

Suncorp

Cost of of Being Connected (SMEs)

August 2016

The Cost of Being Connected (SMEs)

According to the Cost of Being Connected report, the latest survey in the Suncorp Cost of Living research series, small and medium sized businesses ('SMEs') in Australia including sole traders spent an average of \$17,332 in the last financial year on digital products and services.

Unsurprisingly, total expenditure as well as spending on each of the different components varied significantly according to the size of businesses.

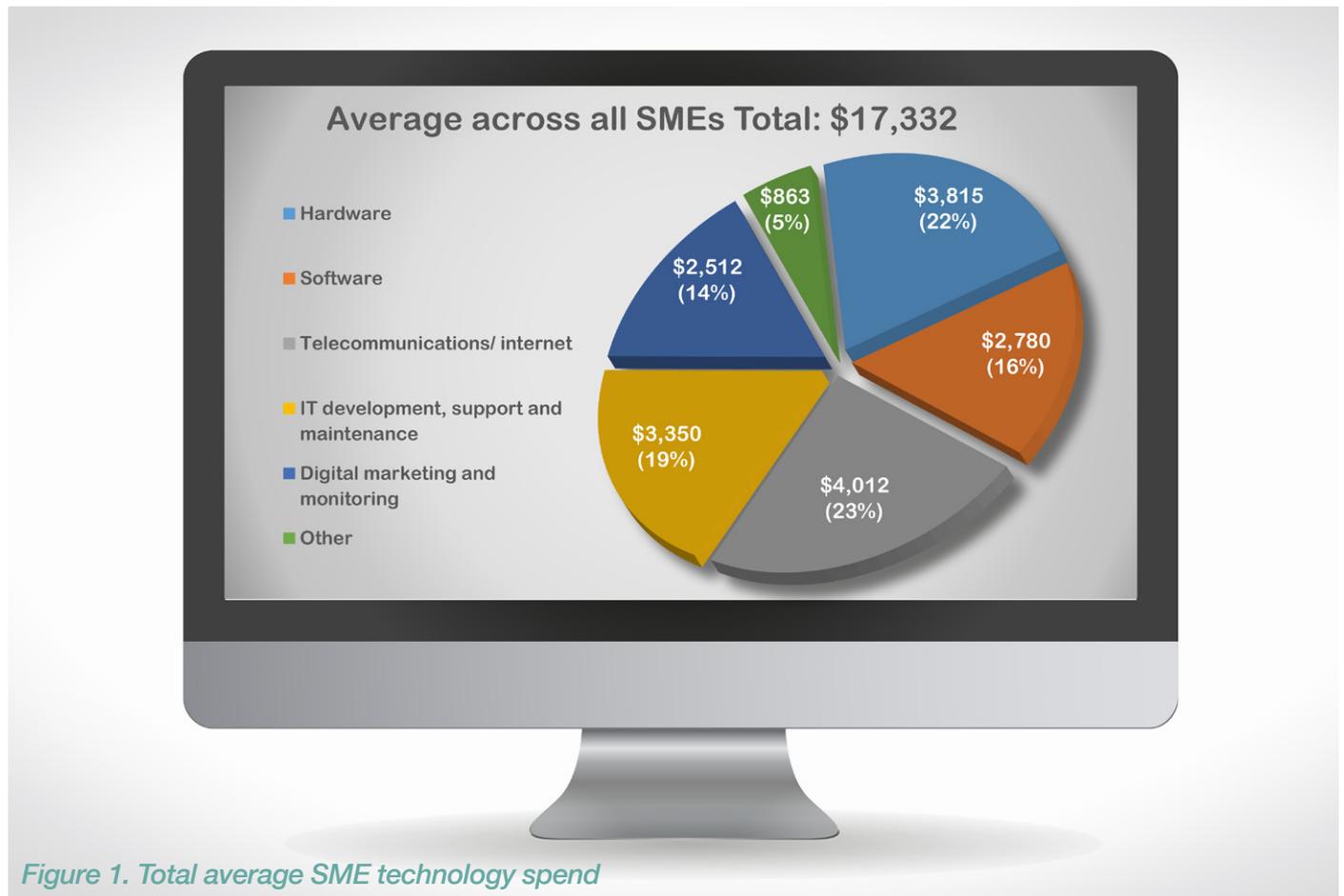


Figure 1. Total average SME technology spend

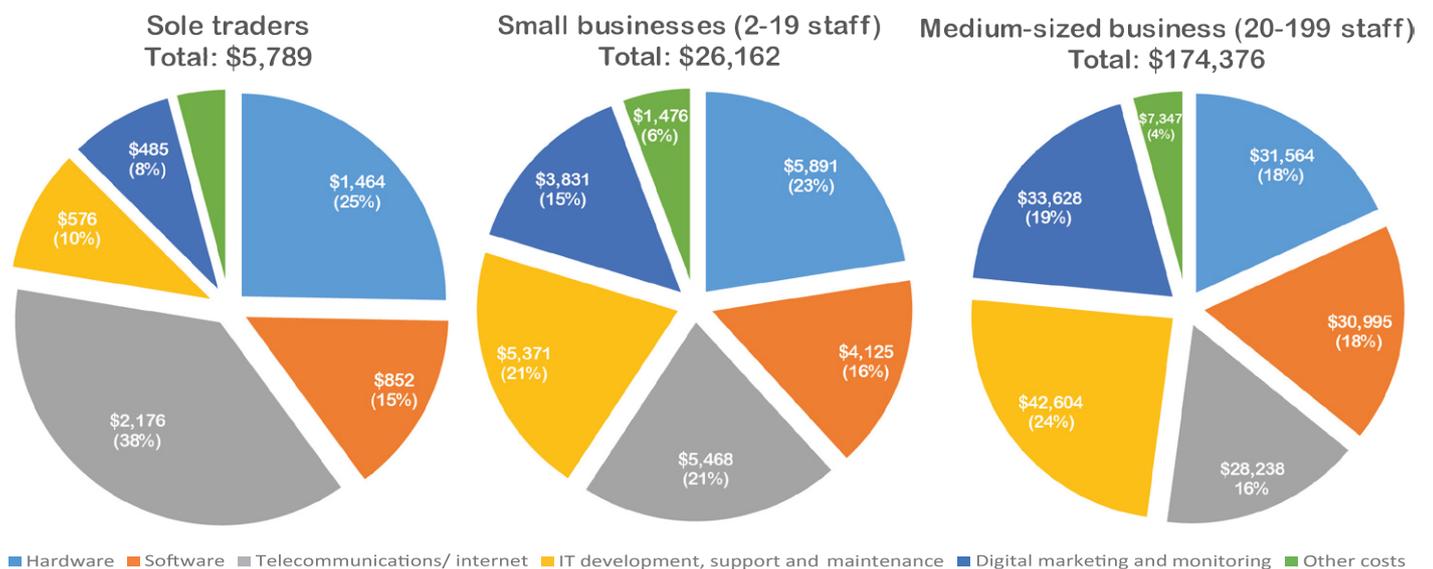


Figure 2. Average technology spend by size of business

Digital customer engagement

What are some of the ways in which SMEs are using technology to attract and engage customers? And how much are they spending to do it?

For reaching new customers, more than one third of SMEs (34%) are using unpaid social media (e.g. Facebook), and 28% are using direct email marketing to attract new business. In the retail and hospitality industry however, almost double the average proportion (64%) are using unpaid social media to spread their message.

Digital usage varies by the size of the business: larger SMEs (with 20 or more employees) are more likely to use almost all of the below methods to attract new customers, especially search engine optimisation and marketing and digital media monitoring.

Larger SMEs are also much more likely to have a personalised account log in via website and/or mobile phone app, with three out of five (60%) providing this functionality to their customers; and a quarter (25%) have live web chat, compared to just 4% of sole traders and small businesses.

Finally, email or video updates from senior staff (31%) and again social networks (22%) are the most popular digital methods for engaging employees amongst SMEs. Interestingly, while 42% of all small and medium-sized businesses do not engage with their staff digitally, only 4% of the largest (i.e. medium-sized) business don't do this in some way.

