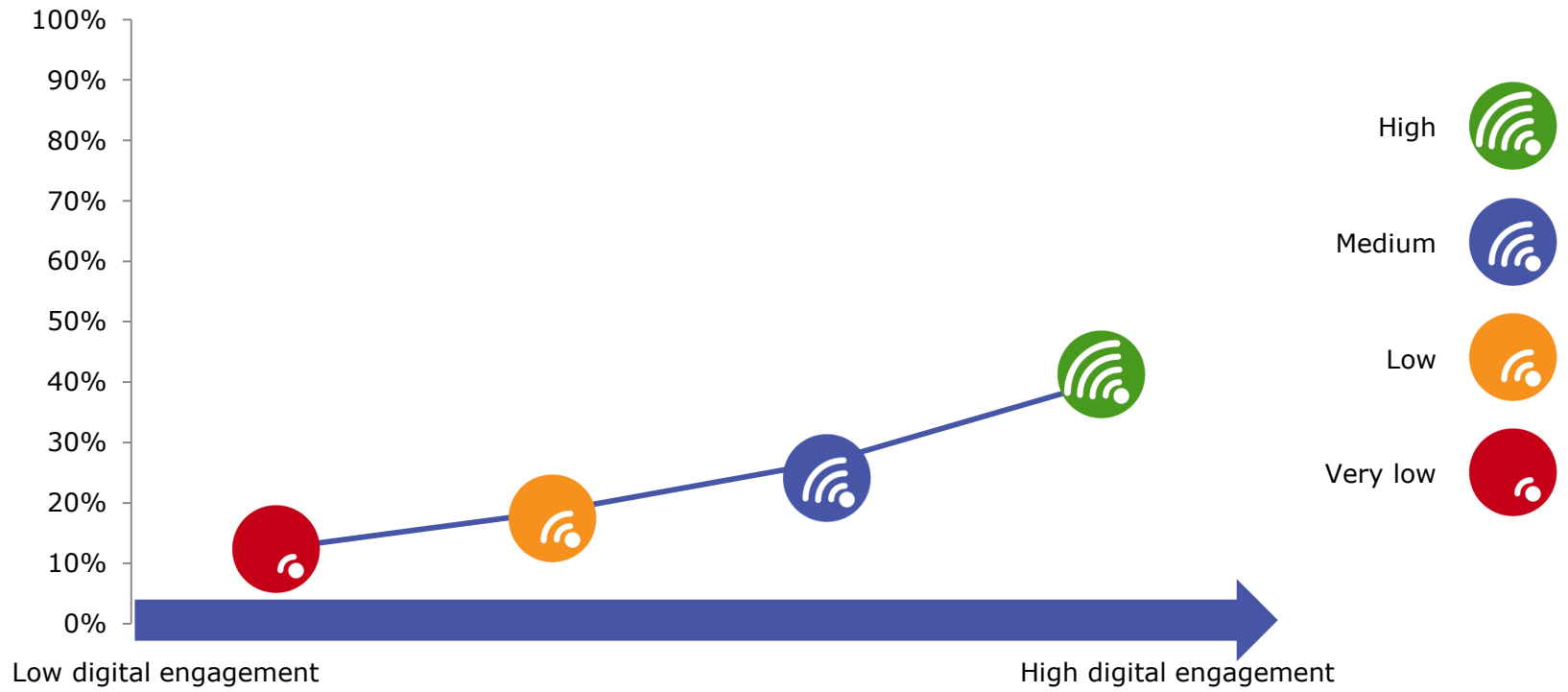


Source: C8a. Base: Total SMBs; Very low(172); Low (118); Medium (125); High (81)

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# Highly engaged SMBs are also more likely to have increased employees over the past few years

**% who have increased number of employees over past 1-3 years**



Source: C5a. Base: Total SMBs; Very low(172); Low (118); Medium (125); High (81)

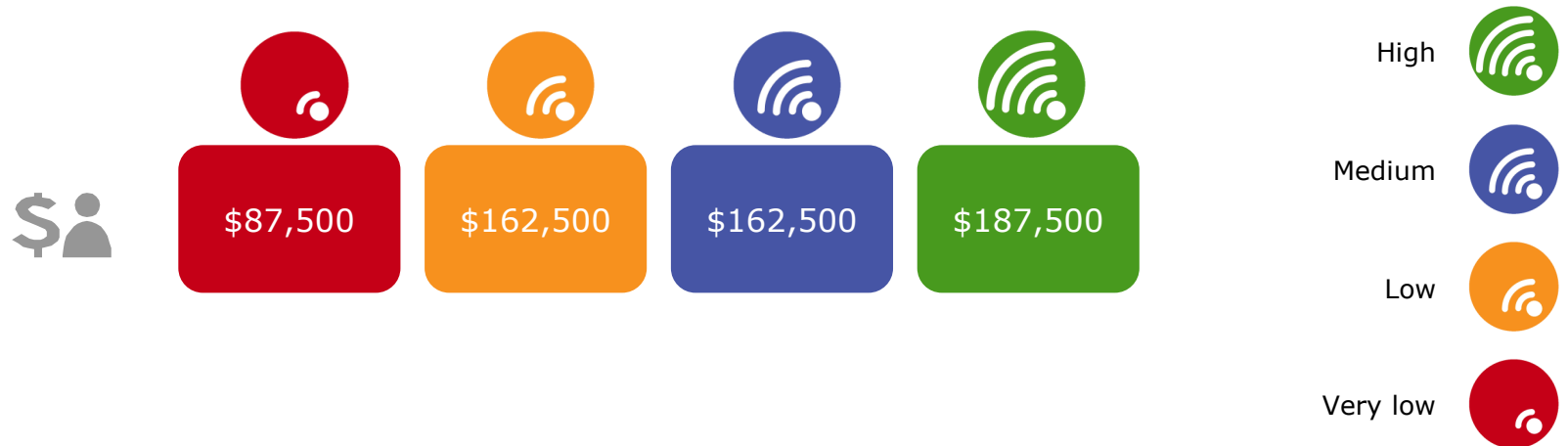


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# Highly digitally engaged generate more revenue per employee

**SMBs in the higher digitally engaged groups are generating more revenue per employee than those who are not digitally engaged.**

## Median Revenue per employee



Source: E1. Base: Very Low (172), Low (118), Medium (125), High (81)

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# 4

Where are SMBs sourcing growth?



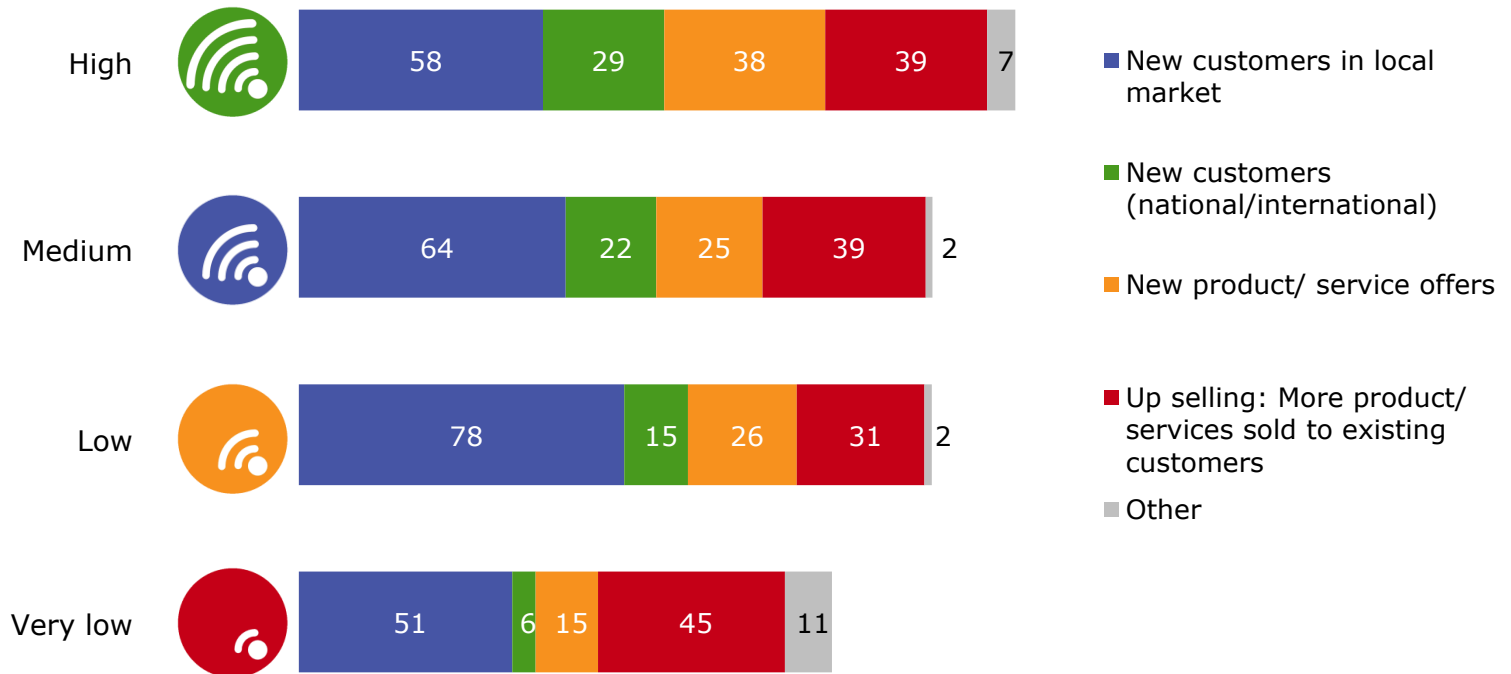
Where are SMBs sourcing growth?

