STATE OF THE NATION 2016

Small Business Digital Engagement in Australia

How Australian Small Businesses Are Performing in the Digital Economy

netStripes

Have you earned your stripes?

Introduction

High digitally engaged small businesses:

- Are 2 times more likely to be growing revenue and earn 2 times more revenue per employee than those with low engagement.
- Are job creators, being 4 times more likely to be hiring than those with low engagement.
- Are 3 times more likely to have growth as a business objective, use the internet as a critical facilitator to achieve growth and are 3 times more likely to be increasing investment in digital over the next year.
- Are doing more than just creating a website, as 3 out of 5 small businesses have a website, but less than 1 in 5 have high digital engagement.

Source: Deloitte Access Economic

We are pleased to present the *State of the Nation Digital Engagement Report* for small business success in the Australian digital market.

To establish strong sustainable economic growth in Australia, we must be innovation-driven in our vision and policies; and for innovation to be effective, focus on the development and advancement of small businesses should be a priority. We live in a digital world that has become the foundation for social and business interaction around the world. People connect, learn, socialize and do business primarily through digital means. Therefore, the impact of digital engagement on small businesses is essential for their success. So, the question is, how do we meaningfully design and implement effective strategies to engage

> *The digital world opens up huge opportunities for small businesses, which holds the potential for generating billions of dollars in economic growth and reducing unemployment in the country.*

We believe that key influencers in the industry must join forces with government officials to a) define what constitutes successful and full digital engagement, b) conduct relevant research on digital engagement in the country, and c) put in place a plan to empower small businesses to achieve their potential and help the economy.

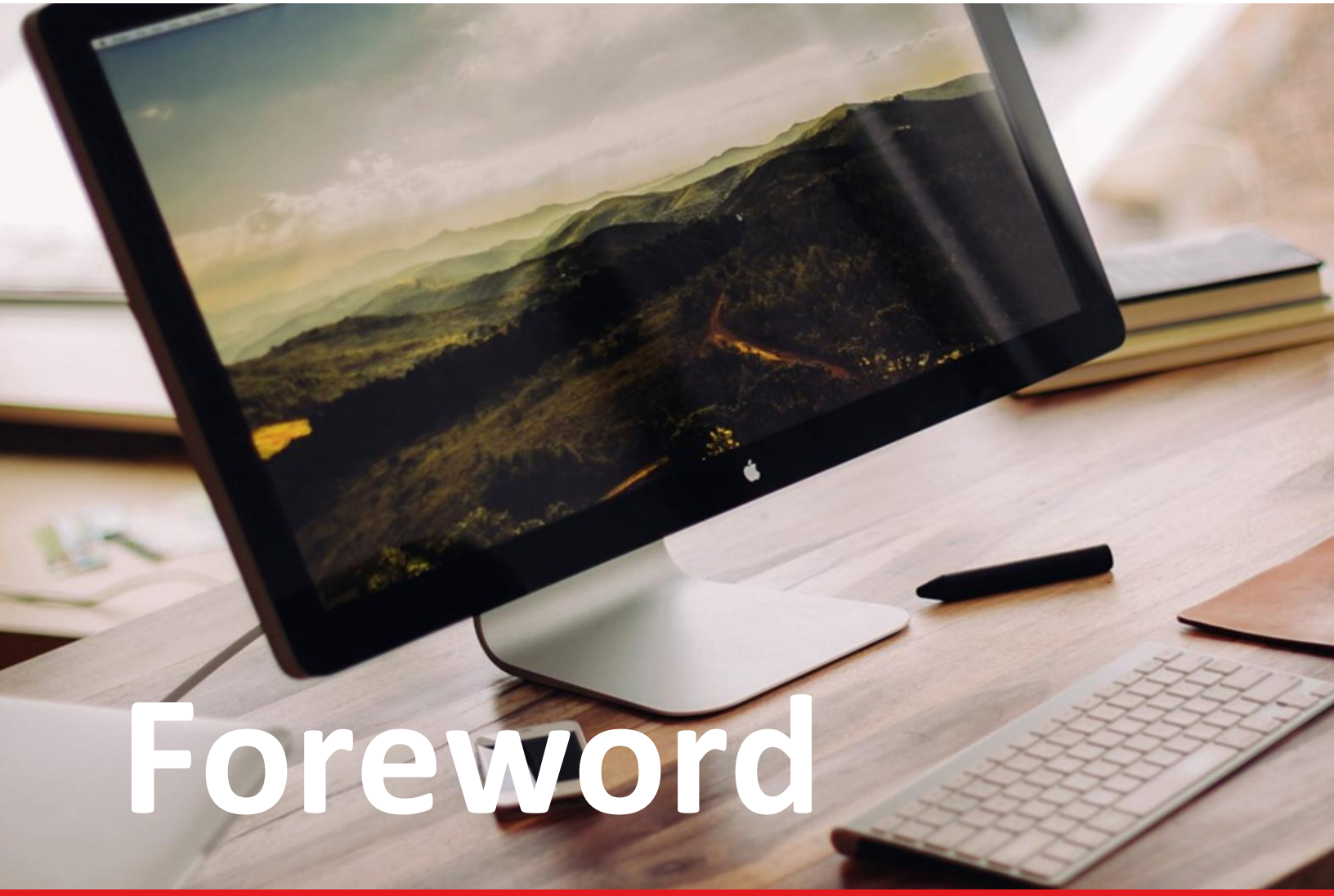
Therefore, we began by asking which small businesses in Australia fit the criteria of successful digital engagement relative to their competition? This inquiry launched a research project, which we carried out in NetStripes, and for which the key findings are summarized in this report. In this project, we had to 1) define the parameters that constituted full digital engagement, and 2) measure the digital performance of small businesses around the country.

> *It is absolutely imperative for small business owners to understand that digital engagement is not a luxury, but an absolute necessity for their success and long-term survival.*

Almost 90% of Australians have access to the Internet; therefore, businesses that do not take advantage of the Internet to reach their customers are going to struggle. Our vision is to improve digital availability and increase performance for small businesses that are not taking full advantage of digital engagement strategies. We hope that this effort will pave the way for better innovation policies and increase the potential for economic growth around Australia.