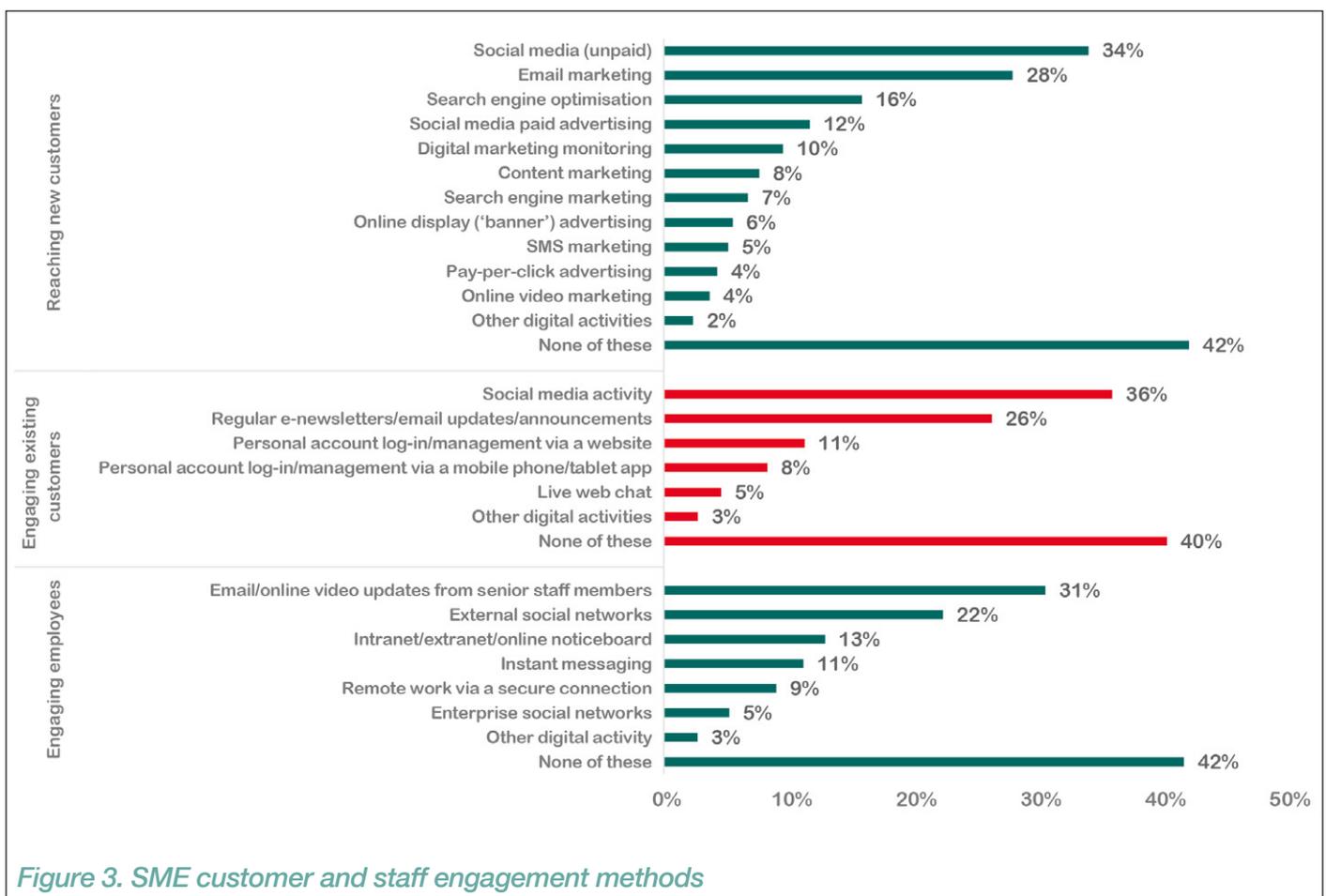


Figure 3. SME customer and staff engagement methods

¹Sole traders were not asked about this

Survey respondents indicated on average they personally spend half their time using digital media to reach new customers, and for larger SMEs this rose to two thirds of their time. The same was the case for engaging existing customers digitally.

What is driving this level of engagement? The survey asked respondents how much they agreed with a range of statements to do with customer demand for availability in the modern marketplace: the results reveal a general consensus that ‘9am-5pm’ is a thing of the past, and customer expectations are becoming more demanding.

Only 29% of SMEs agree that “the business operates traditionally: we typically work a 9-5 hour day”, while conversely 70% agree that “traditional business hours are a thing of the past: we work whenever our clients and customers need us most”; and 65% agree that “customer and clients expectations on speed and timeliness of our response times has continually increased over the past 5 years”.

And while 57% agree that technology has been fundamental in helping SMEs to keep up with this demand, this increases to 66% amongst businesses who are using technology to connect with their business, compared to 40% amongst businesses who are “digitally disengaged”.



The 'digitally disengaged'

Interestingly, the Cost of Being Connected research revealed that one third (33%) of all SMEs are not using technology to engage with new or existing customers. Who are these 'digitally disengaged' businesses?

Almost three in four (74%) of them are sole traders, and nearly 3 in 5 (58%) receive all or most of their revenue from business customers. In terms of industry, the largest proportion of them come from the professional and financial service sector (29%), compared to just 7% in retail and hospitality. Finally, 28% of these "digitally disengaged" have been in operation for more than 20 years.