**New customers are important for most SMBs, the digitally engaged are diversifying their sources of revenue**

# Digitally engaged have diversified revenue sources

**Highly digitally engaged businesses are reaching more new customers outside of their local market, as well as innovating through new product and service offerings. SMBs that are less digitally engaged rely more on upselling or cross selling.**

## Source of revenue growth



\*Multiple response, sums to more than 100%

Source: C3d. Base: SMBs in growth Very low (73), Low (55), Medium (64), High (49\*). \*Caution – small base size

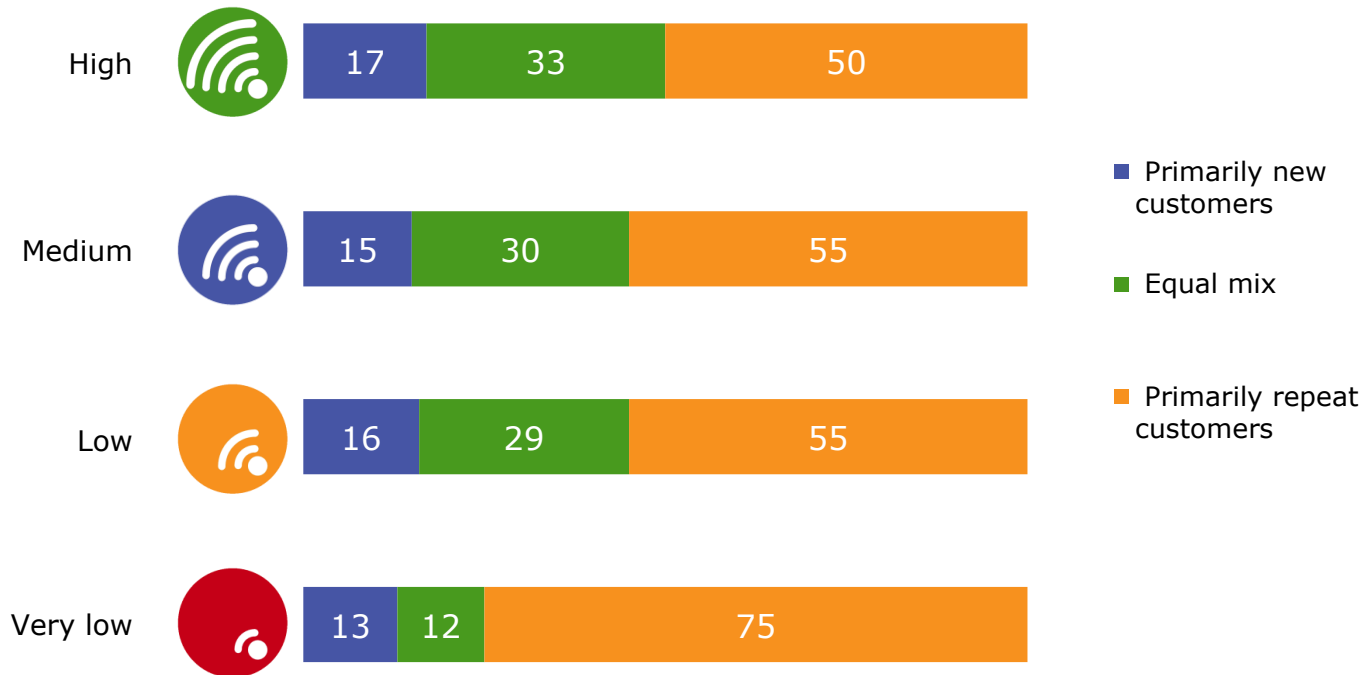
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# New customers are important for most SMBs

**Most SMBs have a similar ratio of new to repeat customers. High digitally engaged are likely to find attracting new customers easier given their digital marketing profile, very low digitally engaged businesses primarily rely on repeat customers.**

## Customer types



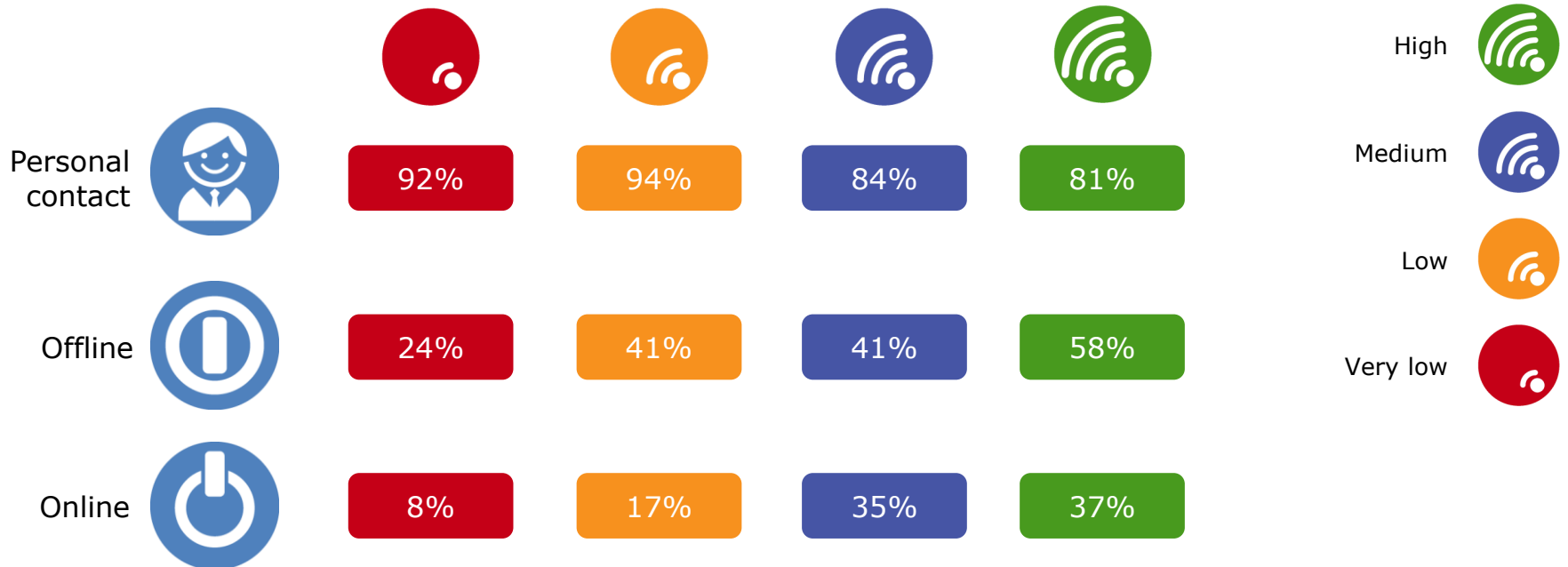
Source: B13. Base: Total SMBs, Very low (172), Low (118), Medium (125); High (81).

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# Very low engaged have fewer acquisition channels

The very low digitally engaged are relying primarily on personal contact (word of mouth, cold calling, networking etc.) to source new customers. Although the digitally engaged are still doing this, they are also taking advantage of online channels to source new business.

## Channels for lead generation



Source: B14a. Base: Total SMBs, Very low (172), Low (118), Medium (125); High (81).



# Digitally engaged are investing in marketing

The highly engaged SMBs are investing more in marketing in general, with around half of their budget being spent online. The highly digitally engaged also have more resources to spend on marketing. This suggests that SMBs embarking on a growth path are using online to facilitate this goal.



Source: B12a. Base: SMBs who know marketing spend (449) , Very low (167), Low (109), Medium (109), High (64)

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Do business goals differ between digital engagement levels?



Do business goals differ between digital engagement levels?

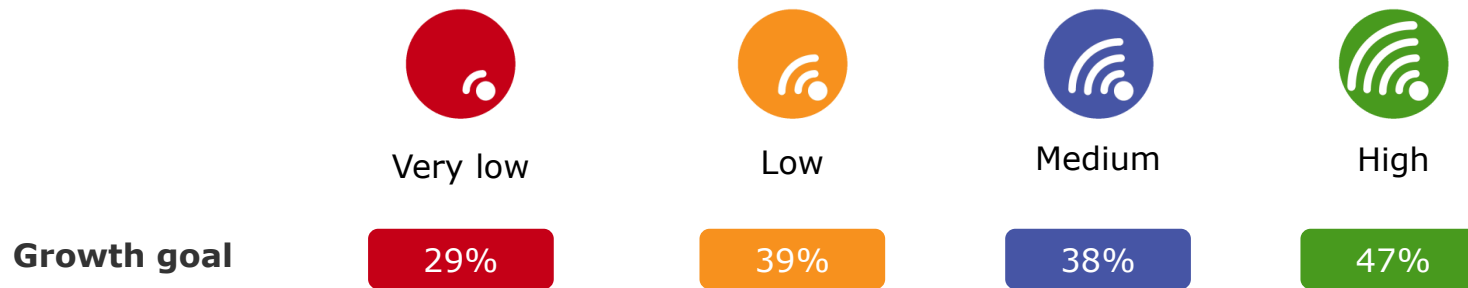
**SMBs with 'growth' as a business objective are more likely to be engaging with digital**

# Highly digital SMBs have growth as a goal

Nearly half of businesses with high digital engagement have growth as a goal for their businesses, whilst those businesses with lower digital engagement are more likely to be aiming to sustain the business and keep the status quo.

For businesses at the lower end of the spectrum, engagement with digital will increasingly become a necessity for survival as Australian SMBs move further into the online space.

Businesses which have **growth** as a business goal (e.g. profit, revenue)



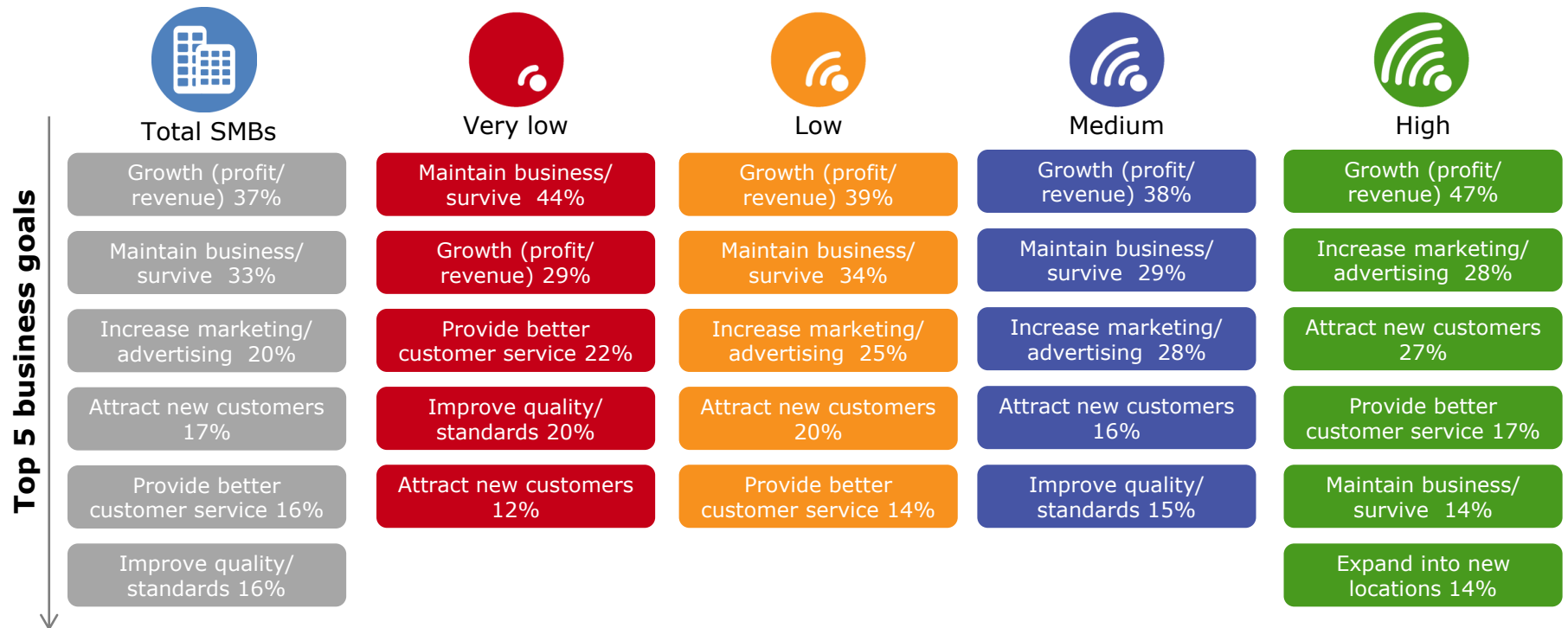
Businesses aiming to **maintain the business** as a goal



Source: C6a. Base: Very low(172); Low (118); Medium (125); High (81)