NetStripes

An innovative Aussie tech start-up, which is dedicated to transforming the way small businesses establish their digital presence and engagement of customers. It does so by building an ecosystem that gets small businesses to be innovative and build the right strategies for success in an increasingly digital world. In this changing environment where technology is transforming every industry, no industry or business is safe however big or small. NetStripes believes that small businesses do not need to be victims of this disruption; they could be part of or even creators in this evolution. In fact, NetStripes believes that if we are able to make 30% more small businesses become digitally engaged, it has the potential to help small businesses grow, resolve unemployment and fuel economic growth in Australia.



Foreword

The Digital Initiative

How can struggling businesses make and sustain their success in an innovation driven economy?

In helping small businesses with strategic digital engagement and providing innovative solutions that deliver sustainable value to our clients, we are establishing new grounds that further the success potential and economic growth of our great country. In the spirit of innovative initiative, we have launched this project to encourage business advancement from a national perspective, with the vision towards global leadership. Advancement requires the right policies to support and sustain it, and as economies and businesses struggle, it is imperative that we put digital engagement at the forefront.

Clients look past emerging businesses that do not have a digital presence, as a result of increased numbers of smart phones and social media engagement. In fact, small businesses that make full use of the Internet enjoy 20% higher annual revenues, which is quite significant. Additionally, more than 50% of all searches are now done via smartphones and increasing, so if a business doesn't have a website that is mobile friendly they are losing half of their potential customers.

The question is: How can struggling businesses make and sustain their success in an innovation-driven economy? The guiding facts in these pages provide the needed insights to help businesses become leading forces within their respective regions and communities. Of course, there are many factors to consider, but the most relevant basics are consistently covered within this report.

We must address the needs of clients, support and develop the platforms of digital engagement, which will foster a more productive global ecosystem for growth. We also must keep pace with new market opportunities and developments, so we are better equipped to develop policies and attract more market value. All this can be achieved if we set clear goals and appropriate measures that are conducive to progress.

Finally, we are committed to advancing innovation through our Bizruption initiative, which builds on our experience and collaboration with other small businesses (close to a 1000 participants and increasing). We recognize that industries are becoming vulnerable to the technological changes, so we created Bizruption to bring together small business owners that understand the industry and technology to fuel discussion around innovation and growth. We encourage you to participate and join us.

Dinesh De Silva

CEO of NetStripes

Executive Summary

> *Small businesses making full use of the Internet could increase their annual revenue by 20%.*

According to the Australian Bureau of Statistics (ABS) report, between June 2013 and June 2014, the vast majority (97%) of Australian businesses were small businesses. However, only 50% of new business entries since 2011 were still operating by 2014.

Small businesses face challenges in coping with digital marketing trends. Understanding how these changes and challenges affect small businesses does not only help digital agencies and business owners to stay ahead of the competition, but it also helps government representatives understand and provide for the growth of small businesses in Australia. Therefore, it is imperative for both business owners and governments to keep track of businesses in relation to their digital presence in lieu of the expected innovations in 2020.

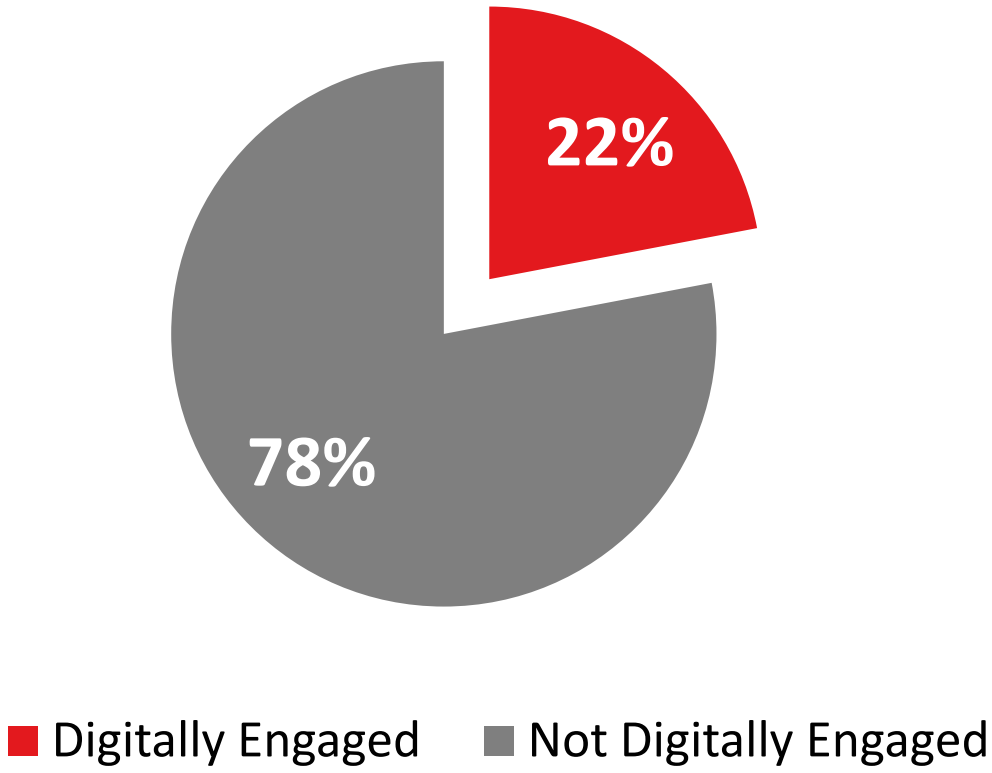
Hence, this study was designed to outline not only the parameters needed to establish the digital presence but also the contributing factors of having a successful digital *engagement* that helps businesses succeed.

> *In this competitive market, businesses that have a rudimentary website and a Twitter account cannot be considered fully digitally engaged.*

Our research sample covered 1000 small businesses around Australia categorized by state and industry (medical, legal, professional services, trades, and hospitality).

We defined 16 parameters for full digital engagement, in which two analytical modules were used, namely Digital Index (overall digital presence and engagement) and Web Index (whether the Website was functional and competitive).

Digital Engagement National Index



The result scale was binary (Yes=1/No=0) for each parameter except for homepage function (Busy/Yes=0 and Not Busy/No=1) depending on whether it was fulfilled or not by each business.

> Businesses should ideally fulfill *all* parameters to take *full* advantage of Digital Engagement.

DIGITAL INDEX

1) Functioning Website.

2) Mobile-Optimized Website.

