



THE STATE OF THE DIGITAL NATION

an MYOB Business
Monitor Special
Report

October 2014

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For a small trading country, the internet has the potential to make a massive difference to the success of local businesses and the growth of the economy.



Over the last five years, the MYOB Business Monitor, a survey of over 1000 local SME operators conducted by Colmar Brunton, has provided key insights into the factors that influence the success of New Zealand's 460,000 SMEs.

What the survey has increasingly shown is that an online presence represents a major difference in the fortunes of local business people.

According to our latest Business Monitor Survey, nearly half of those businesses (46%) with a website or social site reported increasing revenue in the last 12 months, compared to just over a third (35%) of businesses who are not online.

Just as significantly, local SME operators also highlight a wide range of direct benefits from being online – from increased leads to heightened customer engagement and a more professional image.

Being online clearly offers a wide range of benefits for business in the digital age. For smaller businesses too, it levels the playing field, enabling them to build awareness, create a depth of customer engagement and connect with markets they might previously have had no access to. As a nation that is far removed from most major markets, it also provides a platform to launch an export business – even for the smallest business with a unique product or service to sell and story to tell.

New Zealanders love innovation – it is part of the country's number-8 wire DNA that encourages businesses to seek new ways to provide creative solutions to problems. This is evident in this survey, with the growing number of businesses adopting a wide range of internet technologies and tools.

But there are also factors holding the country back – like access to cheaper, high speed data and connectivity, particularly in our vital rural sectors.

Unfortunately, for whatever reason – whether it is cost, access or even just uncertainty of the unknown – around half of all New Zealand businesses still lack an online presence. When you see the difference that being online makes to business, demonstrated so clearly in this survey, that is a cost – not only to the businesses themselves, but the whole economy.

For the last several years, MYOB has been on a mission to get more businesses engaged with the internet, through initiatives ranging from education to free website building tools. We believe that becoming one of the world's most connected nations could make a real difference, not just to business owners and operators, but their employees and communities as well – opening new opportunities, increasing skills and supporting higher productivity and greater returns.

We hope by continuing to promote the 'get online' message, we can make a very real difference to the country. As Government representatives, business advisors, technology experts and business owners, we hope you can do the same.



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New Zealand's digital divide

New Zealand's SME community is still divided by the use of the internet and internet technology, according to the September 2014 MYOB Business Monitor.



Between the two groups, there is a marked difference in performance in the latest survey. Over the last 12 months, 46% of businesses with a website saw an increase in revenue, compared to just 35% of businesses with no online presence.




Over both the next quarter and the full year ahead, online businesses will enjoy an even greater advantage. 45% report more work in the pipeline over the next three months, compared to 31% of businesses without a web presence, and 49% expect to see higher revenue in the year to September 2015, compared to 32% of businesses that are not online.

Regional connectivity

Across the country, there is also a significant difference in the levels of SME online engagement.

Hawke's Bay is the country's most connected region and Auckland the leading centre. Of the centres, Wellington is the least connected, with 59% of businesses having no online presence. In the regions, Manawatu/Wanganui (63% no online presence) and Otago/Southland (61%) have the lowest levels of business internet use.

How connected? New Zealand's online regions

Region	Website only	Social site only	Both website and social site
			
Hawke's Bay	43%	3%	18%
Auckland	28%	10%	19%
Christchurch	29%	8%	13%
Waikato	20%	9%	14%
Northland	9%	4%	29%
Bay of Plenty	14%	10%	14%
Wellington	12%	13%	13%
Otago & Southland	14%	3%	20%
Manawatu-Wanganui	24%	3%	8%

Online sectors

New Zealand's key business sectors also report major variation in the use of the internet to promote their business or sell products and services.

The manufacturing and wholesale industry has the largest online presence in the country, with 60% of businesses operating a website, and a further 13% using only a social media site. Retail and hospitality sector businesses are most likely to operate both a website and a social media site (29%), while a further 25% have only a website and 9% only use social media to promote their business.

The majority of SME operators in the primary sector are still to move online, with 68% reporting no online presence. Just 14% have a website and only 4% operate both a social media site and website.