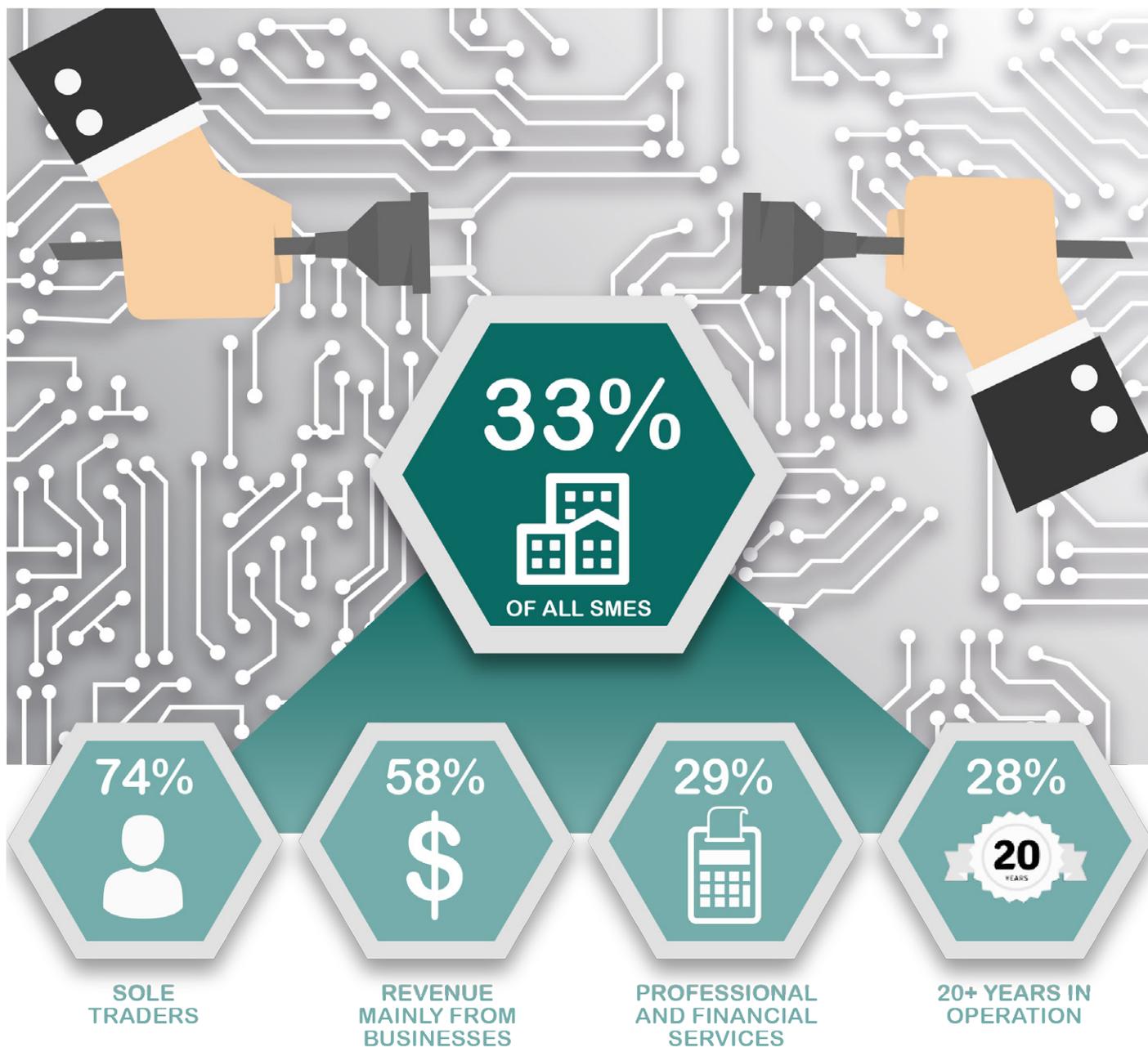


Figure 5. Profiling 'digitally disengaged' SME's

Business success and innovation

How do SMEs in Australia define ‘business success’, and does being connected have an impact on this? The top indicator of success is “the satisfaction of customers”: 94% of SMEs deemed this to be important when judging the success of the business, more so than financial performance (86%).



When asked to rate the overall success of their business to date, about three in five SMEs (59%) gave themselves a rating above an average level of success (6 or more on a scale of 0-10). The average for SMEs polled here was 7 out of 10.

How does something like innovation - defined as “a new method, process, idea or product relating to any aspect of the business including administration, production, customer service, employee management and community engagement” – contribute to these success factors, and what does digital engagement bring to the table?