# Digital is a facilitator for growth

**Businesses with high and medium digital engagement tend to have goals built around attracting new customers, whilst those with low engagement tend to be more focused on internal goals. SMBs who want to grow are developing digital strategies to facilitate this goal.**



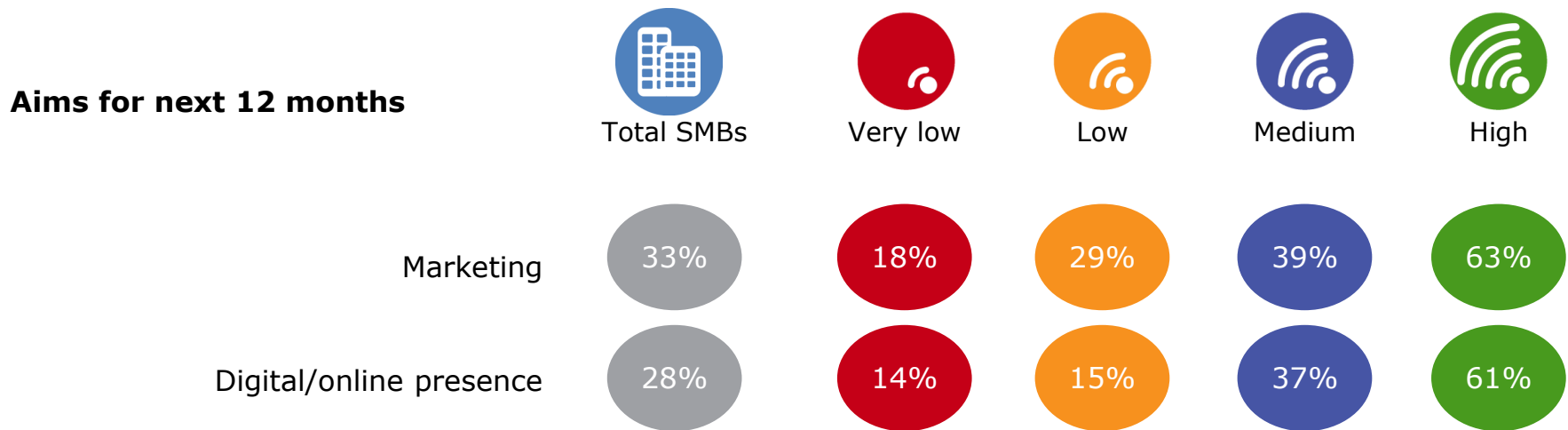
Source: C6. Base: Total SMBs; Very low(172); Low (118); Medium (125); High (81)

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# Highly engaged will continue to focus on digital

**SMBs with the highest levels of digital engagement are more likely to be focused on marketing and their online presence. Businesses who have a lower level of engagement are less likely to be working on and addressing this in the next 12 months.**

**SMBs with Very Low or Low digital engagement need to be persuaded of the impact of these activities on the business to encourage them to include these in their near term business plans.**

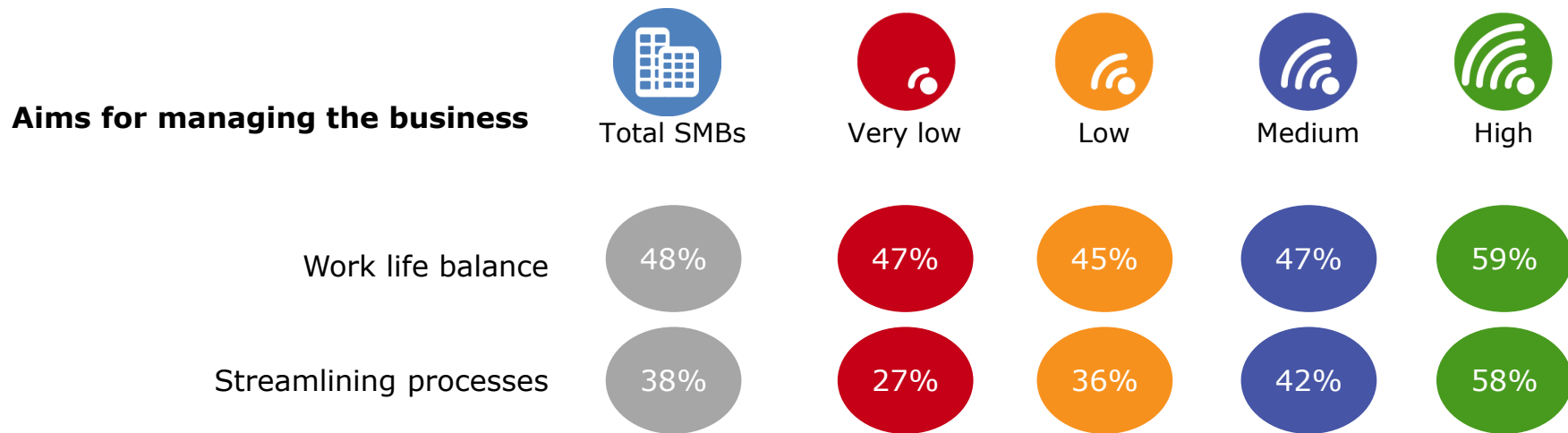


Source: C6bii. Base: Total SMBs; Very low(172); Low (118); Medium (125); High (81)

# Work-life balance and ease is important for all

**SMBs are looking to ensure the optimal working environment, stress free and with smooth and simplified ways of managing workload. These needs are found across all levels of digital engagement.**

**A need for work-life balance is higher for sole traders, whilst larger organisations are more likely to seek streamlining of processes. Digital can be positioned as a means to improve work-life balance for lower engaged SMBs.**

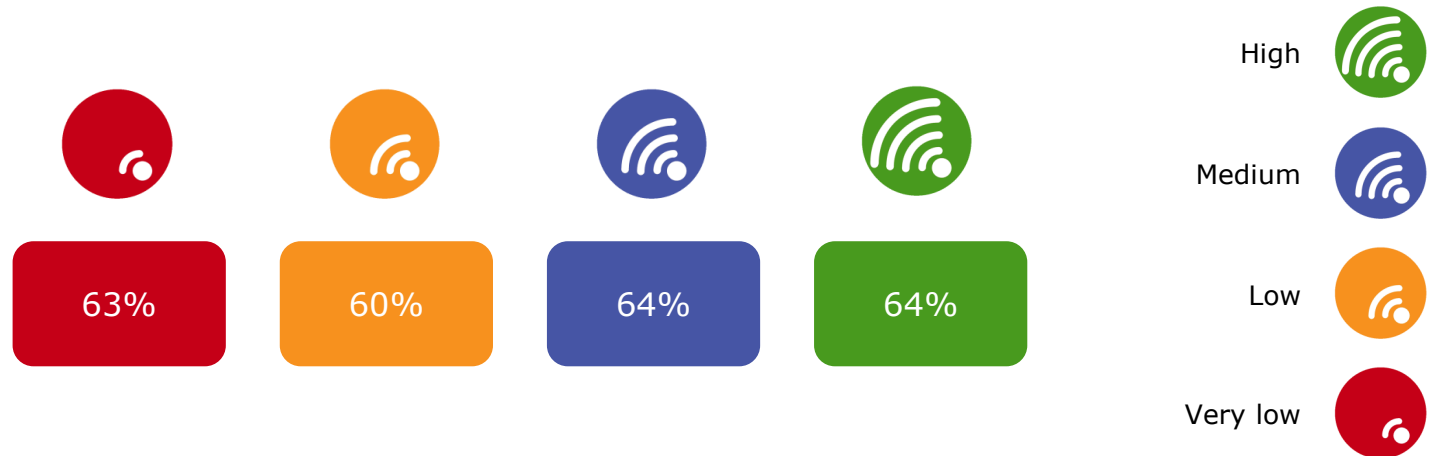


Source: C6bii. Base: Total SMBs; Very low(172); Low (118); Medium (125); High (81)

# Increasing costs are an issue for all SMBs

**SMBs that are more digitally engaged do not necessarily have decreasing costs as a result. Their growth has been a result of more business, not decreasing costs.**

**% of SMBs that have increased costs over past 1 to 3 years**

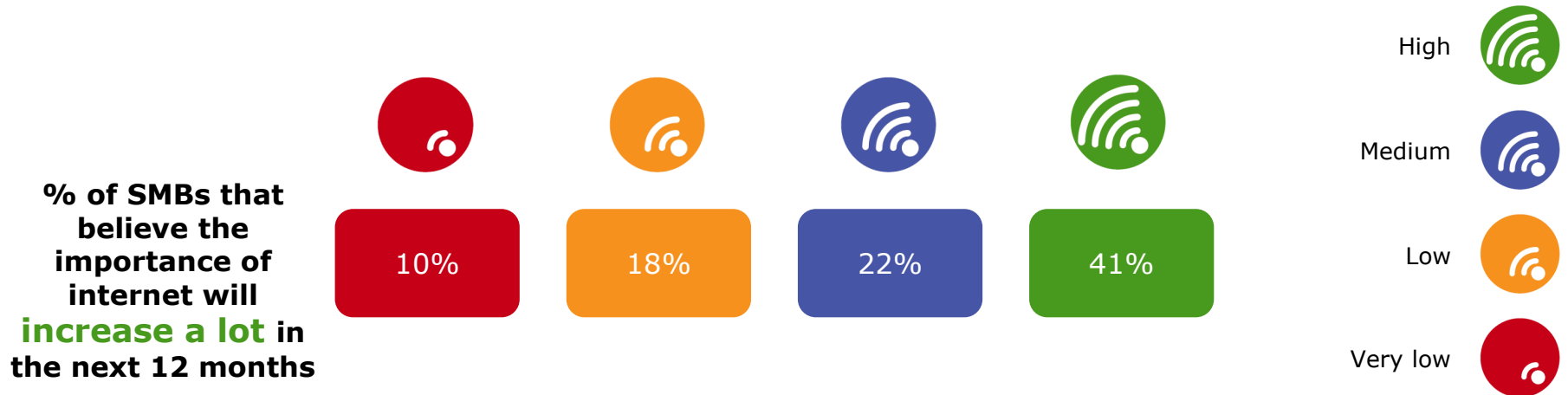


Source: C4a. Base: Total SMBs; Very low(172); Low (118); Medium (125); High (81)



# Low engaged SMBs doubt the importance of the internet

The highly digitally engaged already believe digital will become more important. The challenge is convincing SMBs that are less engaged about the importance over the next 12 months.