Connected sectors

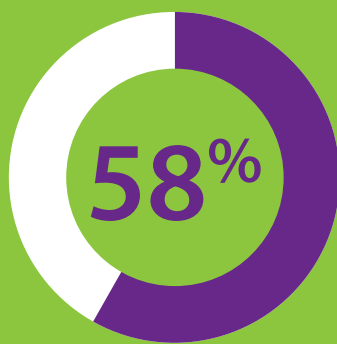
SECTOR	Website only	Social site only	Both website and social site
			
Manufacturing & Wholesale	41%	13%	19%
Retail & Hospitality	25%	9%	29%
Other	18%	13%	28%
Finance & insurance	30%	3%	19%
Business, Professional & Property	20%	11%	14%
Construction & Trades	21%	8%	12%
Primary	14%	2%	4%

Online presence

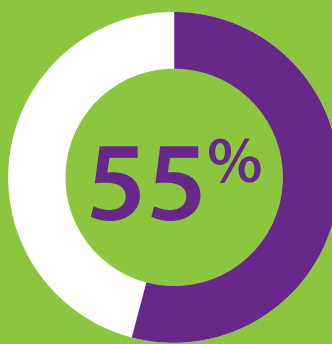
bringing clear business benefits

In addition to the potential to enjoy increased revenue, businesses with an online presence report a range of additional benefits, which underscore the value of embracing internet technology.

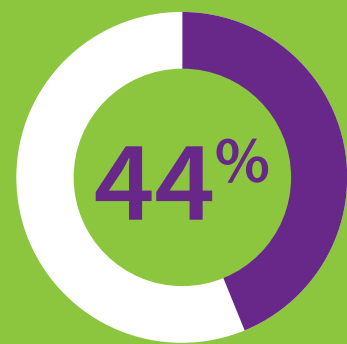
According to the survey, the key benefits of a business website are as follows:



**Generated more
customer enquiries
or leads**



**Made it easier for
customers to do
business with you;
Enabled your
business to have a
more professional
brand image**



**Allowed more
interaction with
customers**

Having a social media site allowed more interaction with customers (54%), generated more leads and enquiries (41%) and made it easier to do business (38%).

Only 9% of businesses reported seeing no direct benefit from having a website. However, almost a fifth (19%) saw no benefit from their presence on social media.

Impact of online presence

	Result of having a business website	Result of having a social media site
Generated more customer enquiries or leads in general	58%	41%
Made it easier for customers to do business with you	55%	38%
Enabled your business to have a more professional brand image	55%	29%
Allowed more interaction with customers	44%	54%
Enabled you to compete better with your competitors	37%	22%
Increased revenue or income in general	35%	24%
Enabled access to more markets	29%	27%
Allowed you to sell online to customers	28%	23%
Enabled you to compete internationally/opened your market to international customers	22%	16%
Increased your appeal to younger customers	17%	27%
Increased your appeal to younger employees	7%	15%
Other	1%	2%
Has not benefitted my business	9%	19%

SME's and the cloud



The use of cloud technologies and online services is generally increasing among SMEs, although some business operators are uncertain what exactly constitutes the cloud – pointing to perhaps a higher use than is reported. In the latest Business Monitor, 25% of business operators reported they were using cloud technologies. A further 9% of SMEs intend to take up the technology in the next 12 months.

Operators more likely to be using cloud technology included:

Operators with a website (38%) or social media site (35%)

Start-ups (37%) and establishing businesses (36%)

Businesses that reported a revenue increase in the previous 12 months (33%)

Metropolitan based operators (30%) compared to regional (26%) and rural (17%) operators.



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Online services

Email and online banking are the most commonly used online services in New Zealand. The growing use of online file sharing, and the growing popularity of online communication services and VOIP is also evident in the survey. Currently, just 13% of SMEs use an online accounting solution.

	Total
Email	92%
Online banking	86%
Social networking sites for business purposes	25%
Internet phone (e.g. Skype or VOIP)	23%
File sharing (e.g. Dropbox)	23%
Online file back-up (e.g. documents, photos, videos)	23%
Instant messaging	22%
Email marketing	21%
E-commerce – buying products/services online	20%
File storage (not just back-up copies)	17%
Online accounting solutions	13%
Online video (e.g. watching or creating videos)	12%
Search engine marketing (SEM) / search engine optimisation (SEO)	12%
E-commerce – selling products/services online	11%
Web video conferencing	9%
Blogs (e.g. company blog or external)	6%
Other	1%

Social centres

While 42% of New Zealand businesses were using some form of social media, LinkedIn (26%) and Facebook (16%) were still well ahead of other social media sites in popularity.

