



MELBOURNE IT

Melbourne IT eBiz Review 2011

The inaugural Melbourne IT eBiz Review conducted last year revealed a vibrant sector of Australian small businesses operating online, willing to innovate and try new things but within the boundaries of what was going to make a bottom line impact.

While 2010 was a tough year for many small businesses, this year's survey comes at a time when company insolvencies are nearing a 10 year high, with the Small Business Council of Australia declaring in May 2011 that "small business is in crisis"¹. In addition to looking at how Australian small businesses are using the internet to grow their businesses, this year the eBiz Review aims to shine some light on what the current economic environment means for SMBs' investments in the next 12 months.

What's an eSMB?

This study researched 2,264 Australian small businesses that have a website. Not all Australian SMBs have a website; as such, it would be incorrect to say the following results reflect all small businesses – the study is a representative sample of Australian SMBs who have a website. For ease of understanding for the reader (and brevity's sake), we have called SMBs with a website 'eSMBs' and this is in line with last year's study.

eSMBs and the internet

eSMBs see great value in the internet – 84% of respondents agree or strongly agree that the internet is vital to the operation of their business. Fifty-six per cent of eSMBs also said the internet and email are the primary marketing tools for their business.

As a result, their website and technology feature prominently in eSMB business investment plans for 2011-12.

When asked which parts of the business they intended to increase or decrease investment in the next 12 months, the top three areas chosen for increased investment were website and internet (59% said they would invest more), marketing (54%) and computers and technology (53%). Technology, internet and marketing were the only areas of investment where a majority of eSMBs said they will increase their spend in 2011/2012 (see Figure 1).

Given the current economic climate in Australia is challenging for small business, it would not be unexpected to see high numbers of SMBs planning to reduce spend across their company. However the 2011 eBiz Review showed few eSMBs were planning to cut spend in their business in the next 12 months, with the majority likely to keep investments in line with the past year.

No single area recorded more than 4% of eSMBs intending to cut investment; and underscoring the importance of online to eSMBs was that only 1% were planning to reduce their investment in their website and internet.

	Increase	Stay the same	Decrease	N/A
Office / work premises	24%	67%	4%	6%
Company vehicles	12%	69%	4%	14%
Recruitment	26%	57%	4%	13%
Staff wages	38%	49%	3%	10%
Staff training	40%	48%	2%	10%
Computers and technology	53%	42%	2%	3%
Website and Internet	59%	38%	1%	2%
Marketing	54%	40%	2%	4%
Tools and equipment	33%	58%	2%	7%
Research and product development	39%	48%	2%	12%

Figure 1. Planned changes in business investment by eSMBs in next 12 months.
NB Figures may not total exactly due to rounding

¹ Australian Financial Review, 'Liquidations on rise despite recovery', 9 May 2011

Engaging online

Last year's eBiz Review found that just over a third of eSMBs were using social media in their business for customer-facing activity and in 2011, social media usage has continued to grow with 50% of eSMBs now using social media for customer-facing business purposes.

Among social media using eSMBs, Facebook is popular with 88% having a Facebook page. However, most eSMBs prefer to direct customers to their own website rather than their Facebook page – only 5% preferred to drive customers to their Facebook page rather than their company website (76% said the company website was the preferred customer destination).

While the number of eSMBs that don't use social media has dropped, the reasons cited by those not using social media remain the same. Thirty-seven percent of those eSMBs not using social media still needed to be convinced of the benefits, with 36% saying they did not have the time to maintain it and 28% saying they believed social media was irrelevant for their business.

1	Unconvinced of the benefits	37%
2	Don't have the time to maintain it	36%
3	Social media is irrelevant for our business	28%
4	We are planning to use social media but have not gotten around to it yet	24%
5	Don't have the expertise in the business to use it	21%

Figure 2. Top 5 reasons cited by non-social eSMBs for not using social media

Group buying? No thanks, say eSMBs

The growth of group buying websites – where promotional offers are made to consumers based on the premise that a group of buyers allows for economies of scale – has been widely reported by media in the past year with sites such as Spreets, Scoopon and Groupon vying for consumers to buy their offers. Businesses use these sites to provide a promotional offer if a certain number of consumers sign up for the offer (usually in the form of a coupon).

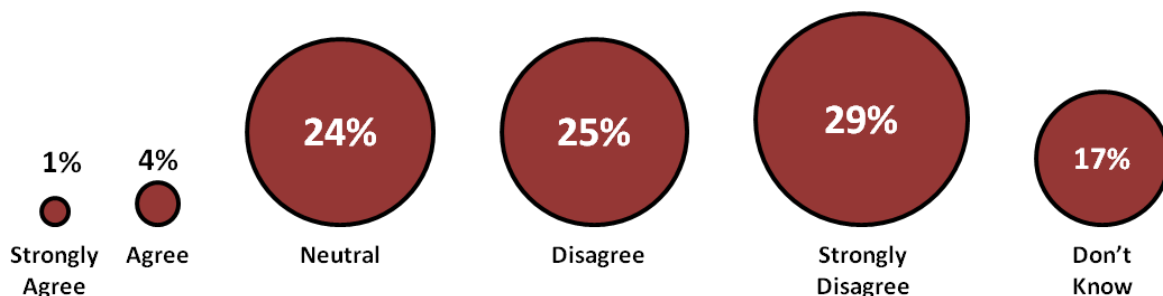


Figure 3. Response by eSMBs to statement: "Group buying coupon sites offer sales and marketing benefits for our business"
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However, despite the media hype, the majority of eSMBs do not believe these group buying sites offer small businesses any sales or marketing benefits – only 5% agreed or strongly agreed that they saw benefits (see Figure 3).