The SMEs taking part in the research were asked how innovative they consider their business to be overall compared to other companies in their industry including direct competition. A minority of companies (14%) are unsure about this, however out of the majority who were able to give an indication 64% see themselves as being “in-line with other companies” in their industry.

Only 16% deemed their organisation “ahead of other companies” in their industry, however this increased to 33% of the companies that rated the success of their business to date at an above average level (8 or more out of 10), as opposed to only 13% of those who rated it as less successful. And crucially here, 19% of digitally engaged business believe that they are ahead of other companies, compared with only 11% of digitally disengaged ones.

	All SMEs	More successful	Less successful	Digitally engaged	Digitally disengaged
Ahead of other companies in your industry	16%	33%	13%	19%	11%
In-line with other companies in your industry	64%	58%	65%	63%	66%
Behind other companies in your industry	20%	9%	22%	19%	22%

Table 1. SMEs’ rating of innovativeness, by level of success and digital engagement

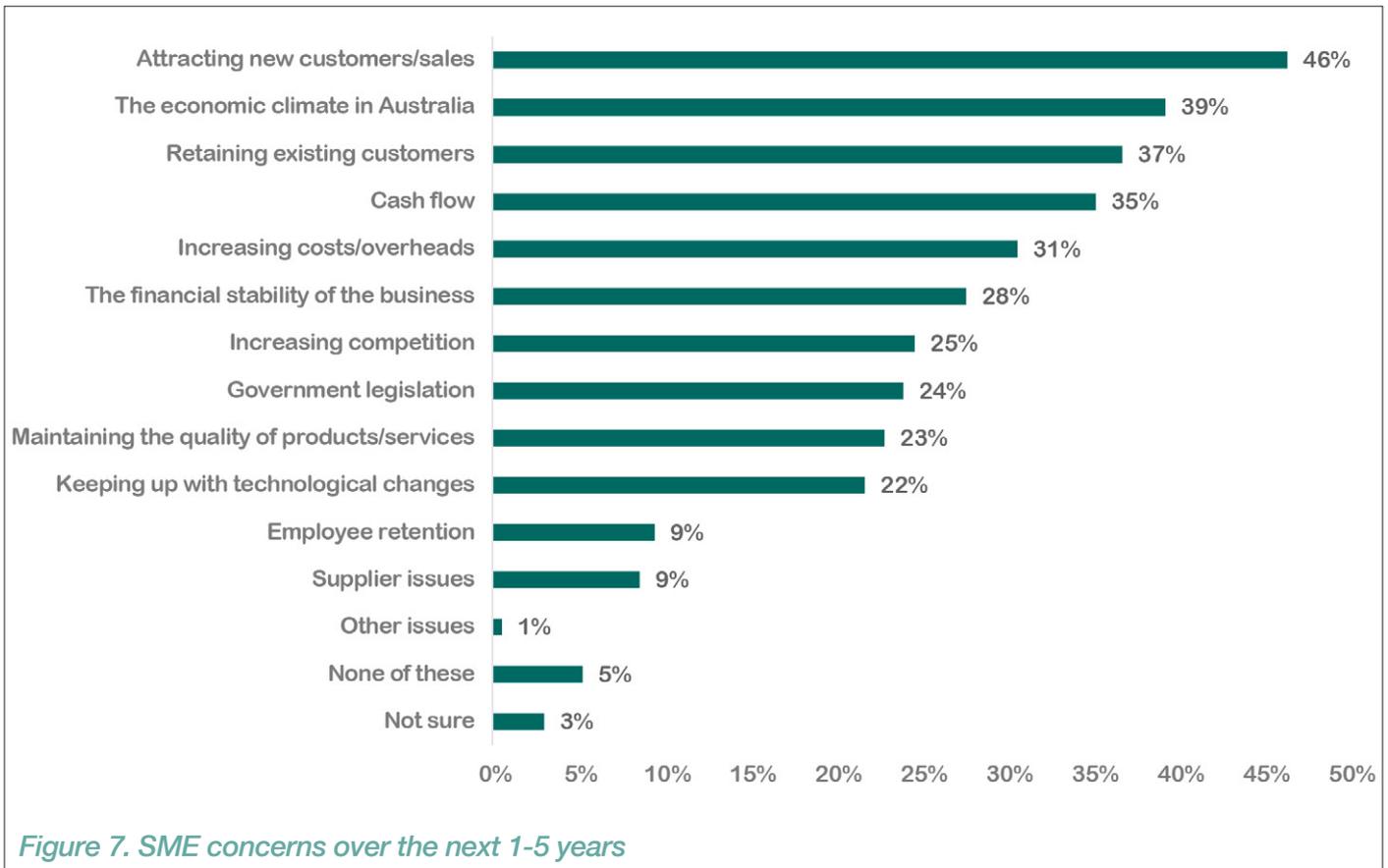
Business direction: concerns and plans

What are some of the concerns on the radar of Australian SMEs, and is there a relationship with the different types of business, as well digital engagement?