Importers (60%), manufacturing and wholesale businesses (57%), and business, professional and property services operators (48%) were much more likely to use social media.

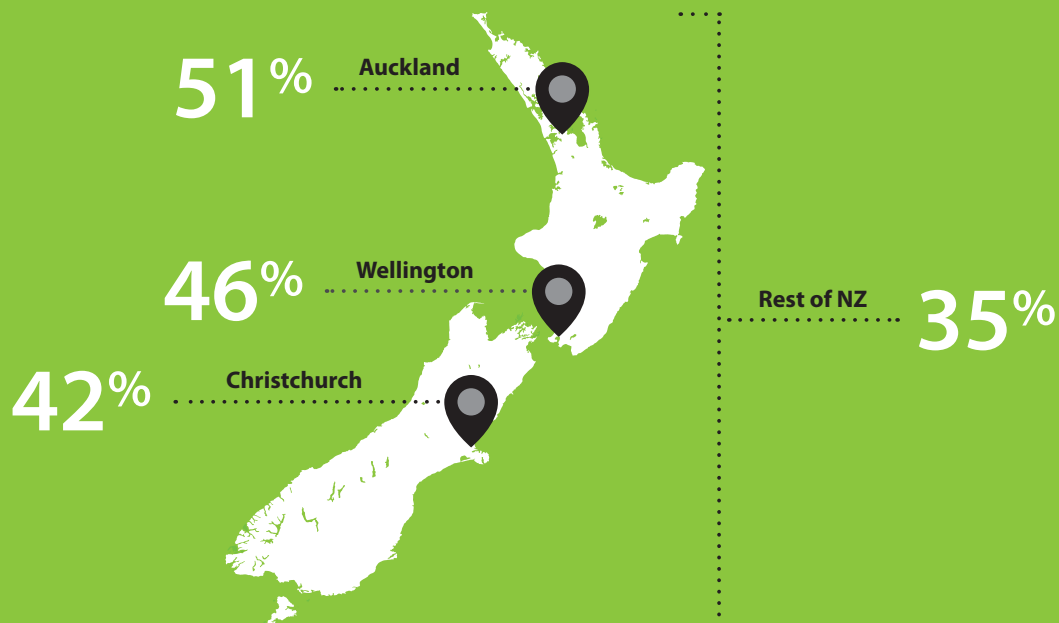
Across the country, use of social media to connect with colleagues and customers was more common in the main centres, with Auckland the country's most social city for business.

Connected centres

Connecting on social media:

CENTRE

Social usage



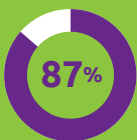


Teleworking

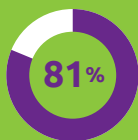
The growing use of internet-based technology and increased broadband connectivity has supported the continued growth of teleworking (technology-enabled remote working) among New Zealand SMEs.

In the current Business Monitor, over two thirds of New Zealand operators (68%) used some form of teleworking within their business while 32% had employees working only from their business premises. This proportion has increased from 60% in the March survey.

Teleworking was more likely to be used by:



Franchisees



Construction & trades
businesses and



business, professional and
property services



Start-ups



Metropolitan
based businesses



Sole operators



Internet
connectivity

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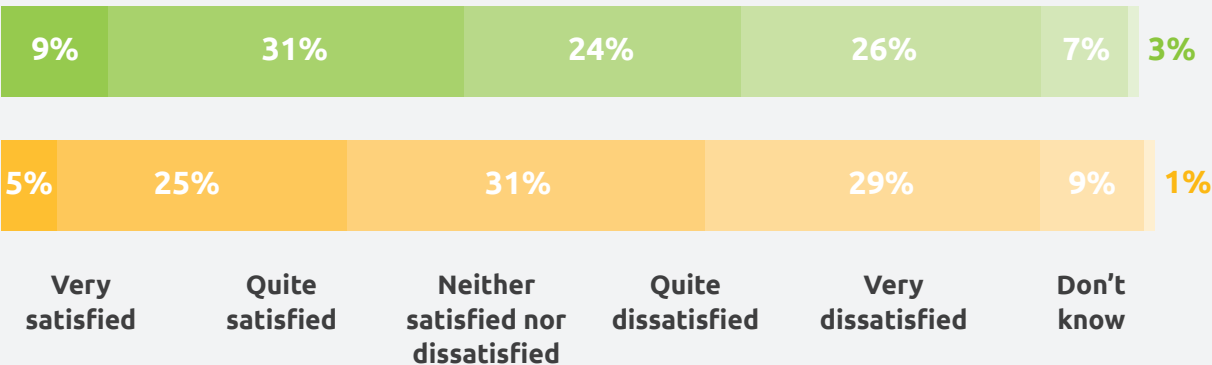
Significant dissatisfaction with internet access and cost

SME business operators from around the country expressed dissatisfaction with both the access (reliability and speed) and cost of their Internet connection. 38% of SME operators were dissatisfied with the cost of their plan, while 33% were dissatisfied with the access. Levels of dissatisfaction have remained constant over the year.

Rural SMEs (44%) are much more likely to be dissatisfied with the access of their internet connection compared to those in metropolitan areas (27%).

Otago/Southland based operators were more dissatisfied with the cost of their Internet plan (51% compared to 25% of Waikato based operators).

Satisfaction levels with Internet



ACCESS



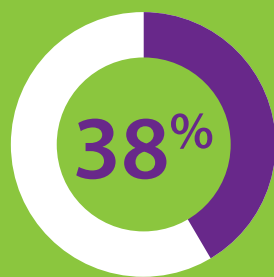
COST OF PLAN

Connection to

Ultra Fast Broadband (UFB) increases

One fifth of SME operators (19%) said they were currently connected to UFB, up from 14% in the March Business Monitor. 72% were not connected to UFB and 8% did not know.

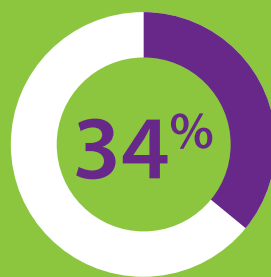
Connection levels were much higher amongst the following groups:



**Small
businesses
(6-19 employees)**



**Auckland
based operators**



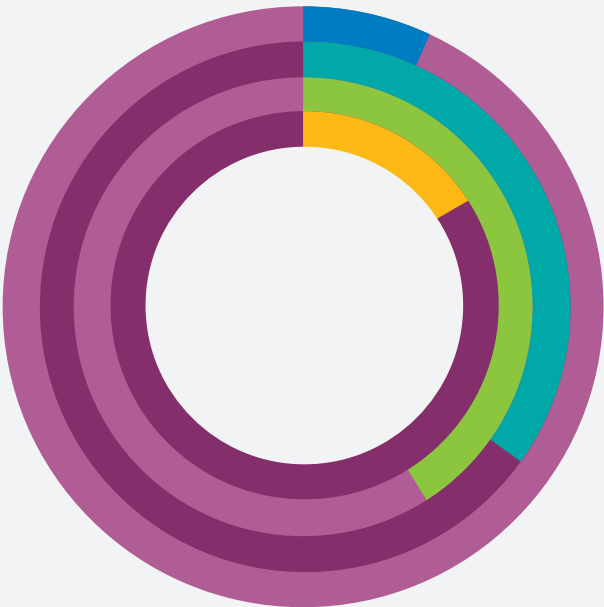
Importers



**Metropolitan
based businesses,
compared to
6% of rural
businesses**

Over half the operators (57%) not connected to UFB tended to think that it would make a positive impact on their business (compared to 63% in the previous wave), particularly importers (76%), those using (74%) and intending to use (80%) cloud technologies, businesses with a social media site (72%) or business website (70%) and start-ups (68%).