Source: C11. Base: Total SMBs; Very low(172); Low (118); Medium (125); High (81)

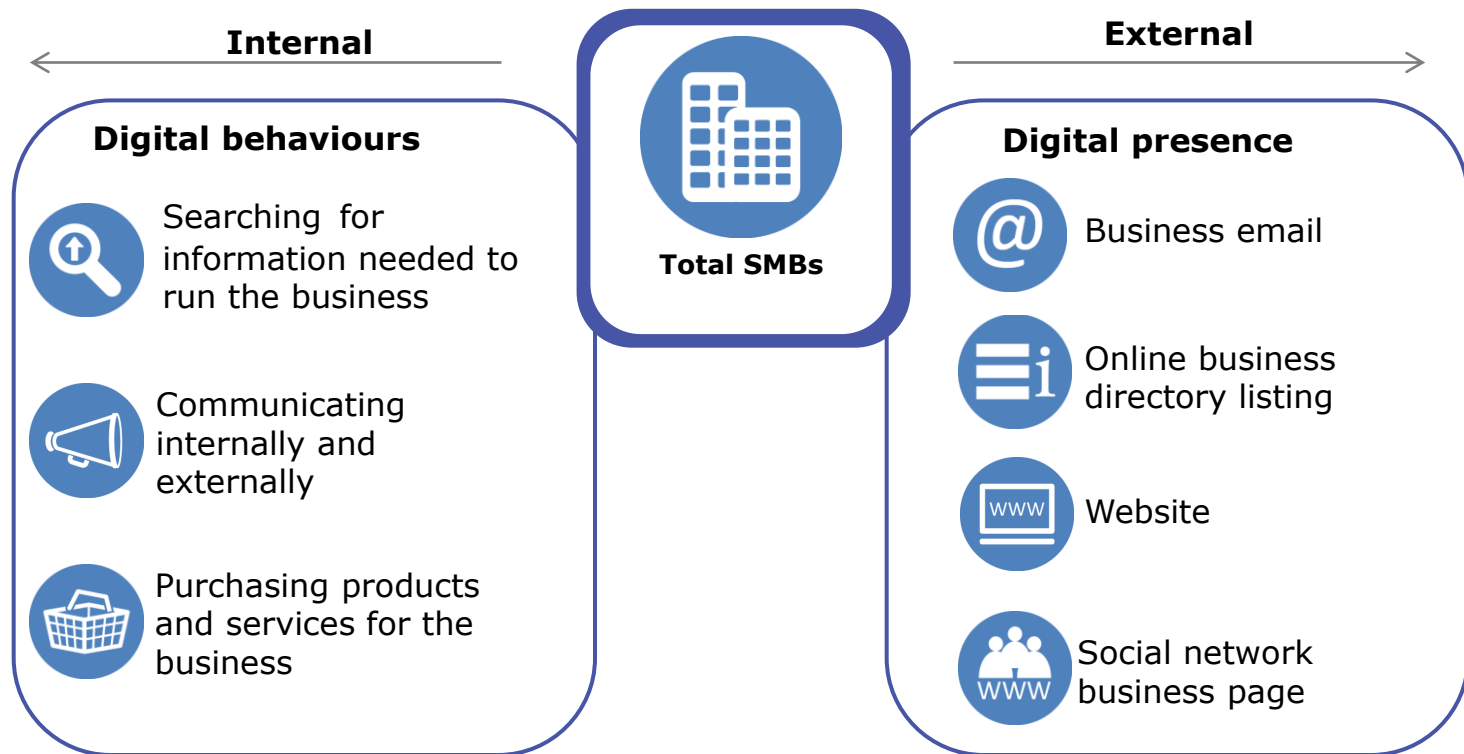
# 6

## Appendix: SMB digital behaviour



# SMBs use digital, and have a digital presence

**SMBs make use the internet for the day to day internal running of their businesses. Businesses also take digital actions to run their external operations – either through having an online presence (website, profiles), or through marketing and advertising.**



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# SMBs have email, but only 6/10 have websites

Email has become a standard requirement for business operation – with most Australian SMBs having this. In terms of more sophisticated forms of online presence: 6 in 10 have a website for their business, and 3 in 10 have a social networking page.

## Digital presence



Total SMBs



Business email:  
**95%**



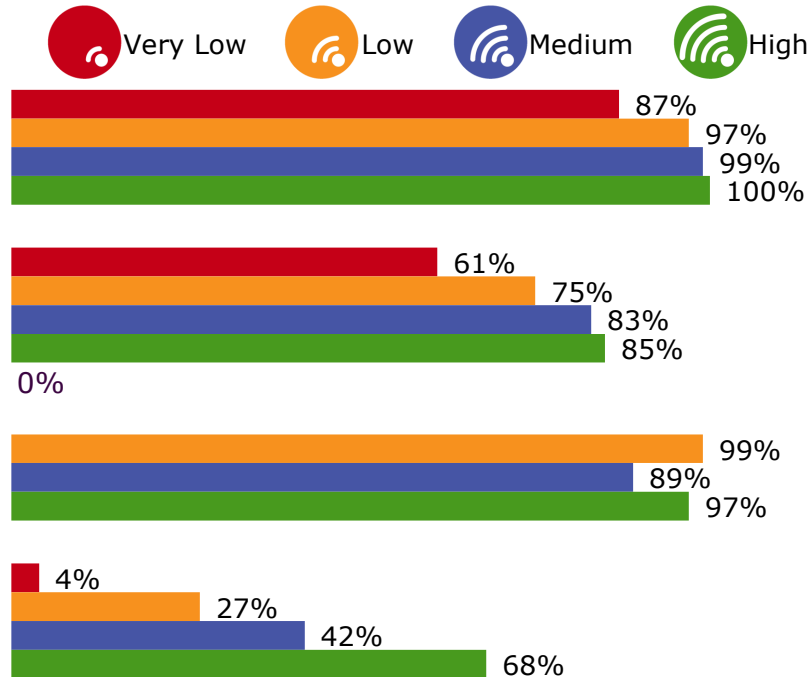
Online business directory listing:  
**74%**



Website: **61%**



Social network business page:  
**29%**



Source: S5. Base: Total SMBs; Very Low (172); Low (118); Medium (125); High (81)

# 1/4 of Very Low plan to build a website in next 12 months

Some SMBs with Very Low digital presence look set to move up the engagement levels, with plans to develop a website in the next 12 months. For those beginning their digital activation, web presence should be partnered with other activities seen to have a relationship with growth.

## Digital presence

Don't currently have this, but plan to develop it in next 12 months



Total SMBs



Business email: **2%**



Online business directory listing: **5%**



Website: **11%**



Social network business page: **11%**



Very Low



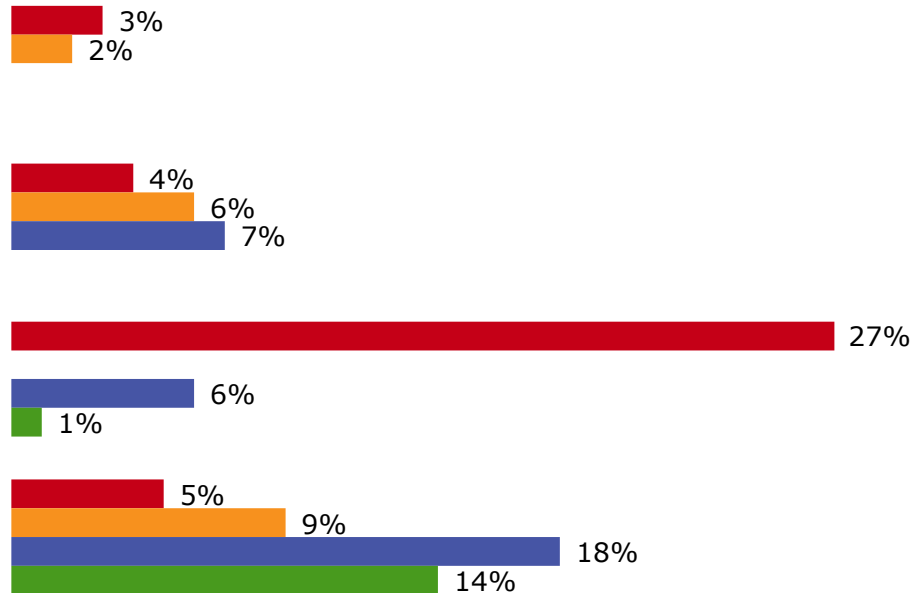
Low



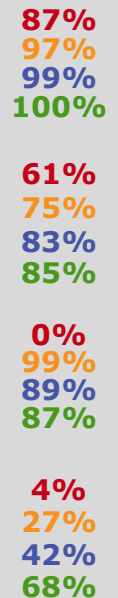
Medium



High



Currently have this



Source: S5, B7. Base: Total SMBs; Very Low (172); Low (118); Medium (125); High (81)



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# SMBs' websites provide functional details

However, sites are relatively unsophisticated – only half are set up to capture sales leads, 1 in 5 are set up for order taking and fewer than 1 in 10 offer any kind of eCommerce.

Greater site functionality will become important as consumers become more savvy online. Consumers expectations of what SMBs should provide via their site will also continue to develop.



## Website functionality Amongst those with a website

Business, products and  
service information



Most

Have general business info (**opening hours, contacts**); and **descriptions of products or services**. These act as standard offers for a site.

However, only **31%** include prices on their sites

Features



**23%** Have **video** content or links



**20%** Have a business **blog**

Sales and lead  
generation



**52%**

**Capture lead** details

**19%**

Have **ordering/ booking** systems

**7%**

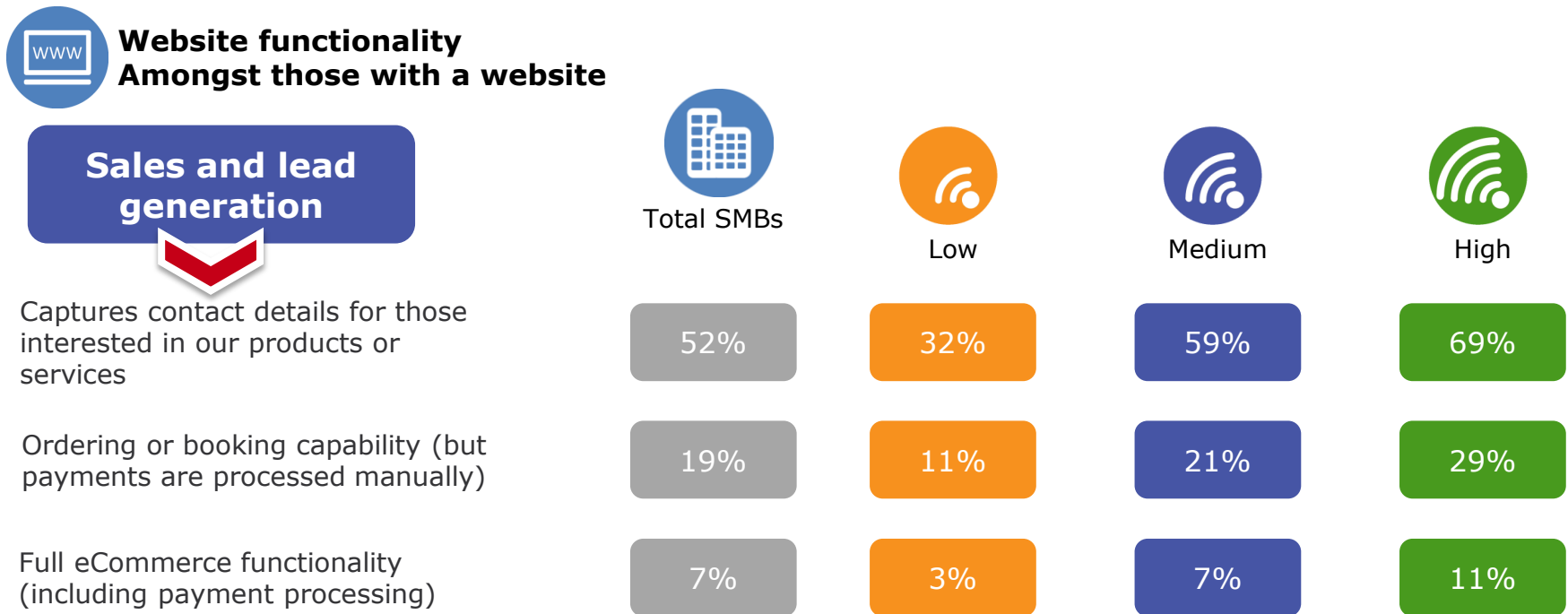
Have **eCommerce functionality**

Source: S6: Base – Have a business website: Total (310); Email, web (117); Email, web, listings (111); Digital Marketing (79)