Active Social Media Engagement:

3) Facebook

4) LinkedIn

5) Blogs

6) Email Marketing/Newsletters

7) Regular and consistent updates (15 per month on average).

8) Search Engine Optimization (SEO) for 1st page ranking on Google.

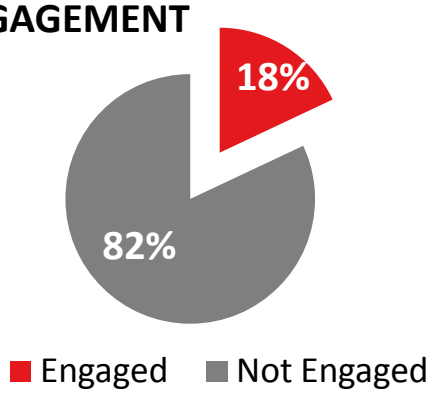
WEB INDEX

1. Mobile-Optimized Website.
2. Functioning Homepage (not busy, user-friendly & simple to operate).
3. Homepage Caption that conveys brand essence.
4. Design Quality (strong, integrated visuals, well-written content, consistent use of logo & branding elements…etc.)
5. Trust Signals (awards, accreditations…etc.)
6. Website Speed (fast & easy to load).
7. Clear List of Service Offers.
8. About Us with photos.
9. Testimonials.

If a business fulfilled 4 parameters or more out of 8 on the Digital Index, and 5 parameters or more out of 9 on the Web Index (both modules share mobile-optimization) it was considered digitally engaged.

AUSTRALIA

SOCIAL MEDIA ENGAGEMENT



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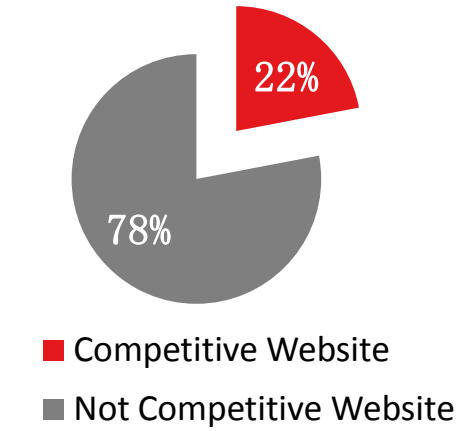
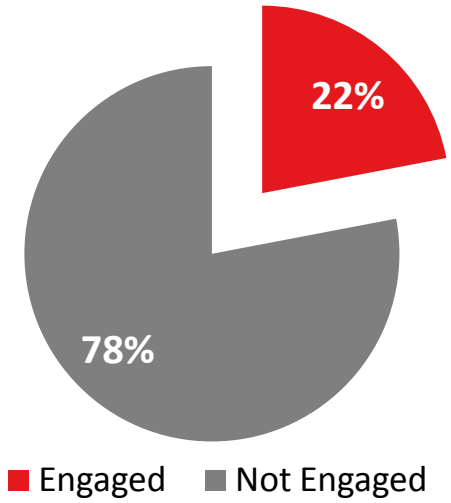
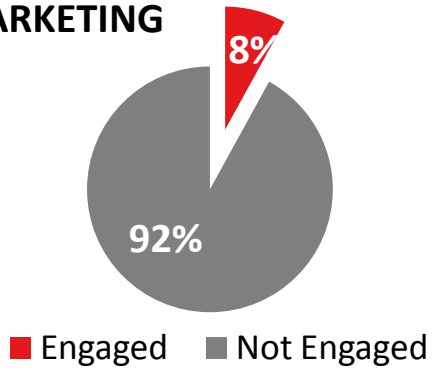


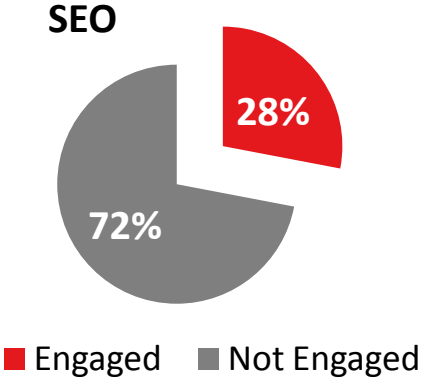
DIGITAL ENGAGEMENT



EMAIL MARKETING



SEO



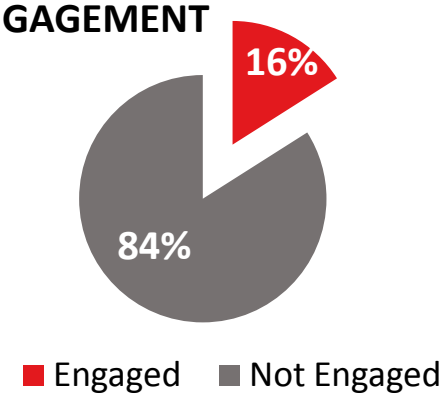
Shockingly only 45% of businesses have mobile optimised websites despite the fact that Australia is 6th in the world when it comes to smart phone ownership with a penetration rate of 64.6%. This means that 55% of businesses are not found through Google when people search for their services and products. In addition, only 62% of small businesses have clear service offers on their homepage, which means that 38% of the businesses still confuse their website visitors on what services they offer.

More shockingly only 22% of businesses have good website design quality, which means that 78% are using bad templates or design. Australia is 5th in the social media use in the world and yet only 18% of small businesses are engaging with their customers on social media. In addition, Email Marketing, which is one of the best and most affordable channels available, is used by only 8% of small businesses.

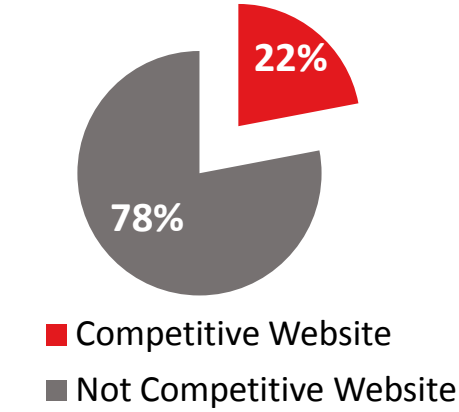
Finally, only 28% of businesses are using SEO efficiently, which means that over 70% are not easily found online when potential customers look for the services they offer on search engines.