SEO – still not mainstream

The ability for a company's website to be found easily via search engines such as Google, Bing or Yahoo! is widely recognised as important for online success, and as a result, the search engine optimisation (SEO) industry has established itself with the aim to help push websites up higher in results returned by search engines.

A significant number of eSMBs are still not aware of SEO, however the majority of firms that are do not use it (see Figure 4).

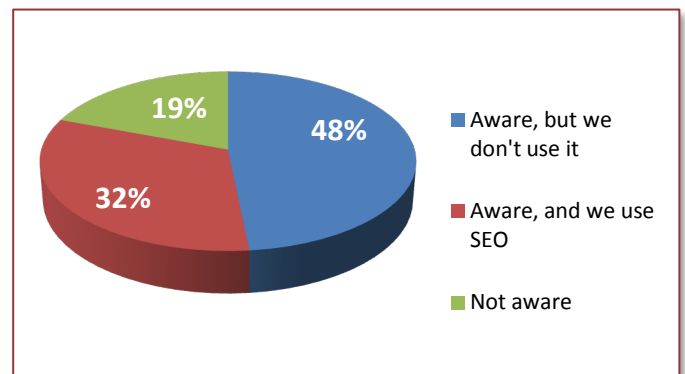


Figure 4. Awareness of SEO among eSMBs
NB Figures may not total exactly due to rounding

When asked if they would pay to improve their search engine results, 31% of eSMBs said no, 32% said yes with the remainder sitting on the fence. Those who did not wish to pay for SEO said their site was already easily found (40%), they didn't have the budget to pay for it (26%), or they'd rather invest in other forms of marketing (25%).

The top areas of marketing spend for all eSMBs – apart from their website – were print advertising (40%), brochures (36%), and email marketing (34%). SEO was ranked 5th (see Figure 5).

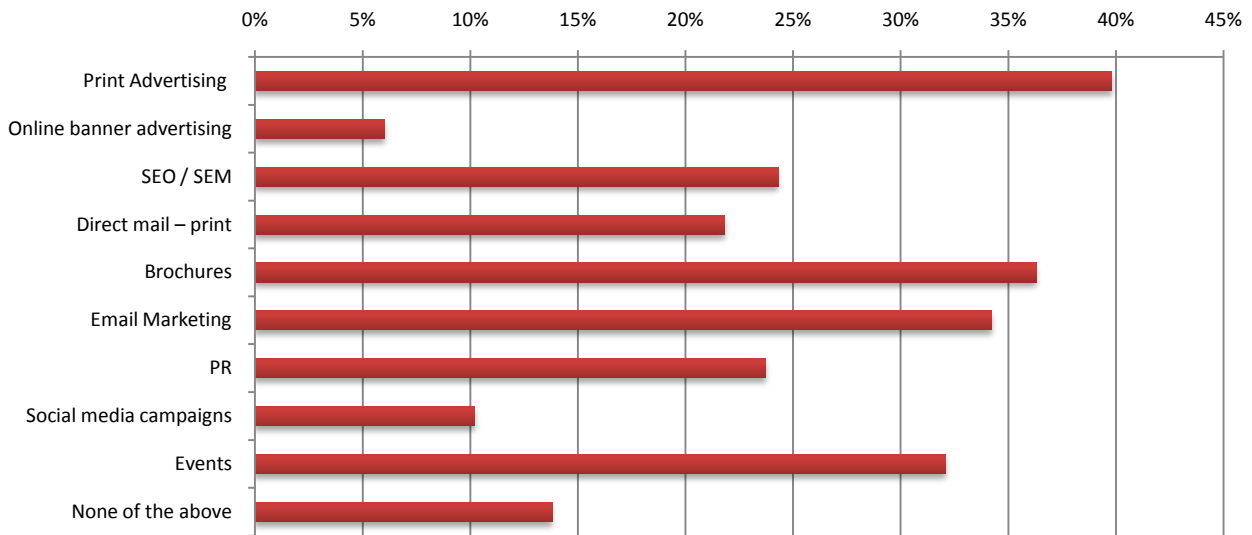


Figure 5. Preferred areas of marketing spend among eSMBs

Our View

The innovation and apparent confidence we are seeing from Australia’s internet-savvy small business sector is encouraging, especially given the tough economic environment that small businesses are currently facing.