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# Site sophistication increases by digital engagement

**SMBs with High digital engagement are more likely to have websites capable of capturing contact details from interested customers. Relatively low eCommerce functionality across segments likely reflects the type of industries comprising Australian small businesses.**



Source: S6. Base – Have a business website: Total (310);; Low (117); Medium (111); High (79)

# Most sites are not mobile enabled

**As internet access shifts from PC and laptop to mobile devices, businesses will need to optimise sites to meet these changes in behaviour and ensure the best consumer experience with the site.**



**38%** of businesses with a website have optimised sites for mobile



**High**

**55%** amongst those with greatest Digital Engagement

Source: B5a: Is your company website optimised to display on mobile devices? Base: Have website (310); Low (117); Medium(111); High (79)



# SMBs need guidance on how to track digital

**Most SMBs are doing little to monitor their presence online.**







**41%** of businesses don't measure their website's effectiveness at all. Majority of those with Low engagement don't measure at all (59%)

Web effectiveness is **more likely** to be measured amongst those with High Digital Engagement



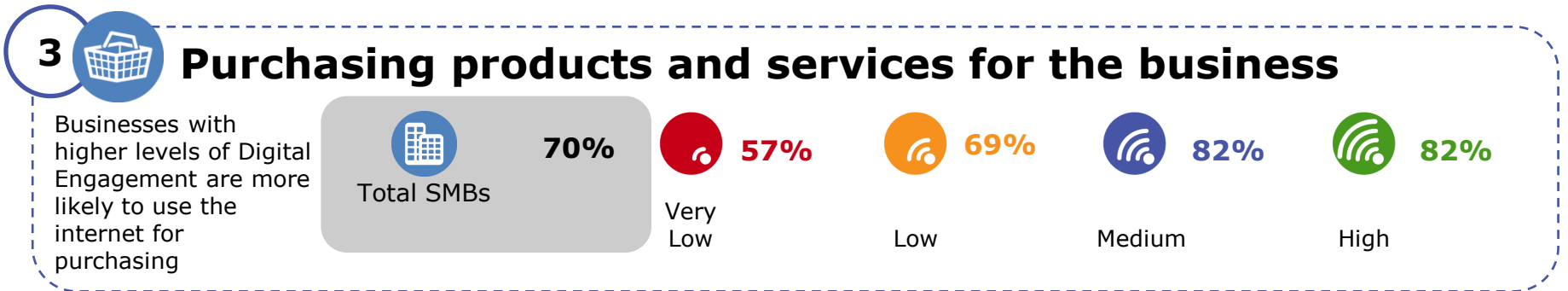
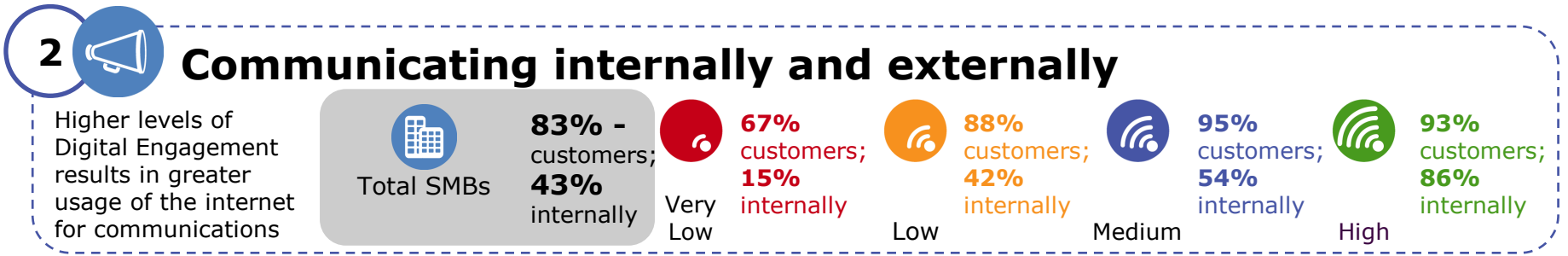
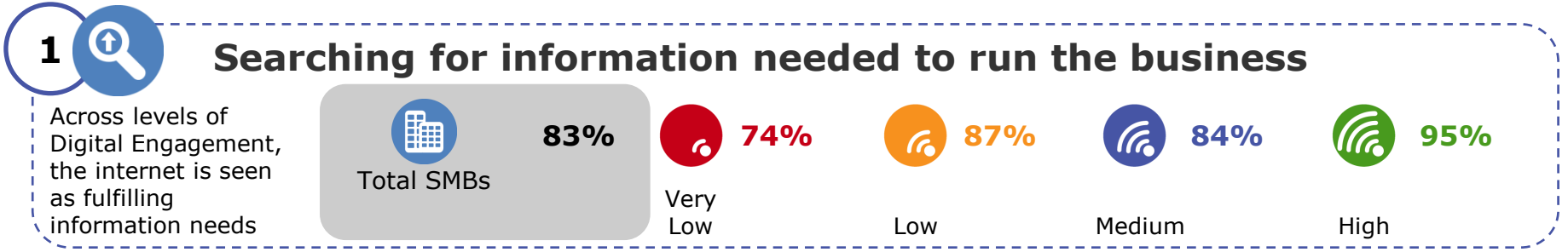
## Measures of website effectiveness

	 Total SMBs	 Low	 Medium	 High
Hits on site	<b>22%</b>	<b>12%</b>	<b>26%</b>	<b>31%</b>
Data analytics	<b>21%</b>	<b>8%</b>	<b>19%</b>	<b>44%</b>
Customer feedback	<b>16%</b>	<b>18%</b>	<b>15%</b>	<b>16%</b>

Source: B5b: How do you measure your website's effectiveness?  
Base: Have website (310); Low (117); Medium (111); High (79). Note: Very Low not shown as do not have website

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# Businesses use the internet for 3 main reasons



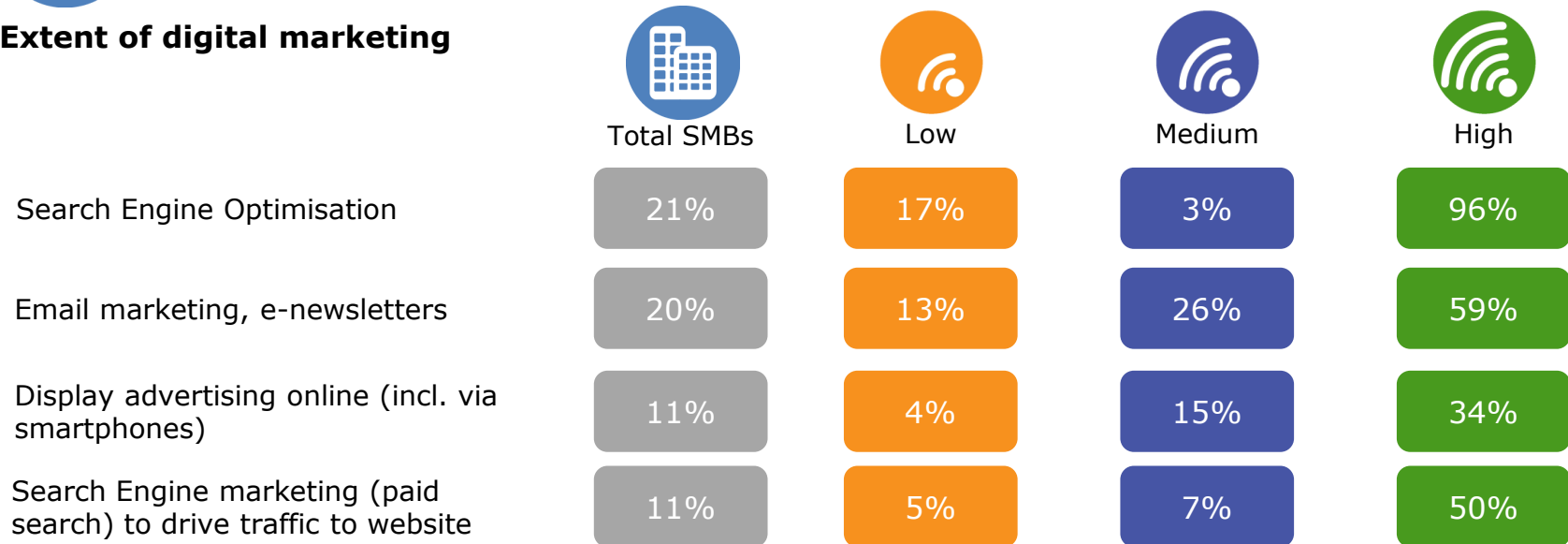
Source: B1. Base: Total SMBs; Very Low (172); Low (118); Medium (125); High (81)

# SEO & Email are the main online marketing tools

**9 in 10 of those businesses with High digital engagement make use of SEO. SMBs with Low levels of engagement are involved in fewer marketing activities online, and thus are less likely to have display advertising.**