NSW

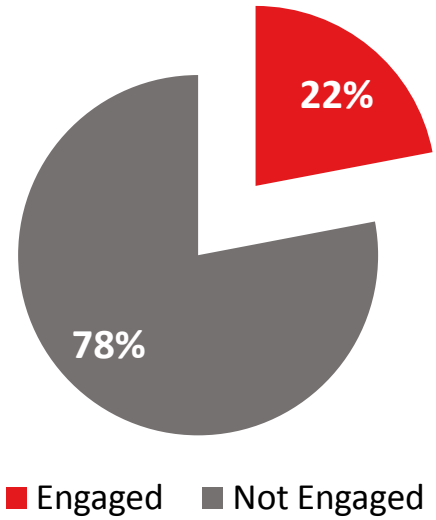
SOCIAL MEDIA ENGAGEMENT



WEB INDEX



DIGITAL ENGAGEMENT



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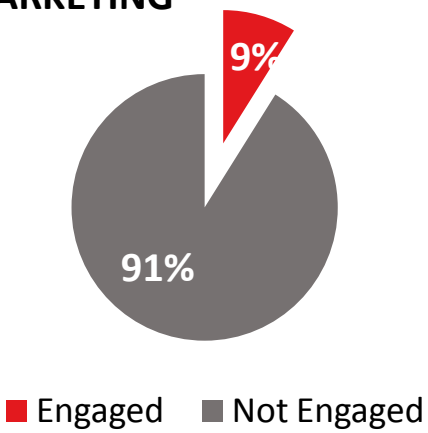
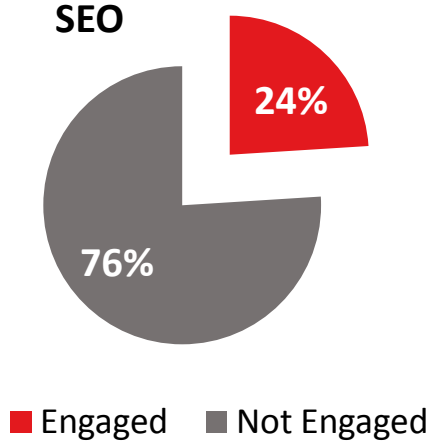


SEO



We were surprised that NSW came 5th in national ranking, especially that only 22% of the businesses we examined were digitally engaged. Additionally, only 57.6% have clear service offers on their homepage, which means that 42.4% still confuse their website visitors about what services they offer.

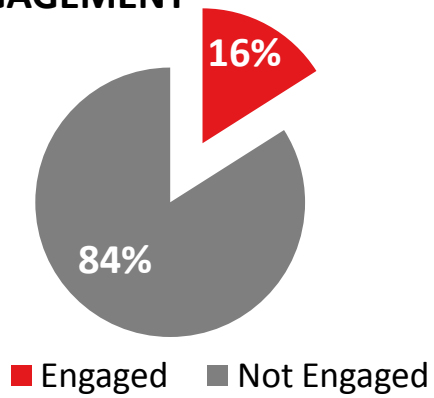
The most shocking discovery was that only 15% of small businesses have competitive design quality, which means that a staggering 85% are using out-dated, cluttered and poorly designed platforms that do not reflect the professional standards of the business.

Even though 3 in 5 Australians interact with companies via social media platforms, Facebook was used by only 35% of small businesses. This is disappointing, since Australians spend more time on social media than any other country in the world; however, small businesses fail to take advantage.

Finally, SEO was effectively used by only 24%, which indicates that 76% of the businesses in NSW are not found when people search for their services on Google.

VIC

SOCIAL MEDIA ENGAGEMENT



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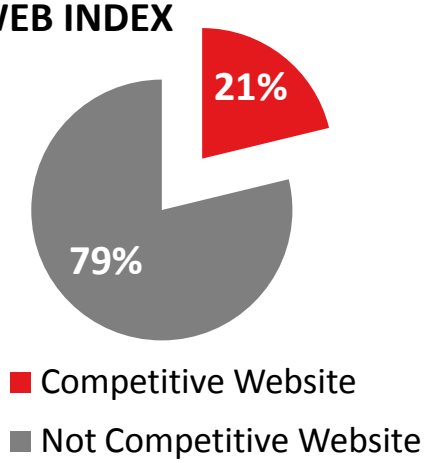
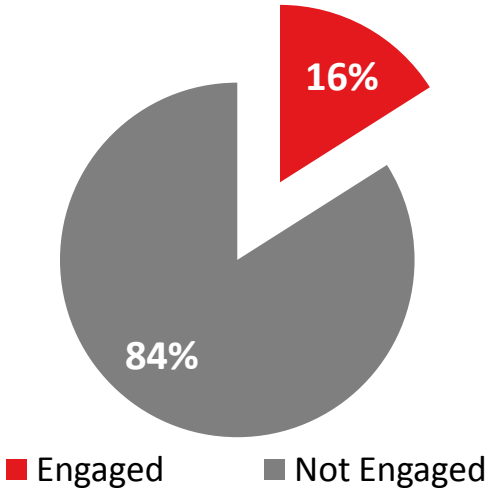


DIGITAL ENGAGEMENT



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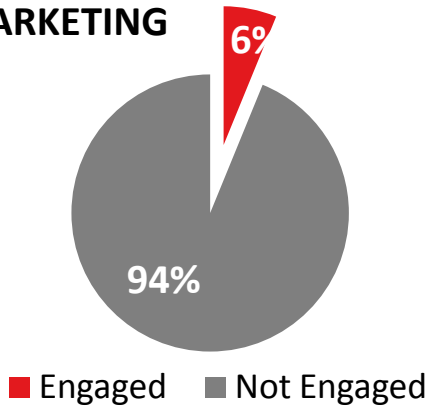

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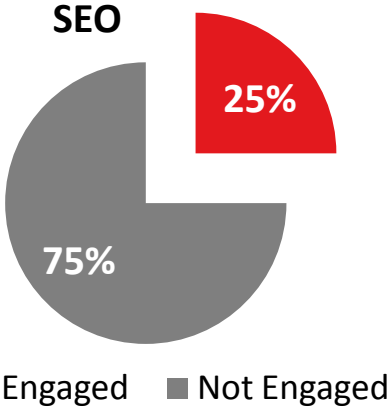


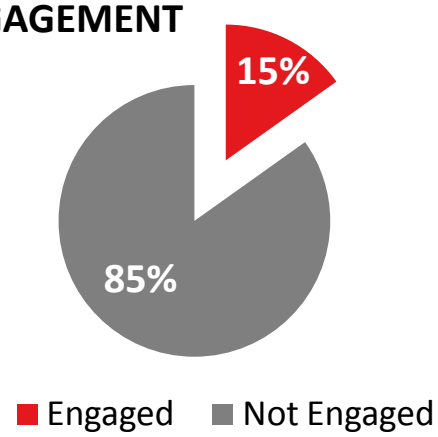
Victoria is the second lowest in national ranking, which accounts for the low percentage of digital engagement in that state. Additionally, only 39% were mobile-optimised, and 47% communicated their service offers clearly.