However, eSMBs appear to be embracing new technologies and online initiatives to not only survive, but thrive in this environment. Social media usage in particular is growing fast. Social media can be a fabulous business tool for small businesses and those eSMBs who ignore it are missing an opportunity to engage with potential new customers.

But as the results show, speculation of the ‘death’ of the company website in favour of Facebook is exaggerated. The company website remains the primary online information hub for small businesses and it is the preferred destination for them to send their customers.

The results suggest eSMBs are instead using social media as a supplement to their business models rather than making them the focal point, which is in turn helping them broaden their scope, customer base and revenue opportunities.

However the reaction to group buying from eSMBs indicates caution. While short term promotions have their place, we would encourage small businesses to develop an integrated online marketing approach – including social media – to build long-term relationships with customers for long-term gain.

When it comes to taking the integrated marketing approach however, it is interesting that offline marketing methods still rate above online methods in most cases in terms of investment (email marketing

being a notable exception). While an overwhelming majority of eSMBs say the internet is vital to the operation of their business, there seems to be a disconnect with online marketing methods to drive visitors to their websites.

In this regard, SEO still seems to be one of the best kept secrets in the eSMB marketer’s toolbox. With only 32% of eSMBs using SEO, there’s a large number of companies who are ignoring the potential benefits SEO could deliver to their website and business – and an opportunity for savvy eSMBs.

Who we surveyed

This study researched 2,264 Australian small businesses that have a website, spread across more than 26 industries – see Figures 6, 7 & 8 below.

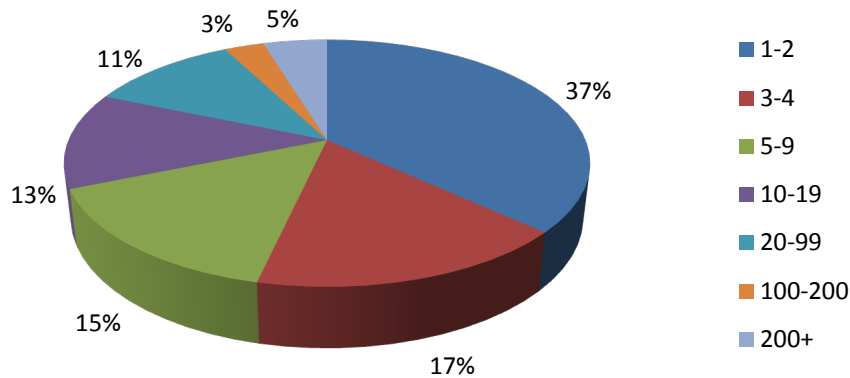


Figure 6. Size of eSMBs surveyed, by employees
NB Figures may not total exactly due to rounding

Figure 7. Industry split of eSMBs surveyed
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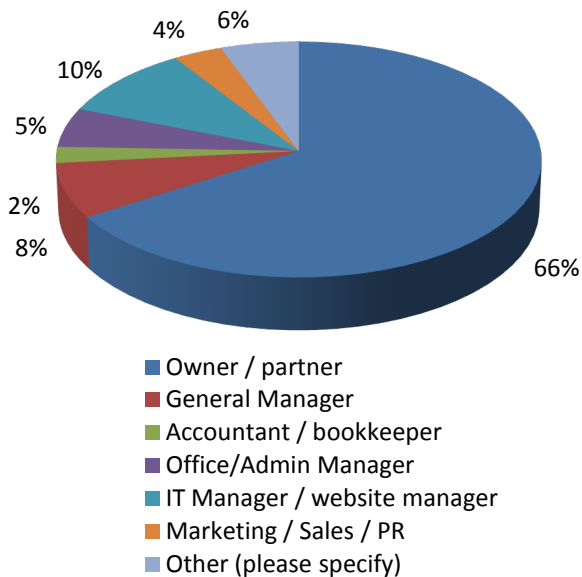


Figure 8. Job title of survey respondents
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Industry	% of respondents
Accommodation	2%
Advertising	3%
Cafes / Restaurants	1%
Building & Construction	6%
Charity / Not-for-Profit	4%
Cultural / Recreational / Entertainment Services	4%
Education / Academic	5%
Electricity, Gas & Water Supply	1%
Farming / Agriculture / Forestry / Fishing	2%
Finance / Insurance / Banking / Stockbroking	5%
Health / Medical / Fitness / Community Services	7%
Internet / Online Services / Portal	3%
Legal / Accounting	3%
Manufacturing - Food & Beverage	2%
Manufacturing - Other	7%
Mining	1%
Misc. Business Services	9%
Personal Services	3%
Printing / Publications / Media	5%
Property / Real Estate Services	4%
Recruitment	2%
Retail Trade	9%
Telecommunications / Information Technology / Computers	7%
Transportation Services / Storage	2%
Travel	1%
Wholesale Trade	5%

CONTACT US



Melbourne IT

1300 654 677

www.melbourneit.com.au