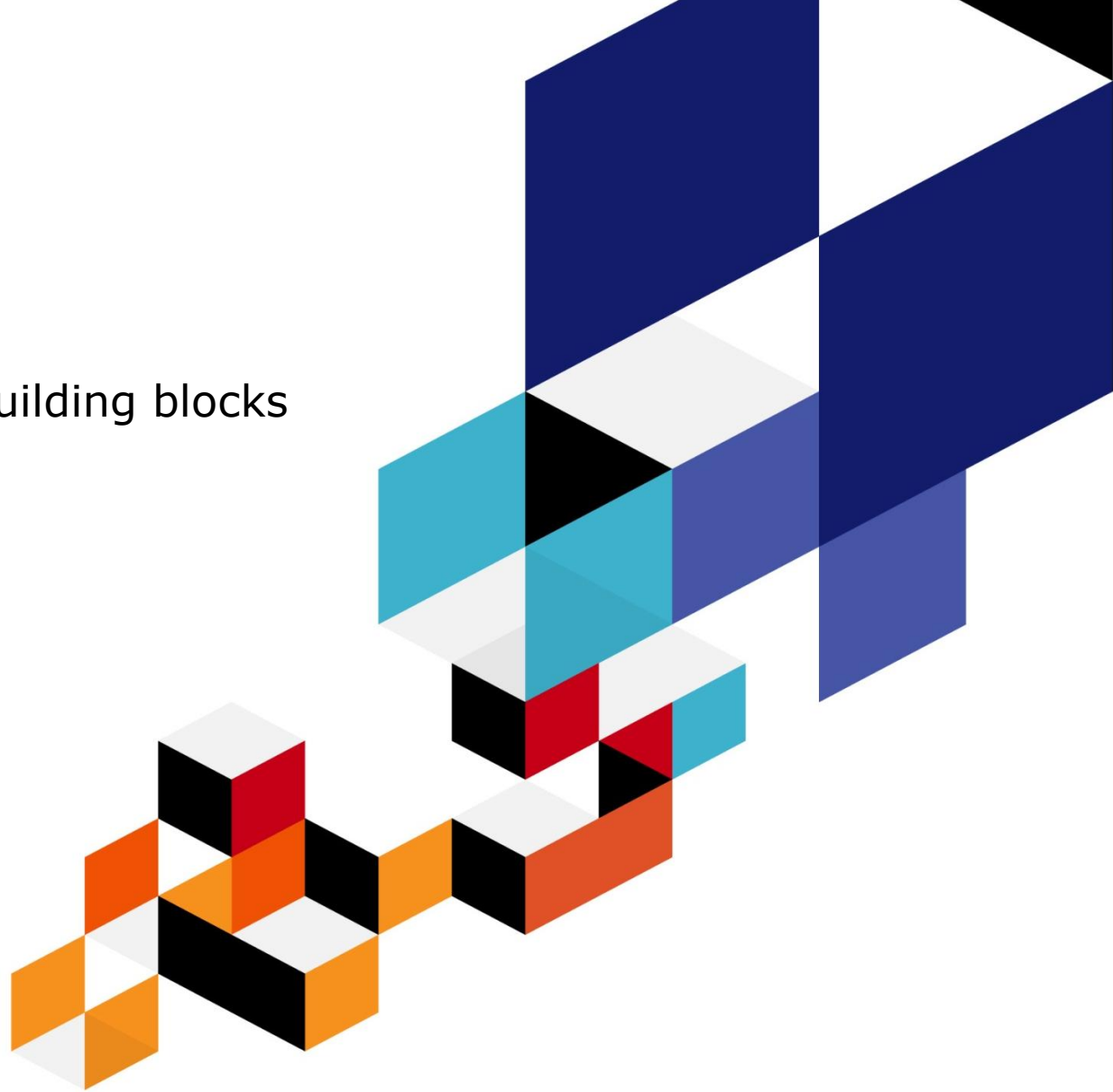
## Extent of digital marketing



Source: B9a. Base: Total SMBs; Low (118); Medium (125); High (81)

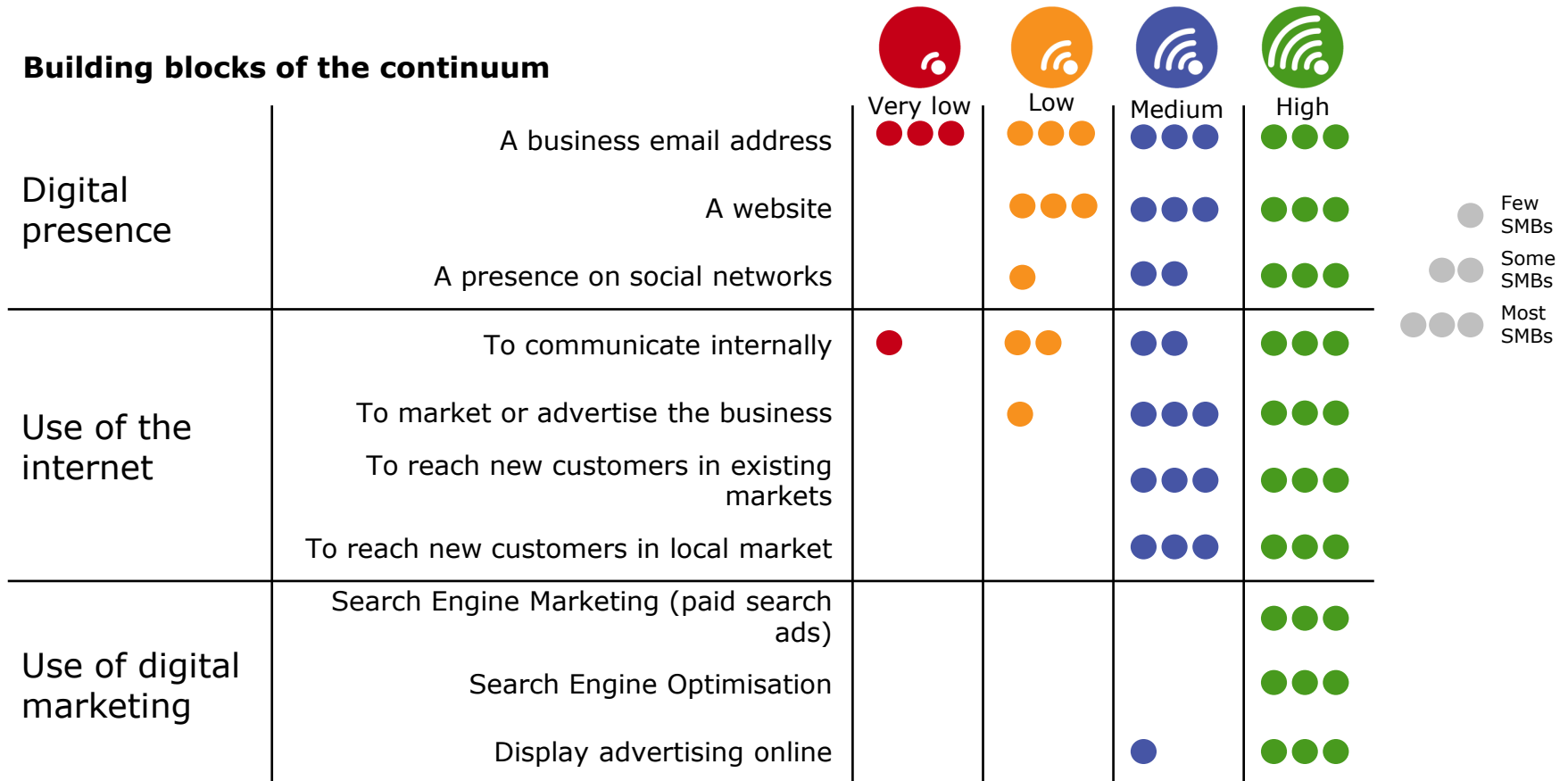
# 7

## Appendix: Digital level building blocks



# Digital activation differentiates the levels

The different levels of digital engagement are based on the business's current digital presence, how they use the internet and their level of digital marketing. The digital activities below are the most relevant to define growth amongst SMBs



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# Businesses at lowest level have email addresses

**However, none have websites and very few use the internet to market the business in any way.**



## Digital engagement activities

		Very low
Digital presence	A business email address	87%
	A website	0%
	A presence on social networks	4%
Use of the internet	To communicate internally	15%
	To market or advertise the business	8%
	To reach new customers in existing markets	4%
	To reach new customers in local market	5%
Use of digital marketing	Search Engine Marketing (paid search ads)	2%
	Search Engine Optimisation	2%
	Display advertising online	1%



Source: S5. B1. B9a. Base: Total SMBs; Very Low(172); Low (118); Medium (125);High (81).



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# Websites are common at the next digital level

**Moving through the levels of digital engagement, the Low level nearly all have email addresses and websites, with 1 in 4 having social networking pages. Some of these businesses are also using the internet for internal communication and external marketing, including SEO.**




<b>Digital engagement activities</b>		 Very low	 Low
Digital presence	A business email address	87%	97% ↑
	A website	0%	99% ↑
	A presence on social networks	4%	27% ↑
Use of the internet	To communicate internally	15%	42% ↑
	To market or advertise the business	8%	23% ↑
	To reach new customers in existing markets	4%	8%
	To reach new customers in local market	5%	4%
Use of digital marketing	Search Engine Marketing (paid search ads)	2%	5%
	Search Engine Optimisation	2%	17% ↑
	Display advertising online	1%	4%

↑ Differentiate Low level of digital engagement from Very Low

Source: S5. B1. B9a. Base: Total SMBs; Very Low(172); Low (118); Medium (125);High (81).

# Medium engaged SMBs use online for marketing

**In addition to a strong digital presence (websites and social networks), most businesses at a medium level of engagement are using the web for advertising in existing and local markets. However, usage of digital marketing activities is relatively low with only some using display and search ads.**

Digital engagement activities				
		Very low	Low	Medium
Digital presence	A business email address	87%	97%	99%
	A website	0%	99%	89% ↑
	A presence on social networks	4%	27%	42% ↑
Use of the internet	To communicate internally	15%	42%	54%
	To market or advertise the business	8%	23%	88% ↑
	To reach new customers in existing markets	4%	8%	91% ↑
	To reach new customers in local market	5%	4%	89% ↑
Use of digital marketing	Search Engine Marketing (paid search ads)	2%	5%	7%
	Search Engine Optimisation	2%	17%	3%
	Display advertising online	1%	4%	15% ↑

↑ Differentiate Medium level of digital engagement from Low





Source: S5. B1. B9a. Base: Total SMBs; Very Low(172); Low (118); Medium (125);High (81).

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# At highest level digital marketing is actively used

**At the highest level of digital engagement, the majority of businesses have websites, are on social networks and use the internet for advertising. Most are also making the most of their site by using SEO and SEM. More businesses at this level make use of display ads.**

Digital engagement activities					
		Very low	Low	Medium	High
Digital presence	A business email address	87%	97%	99%	100%
	A website	0%	99%	89%	97% ↑
	A presence on social networks	4%	27%	42%	68% ↑
Use of the internet	To communicate internally	15%	42%	54%	86% ↑
	To market or advertise the business	8%	23%	88%	97% ↑
	To reach new customers in existing markets	4%	8%	91%	97%
	To reach new customers in local market	5%	4%	89%	91%
Use of digital marketing	Search Engine Marketing (paid search ads)	2%	5%	7%	50% ↑
	Search Engine Optimisation	2%	17%	3%	96% ↑
	Display advertising online	1%	4%	15%	34% ↑

↑ Differentiate High level of digital engagement from Medium

Source: S5. B1. B9a. Base: Total SMBs; Very Low(172); Low (118); Medium (125);High (81).