The design quality was at a low 17% where human interaction was lacking and the strategy was fundamentally missing. Likewise, social media engagement was just as low at 16%. Very much like NSW, the favourite social media channel is Facebook (35%); however, only a staggering 3% use blogs to express their thought leadership.

Finally, email marketing was used only by 6% of businesses, and 25% were taking advantage of SEO efficiently.

Over all, VIC performed at the low range on all fronts of digital engagement and digital marketing strategy.

SOCIAL MEDIA ENGAGEMENT



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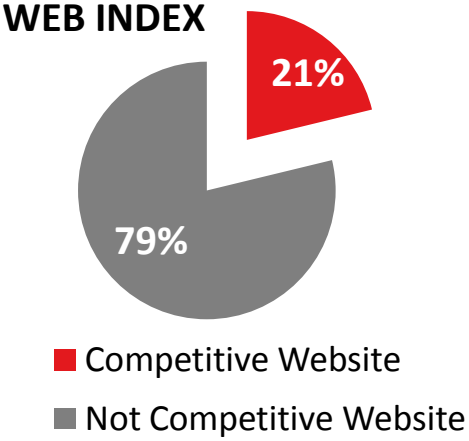

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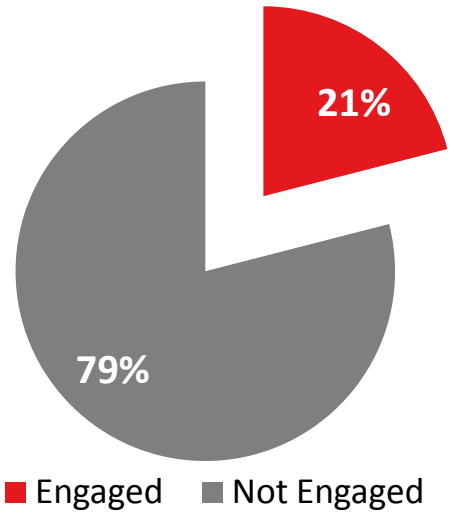

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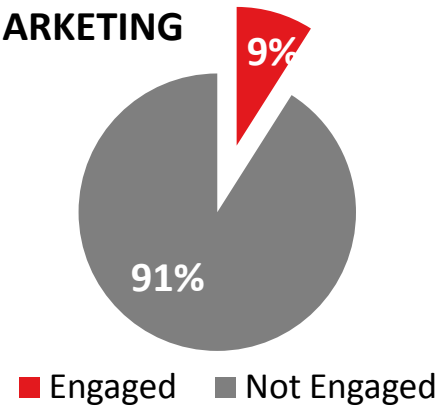

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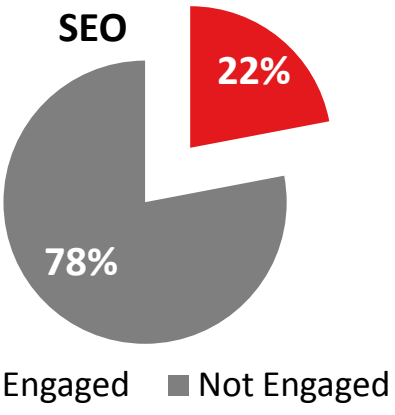


A fair percentage of websites were mobile-optimised (41%) in QLD, which means that 59% of small businesses are not found when people search their services on their phones.

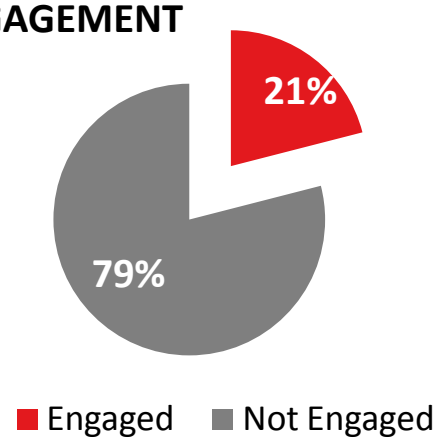
The state's design quality was slightly above the national average at 30%, but 45% are still confusing their web visitors on what services they are offering.

Social media engagement is lower than the national average at only 15%, which means very few businesses are engaging with their target market.

Finally, 78% of small businesses in QLD are not using SEO efficiently, which means their websites are not found on the 1st page of Google when key search words for their industry and location are typed in.

QLD is an important state for corporate businesses, which is why these results were surprisingly low for this state's economic potential.

SOCIAL MEDIA ENGAGEMENT



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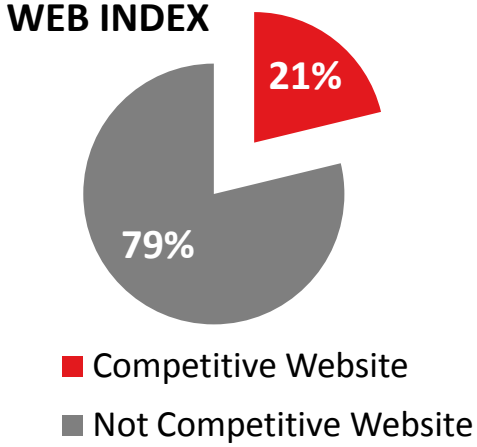
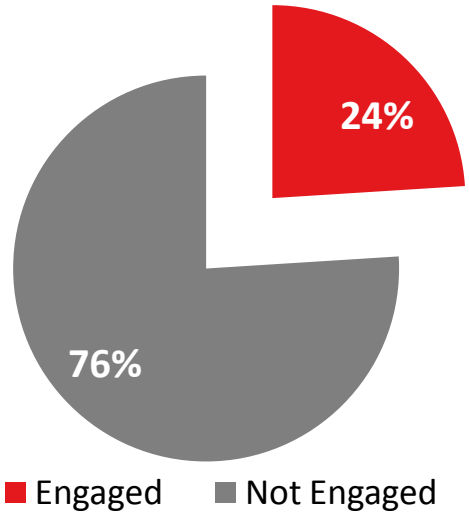