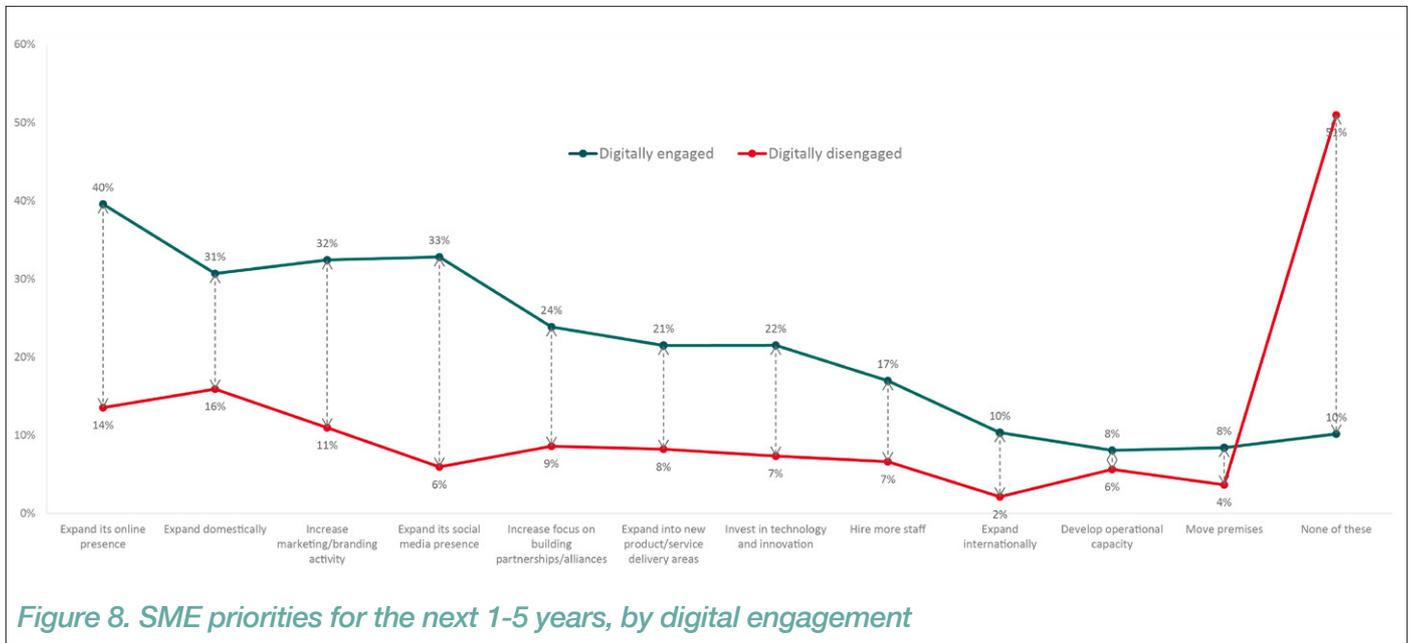
Almost half (46%) of SMEs are concerned about attracting new customers and sales over the next one to five years, and more than a third (37%) worry about retaining existing ones. This is understandable given how much SMEs believe customer satisfaction drives business success.

Digitally engaged SMEs are more concerned about attracting new customers (53%) than the digitally disengaged (34%).

Small businesses (2-19 staff) are especially worried about increasing overheads and competition, while larger SMEs are more concerned about employee engagement than their smaller counterparts. Finally, SMEs who have been operating the longest (20+ years) are more concerned than average about keeping up with technological changes.