## Connected Small businesses: Detailed survey results

# 8

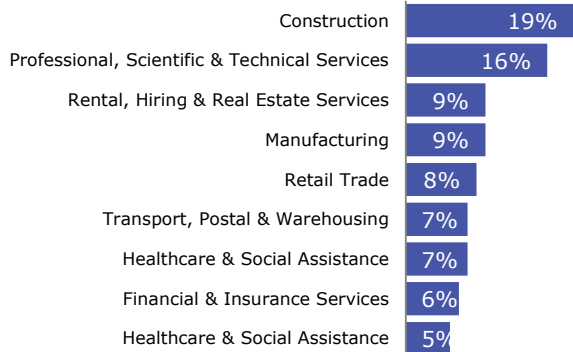
## Appendix: Digital Engagement Level profiles





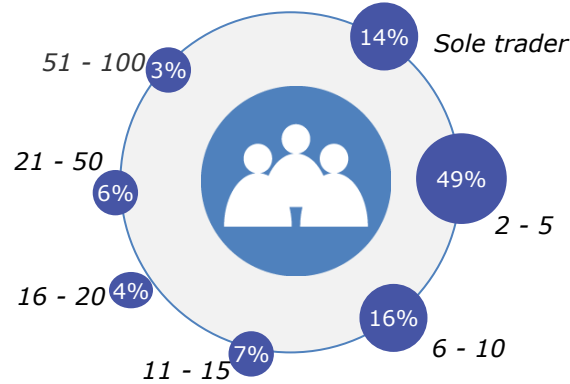
# Profile: Australian Small Businesses in survey

## Industry Type

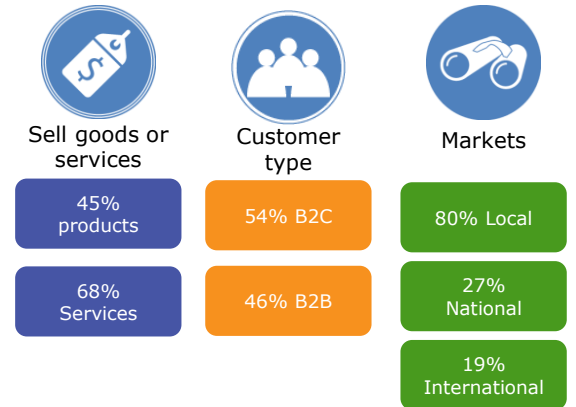


Wholesale trade, Accommodation & Food Services, Administrative & Support, Other, Information Media & Telecommunication, Education & Training, Arts & Recreation, Other <5%

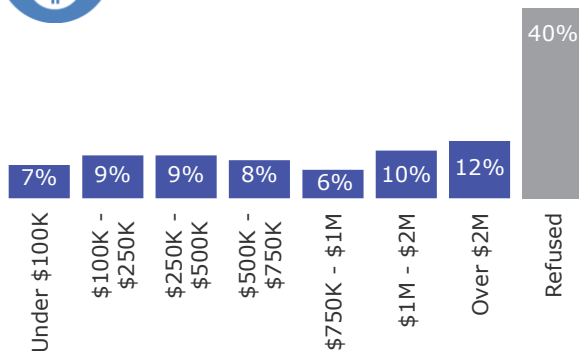
## #Employees



## Business Type



## Turnover Annual



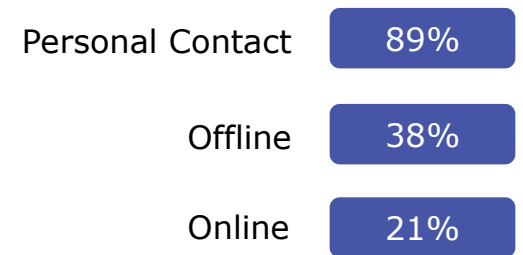
## Marketing spend



## Online spend



## Acquisition of New Customers



Source: S3A, S2B, E1, E2, B12A, B12B, B14A; Base: Total businesses (501).

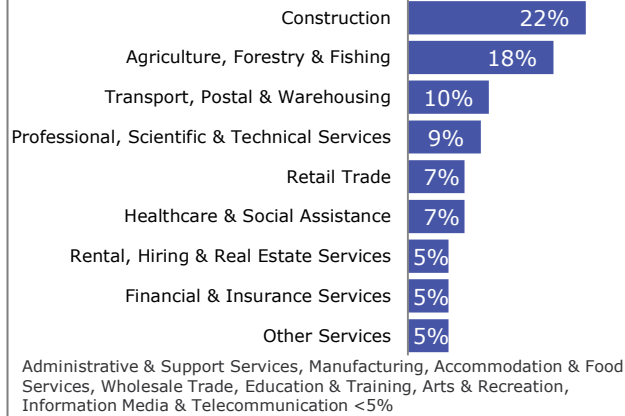


### Connected Small businesses: Detailed survey results

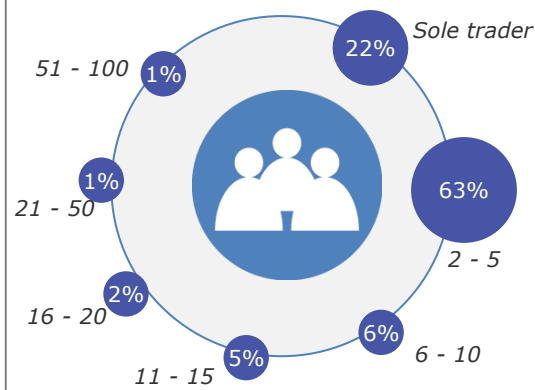


# Profile: Businesses with Very Low Digital Engagement

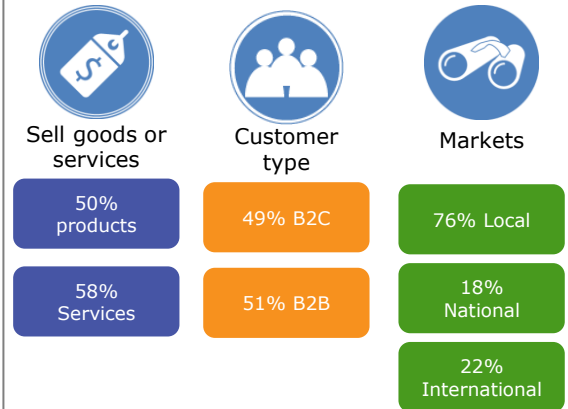
## Industry Type



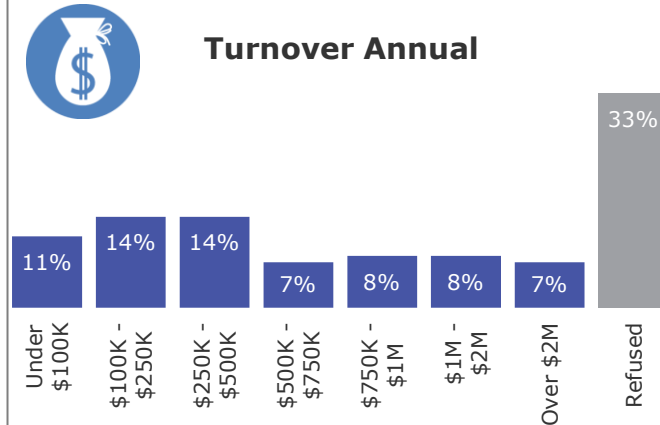
## #Employees



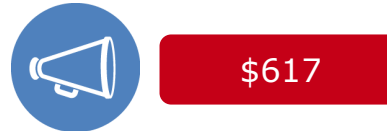
## Business Type



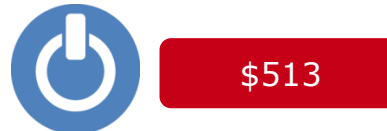
## Turnover Annual



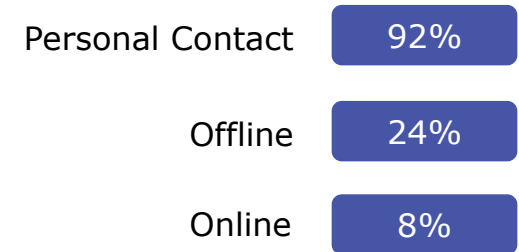
## Marketing spend



## Online spend



## Acquisition of New Customers



Source: S3A, S2B, E1, E2, B12A, B12B; B14A; Base: Very Low (172).

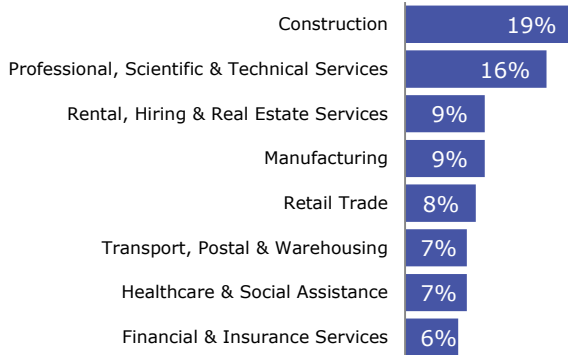
### Connected Small businesses: Detailed survey results





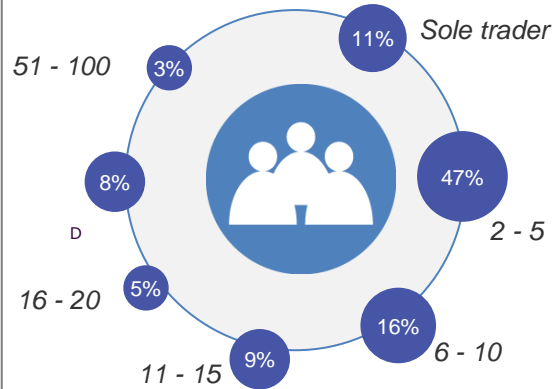
# Profile: Businesses with Low Digital Engagement

## Industry Type

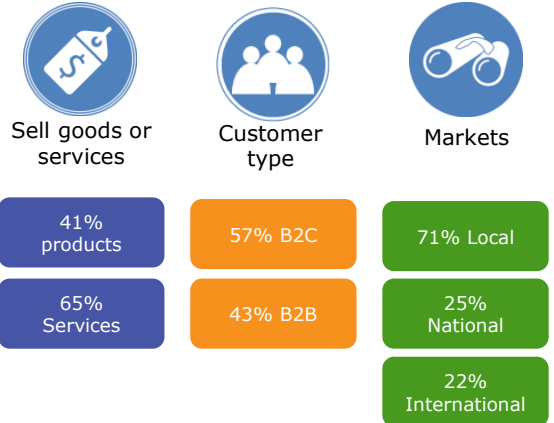


Administrative & Support, Agriculture, Forestry & Fishing, Other, Accommodation & Food Services, Wholesale Trade, Education & Training, Arts & Recreation, Information Media & Telecommunication <5%

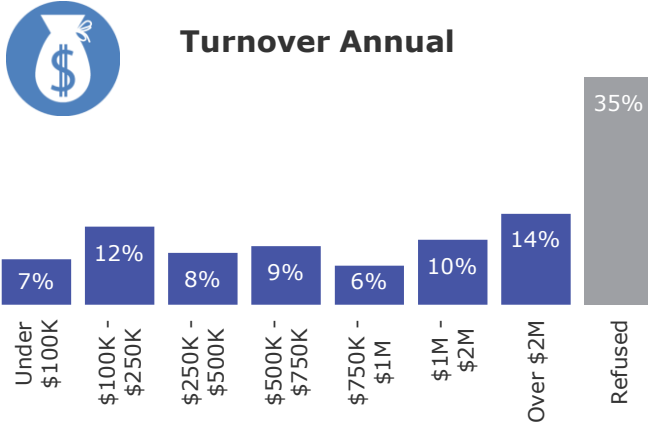
## #Employees



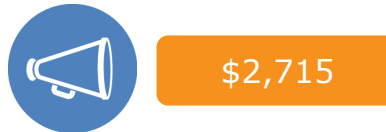
## Business Type



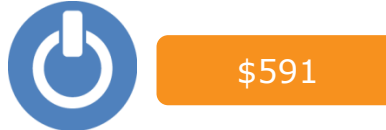
## Turnover Annual



## Marketing spend



## Online spend



## Acquisition of New Customers



Source: S3A, S2B, E1, E2, B12A, B12B, B14A; Base: Low (118).