DIGITAL ENGAGEMENT



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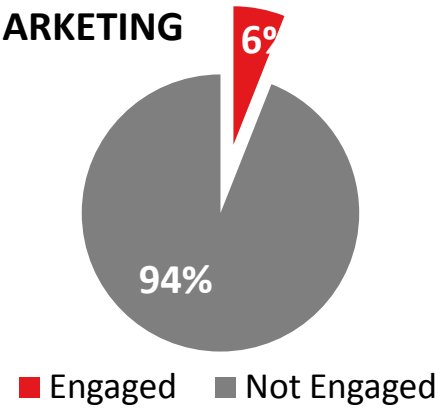
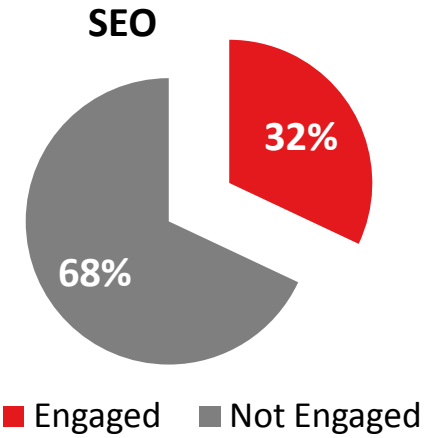


SEO



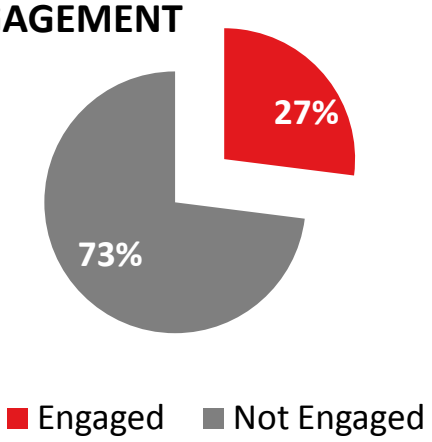
Both the digital and web index were lower than national average for this state, which is evident in their low percentage scores on design quality (18%), social media engagement (21%) and email marketing (6%).

However, 45% or websites were mobile-optimised, 53% of businesses have clear service offers, and 32% were using SEO efficiently, which puts WA roughly in the middle of national ranking.

Nevertheless, the scores are low, especially relative to marketing strategy, which sheds serious doubt on the continuity of small businesses in this great state.

ACT

SOCIAL MEDIA ENGAGEMENT



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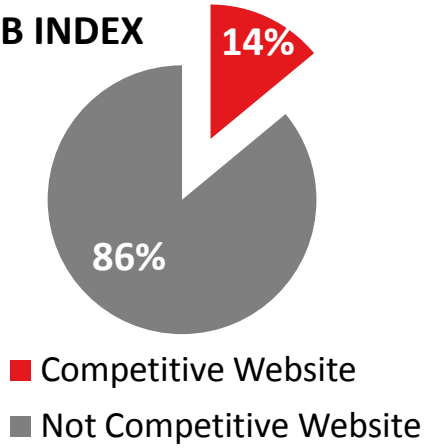
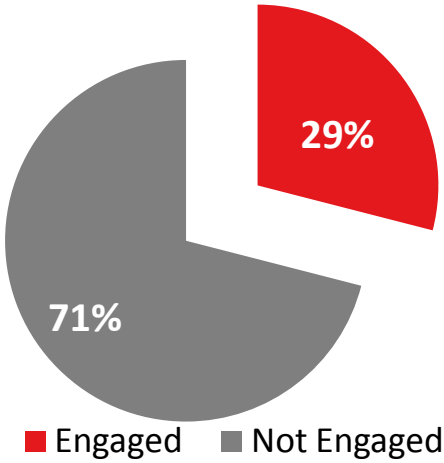


DIGITAL ENGAGEMENT



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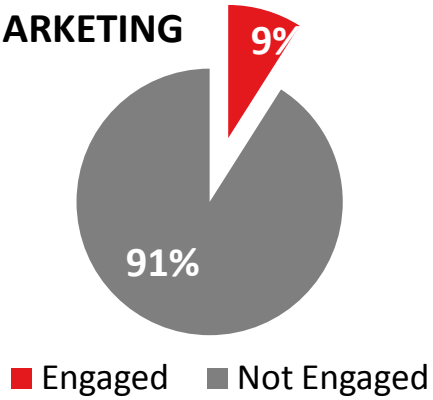
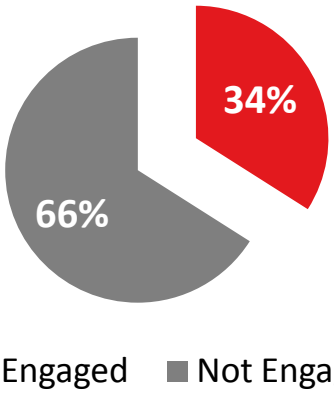


SEO



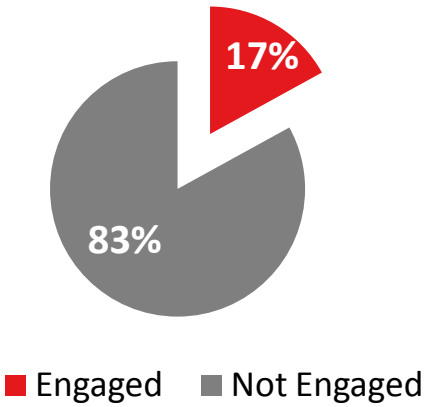
Given that this state holds the national capitol and is the economic centre, surprisingly, it did not score highest in digital engagement national ranking, coming in at 3rd highest.

However, ACT did score higher than national average in mobile optimisation (51%), service offers (56%), design quality (27%), social engagement (27%), FB (51%), LinkedIn (27%), and SEO (34%); yet scored shockingly low in email marketing (9%) and blogs (4%).