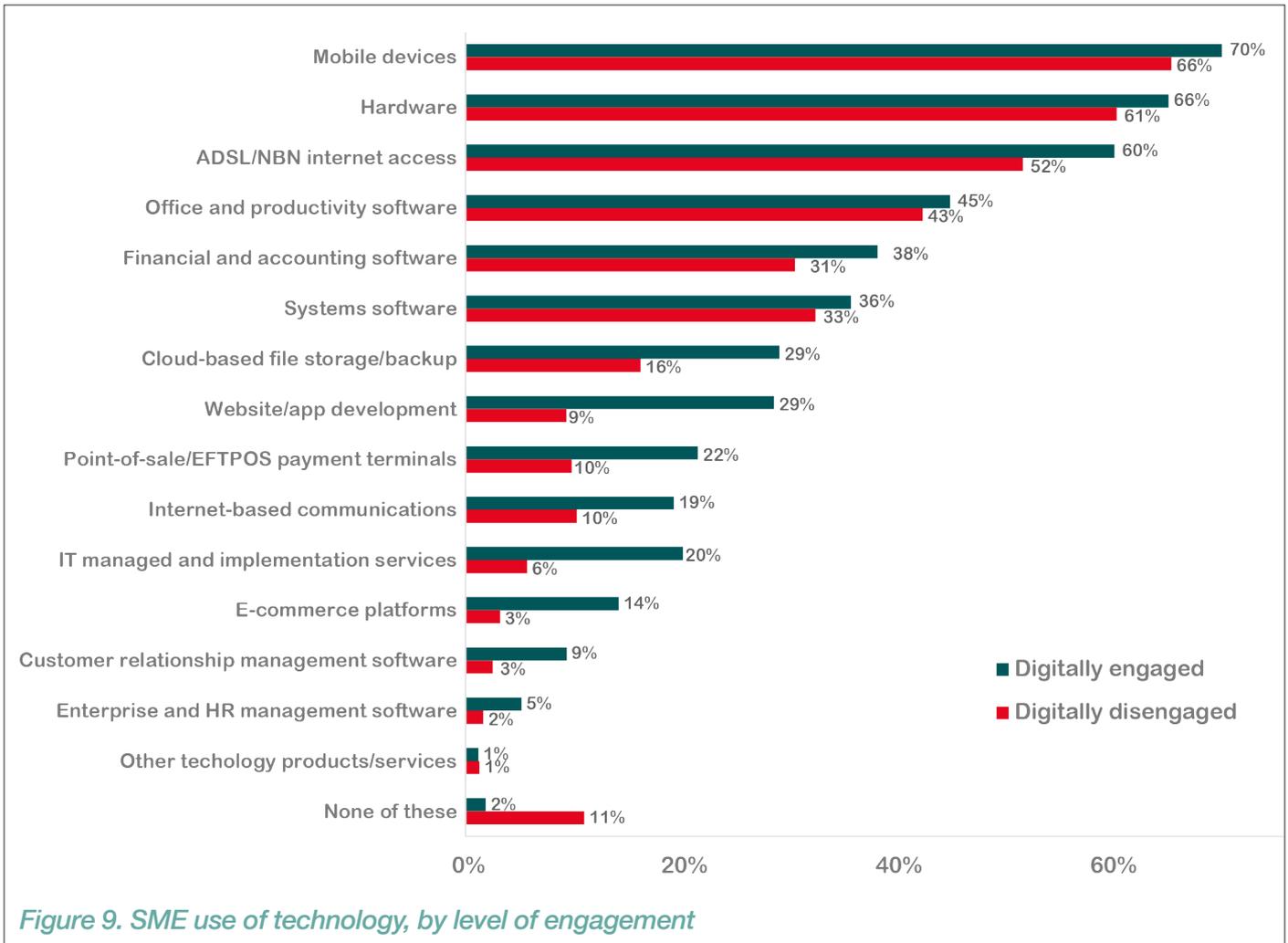
When asked about how they plan to overcome some of these concerns, there is a very strong divide between the digitally engaged and disengaged businesses, almost to the extent that digitally engaged SMEs seem to be more 'engaged' in general: while only one in ten (10%) of digitally engaged SMEs don't have any elements to their business strategy, more than half (51%) of disengaged SMEs don't have specific business goals or plans. Digitally engaged SMEs are more likely to be planning to expand their operational, promotional, logistical, technological and personnel capacity over the medium term.