## Connected Small businesses: Detailed survey results





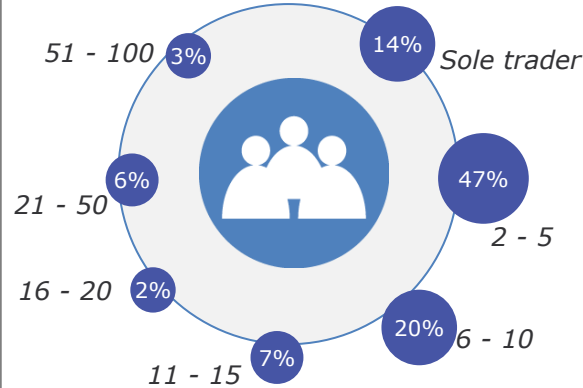
# Profile: Businesses with Medium Digital Engagement

## Industry Type

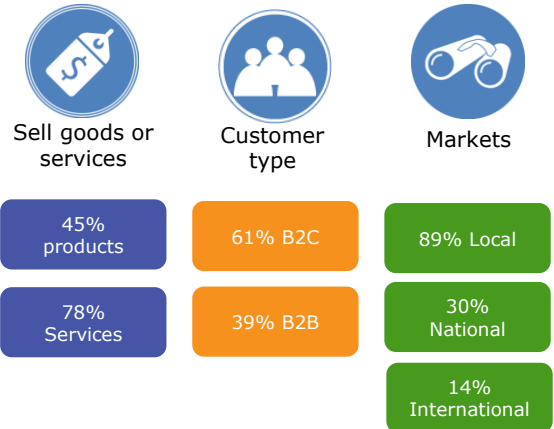


Other, Administrative & Support, Other, Healthcare & Social Assistance, Arts & Recreation, Information Media & Telecommunications, Education & Training <5%

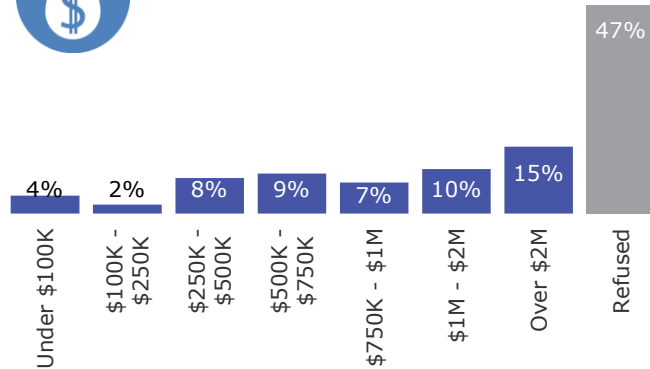
## #Employees



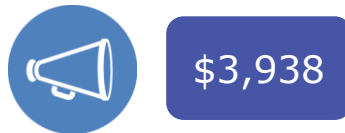
## Business Type



## Turnover Annual



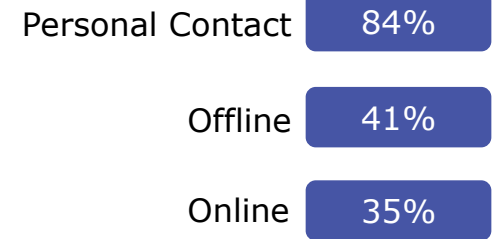
## Marketing spend



## Online spend



## Acquisition of New Customers



Source: S3A, S2B, E1, E2, B12A, B12B, B14A; Base: Medium (125).

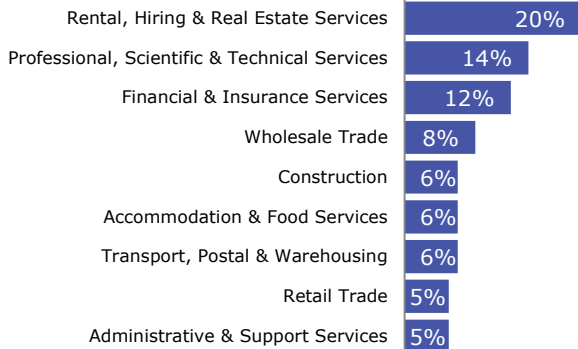


## Connected Small businesses: Detailed survey results



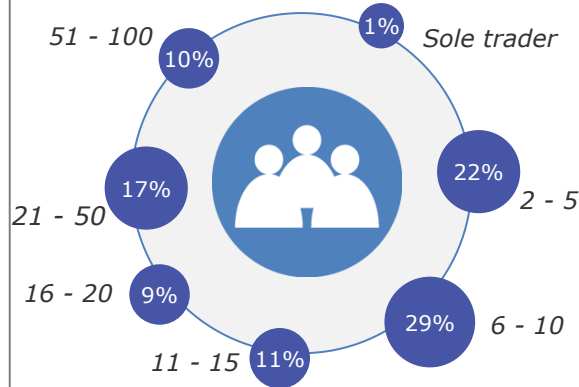
# Profile: Businesses with High Digital Engagement

## Industry Type

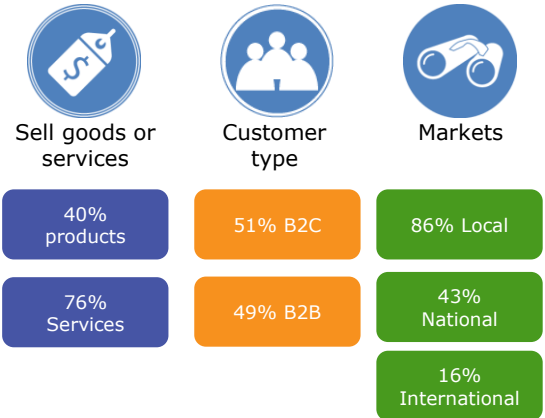


Other, Administrative & Support, Other, Healthcare & Social Assistance, Arts & Recreation, Information Media & Telecommunications, Education & Training <5%

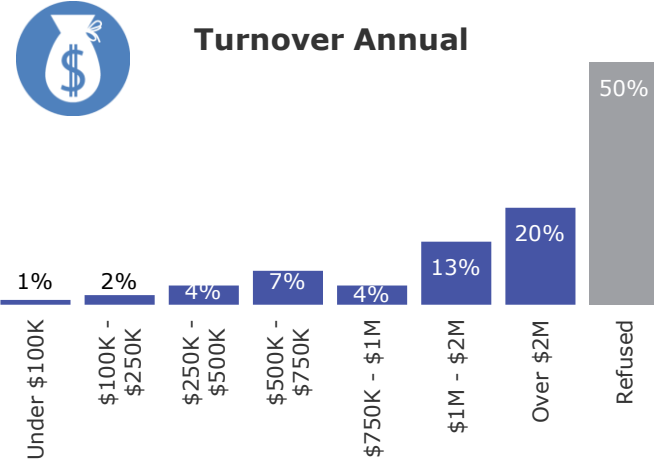
## #Employees



## Business Type



## Turnover Annual



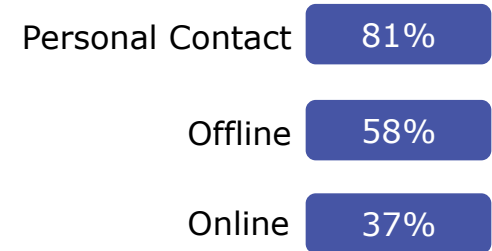
## Marketing spend



## Online spend



## Acquisition of New Customers



Source: S3A, S2B, E1, E2, B12A, B12B, B14A; Base: High (81).

Connected Small businesses: Detailed survey results



# Thank you

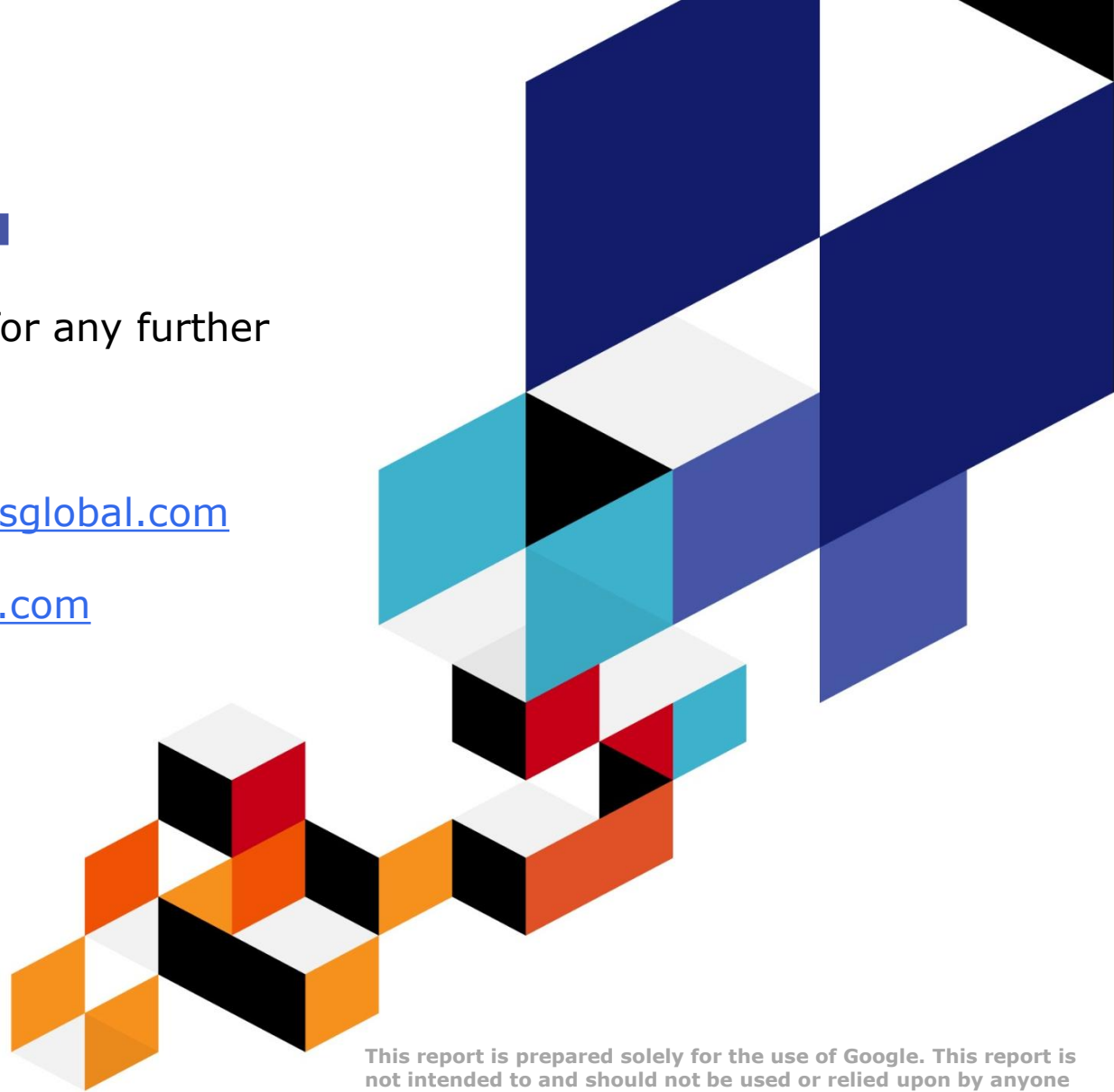
Please contact TNS Australia for any further information.

Amanda Fowler:

[amanda.fowler@tnsglobal.com](mailto:amanda.fowler@tnsglobal.com)

Rhys Sarri:

[rhys.sarri@tnsglobal.com](mailto:rhys.sarri@tnsglobal.com)



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Connected Small businesses: Detailed survey results