Even though it is one of the 3 highest in national ranking, a staggering 71% of businesses were not digitally engaged, and 86% of websites were not up to standard, which is surprising given this state's national and economic strategic importance.

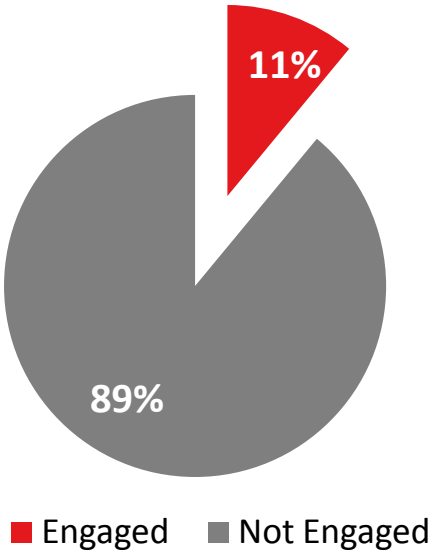
NT

SOCIAL MEDIA ENGAGEMENT



WEB INDEX

DIGITAL ENGAGEMENT



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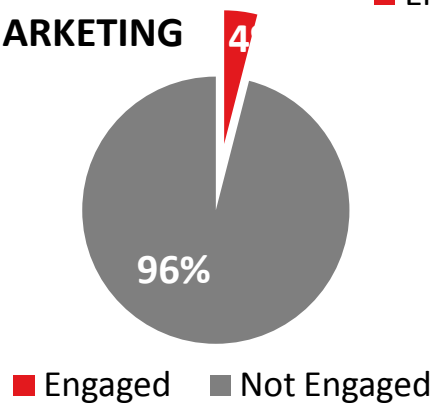
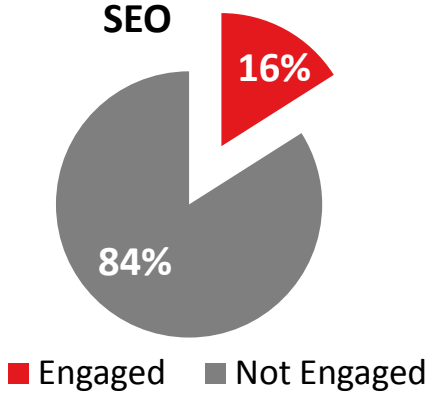


SEO

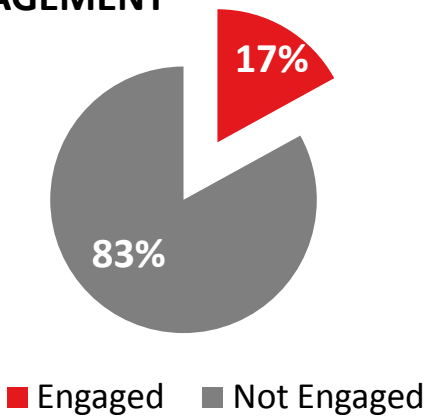


The Northern Territory scored the lowest in the country in digital engagement (11%) where a shocking 89% of small businesses in that state were not digitally engaged. In addition, 69% of websites did not have the competitive edge. It scored zero in the use of blogs, had the lowest usage of email marketing at only 4% and only 17% engaged with their target market using social media.

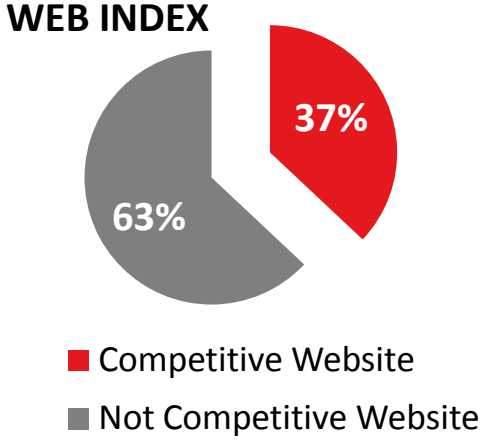
Nevertheless, less than half of the websites were mobile-optimized (41%) and 64% of businesses had clear service offers on their homepage, and good design quality (29%). In addition, this state favors FB as a social media platform of choice for small businesses, putting it at the highest national average for FB usage.

SA

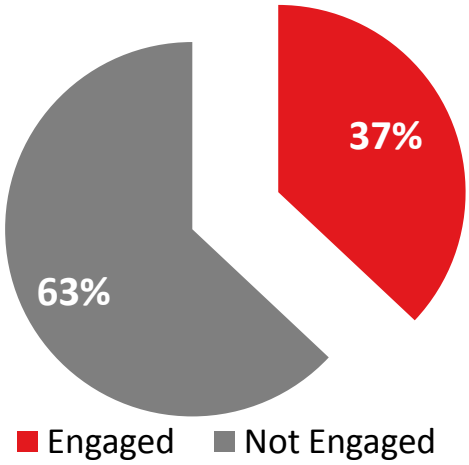
SOCIAL MEDIA ENGAGEMENT



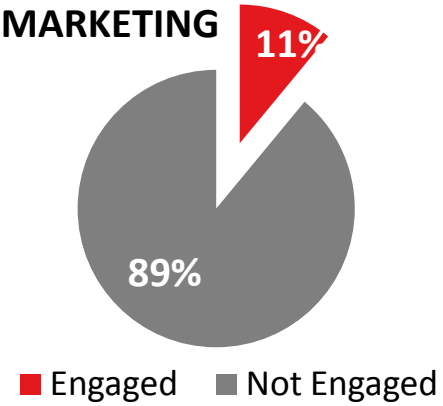
WEB INDEX



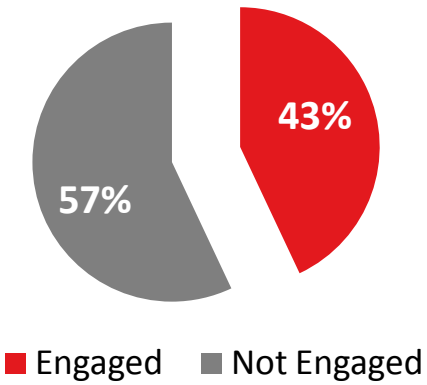
DIGITAL ENGAGEMENT



EMAIL MARKETING



SEO

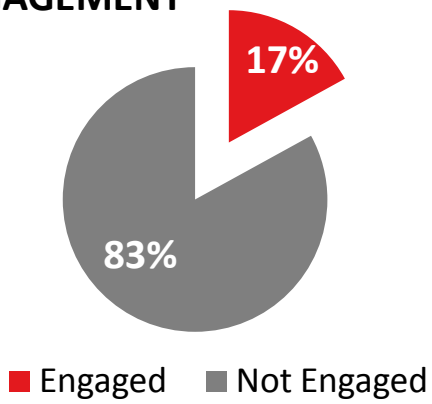


South Australia is the highest-ranking state in the country where 37% of small businesses are digitally engaged. They scored highest than national average in mobile optimisation as well (66%) and came second highest after Tasmania in service offers (73%).