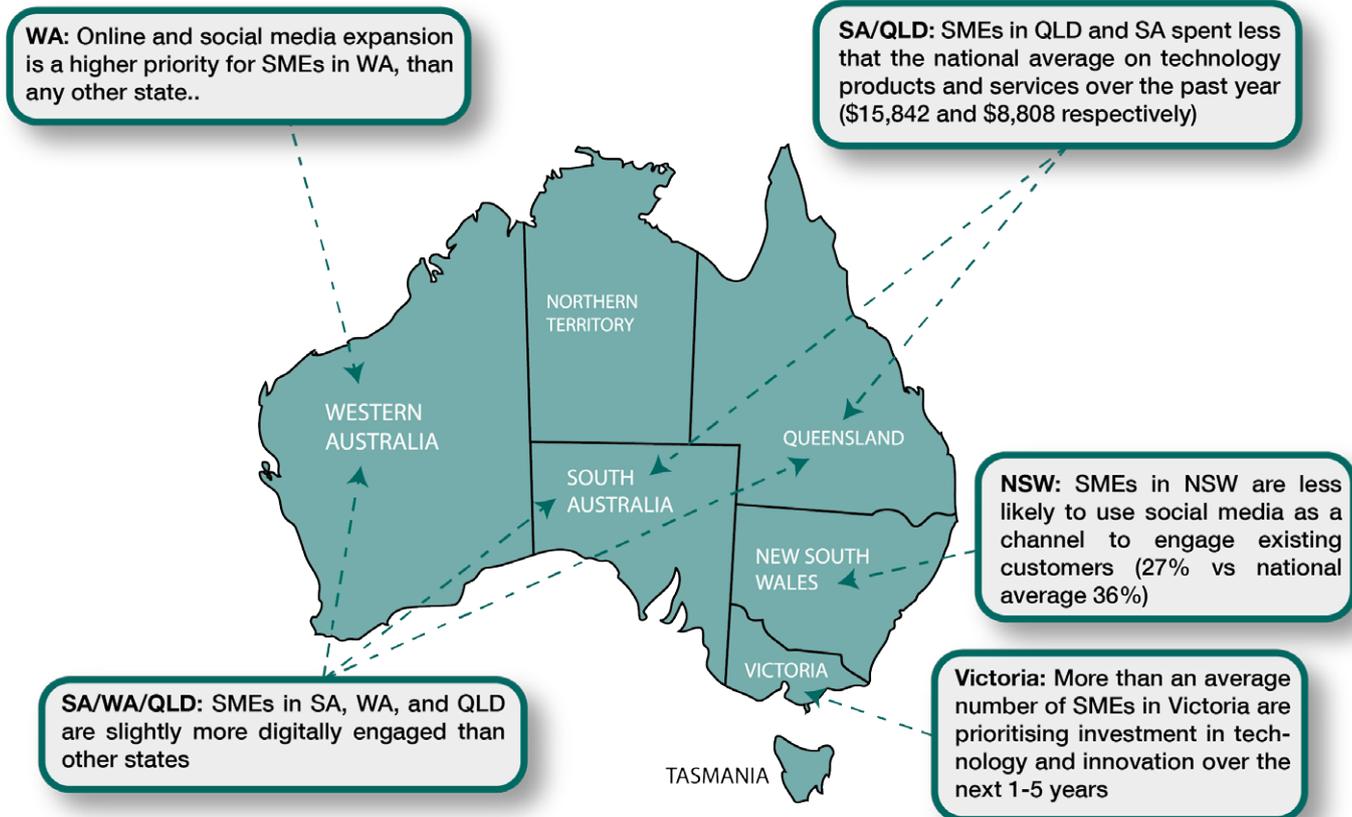
Use of technology

The Cost of Being Connected report reviewed the common digital tools that enable SMEs to get connected with their customers, staff and partners. In this area there are definite divides, both in terms of what appear to be the essential devices common to all SMEs and the more advanced technological products and services, as well as who is using the latter or just sticking with the basics.

Basic tools of connectivity, hardware and software are used by the majority of SMEs – the tech essentials many modern businesses couldn't go without. What differentiates engaged and disengaged businesses are some of the more advanced (though in some cases relatively mature) trends in business technology: the cloud, app development, web-based videoconferencing and customer relationship management software.



State-based findings



Methodology

Survey Dates:	22nd – 28th July 2016
Location:	Australia
Sample:	Employees in small and medium sized businesses (sole trader – 199 employees) in full-time employment with some responsibility for financial, budgetary and/or purchasing decision making as part of their role
Sample Size:	n=703 SMEs across Australia (excluding NT – no businesses from the NT responded to the survey)
Sample Source:	Respondents accessed through the Online Research Unit (ORU) panel using a structured questionnaire. The ORU panel is the largest research only panel in Australia and currently holds ISO 20252 ‘Market, opinion and social research’ and ISO 26362 – ‘Access panels in market, opinion and social research’ status.
Survey Methodology:	Online
Survey Length:	25 questions, approximately 15 minutes
Weighting:	The sample was weighted to state and size of business, representative of all non-NT Australian SMEs as per the Australian Bureau of Statistics Counts of Australian Businesses June 2015. The effective sample size is n=573 (81.5%).