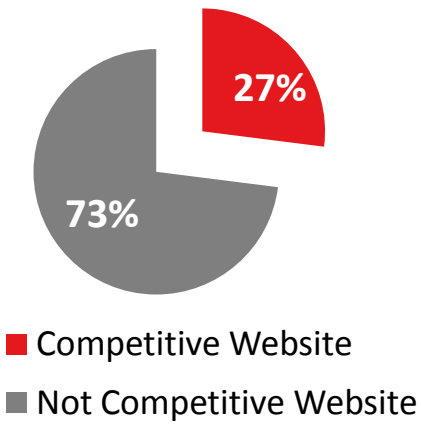
Only 17% of businesses were engaging their target market using social media effectively to the exclusion of Blogs (only 1%); however, 43% of businesses are using SEO effectively, which is highest in the country. Likewise, the use of LinkedIn (19%) and email marketing (11%) also came in highest in the country.

TAS

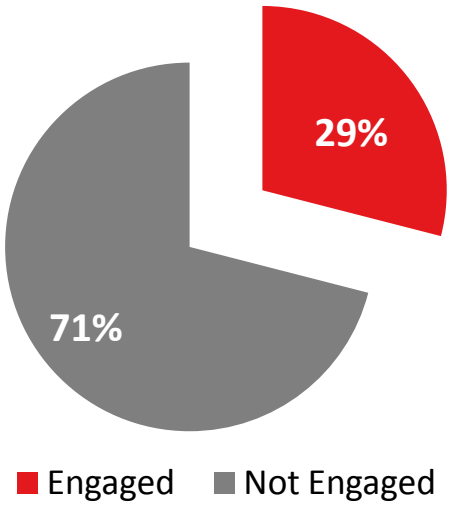
SOCIAL MEDIA ENGAGEMENT



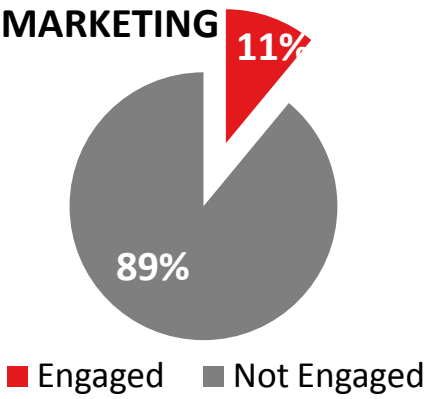
WEB INDEX



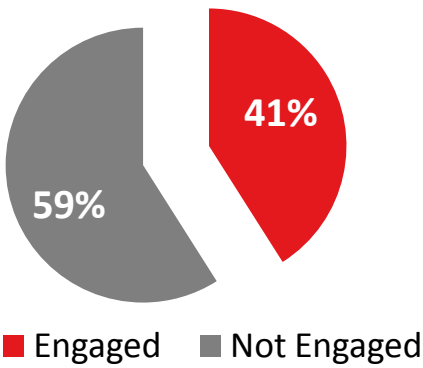
DIGITAL ENGAGEMENT



EMAIL MARKETING



SEO



Tasmania comes in as the second highest in national ranking. In fact, they come second highest in digital engagement (29%) and mobile-optimisation (51%).

However, they scored highest in the country in service offers (83%), and design quality (33%). Additionally, SEO is used effectively with 41% usage; however, the social media engagement score (17%) is less than expected even though FB was favoured the most by businesses at 40%.

Implications

> *According to The Global Innovation Index 2015, Australia ranks 17th place on a global scale and 10th on the Innovation Input Ranking.*

We were surprised to find that 78% of Australian businesses in this sample were NOT digitally engaged which is shockingly high; this is not acceptable for a developed and advanced country like Australia.

Needless to say, it is not easy to launch a small business, and it is even harder to sustain it; however, by not taking full advantage of digital engagement, these businesses are severely affecting their survival rate within a highly competitive market, not to mention missing out on higher revenue per annum. So the real challenge is how to inject momentum to spur these businesses towards strong and effective digital engagement, which will both benefit them, and the country's economic growth.

According to The Global Innovation Index 2015, Australia ranks 17th on a global scale, and even though it ranks 10th on the Innovation Input Ranking especially relative to Infrastructure, Human Capital and Research, and Market Sophistication, it has fallen sharply in these areas, plus knowledge and technology in the Innovation Output Ranking, placing Australia 24th globally. This clearly correlates with the resultant gap in Australia's digital engagement capabilities, which is disappointing, since Australia had ranked 7th in 2014 for Ease of Starting a Business, which was indicated as a clear strength in Australia's economic progress.

So far this report focused on the quantitative measures to identify the problem areas; however, more qualitative/ethnographic research is needed to investigate the reasons behind small businesses failing to achieve digital engagement.

> *What are the reasons behind small businesses failing to achieve digital engagement? Is it cost? Awareness? Low funding?*

We feel that the most important question is: whether there is a link between digital engagement and business continuity? And how does digital engagement affect business innovation? Utilising innovation and research findings towards context-specific solutions that address local challenges should be the next step. Therefore, finding out the answers to these questions will help with implementing the best strategy and planning principles to reach these businesses and help them thrive by becoming digitally engaged.

Australian small businesses should consider digital engagement as their major marketing tool; however, they must utilise it efficiently to make the most out of it. Digital engagement strategies are like a chain; if one link is missing or lacking in efficiency business success will be adversely affected. Small businesses around the country need to be educated on the importance of digital engagement and how it could make a big difference in their success. Therefore, it is imperative to take this market study into account when addressing innovative actions to raise the potentials of economic growth

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