Impact of UFB on business

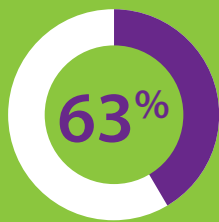


- Significant positive impact 16%
- Some positive impact 41%
- No impact 35%
- Negative impact 0%
- Don't know 7%

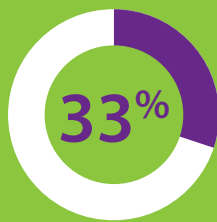
Key Benefits of UFB

SME business operators were asked what benefits UFB has had or would have on their business. The main benefits were associated with speed and reliability – improved Internet connection (63%) and better download and upload speeds (62%).

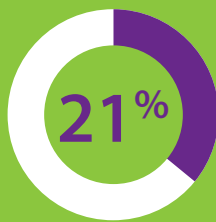
An increasing proportion of operators saw a number of benefits of UFB however, particularly:



Improved Internet connection
(up from 56%)



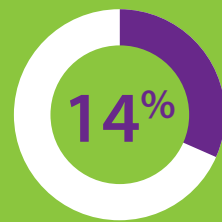
Reduced costs associated with telecommunications
(up from 27%)



Better video conferencing
(up from 15%)



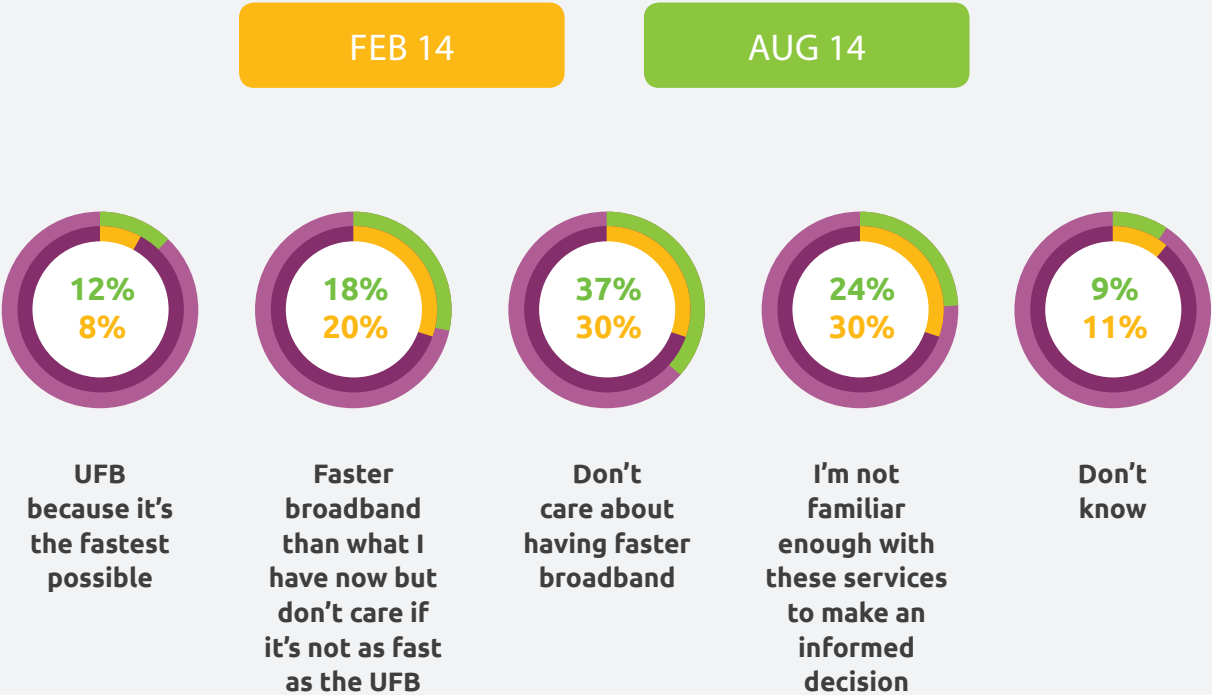
Enabling more people to work remotely
(up from 11%)



Enabling more e-commerce activity
(up from 9%)

Would you connect to UFB if the choice was available tomorrow?

Operators that could see no positive impact on their business of UFB were asked whether they would choose UFB if they were given the choice tomorrow. The results showed only a limited uptake of the technology.



MYOB BusinessMonitor

The MYOB Business Monitor researches business performance and attitudes across a range of areas, such as profitability, cash flow, pipeline work, technology usage and the government. The survey has been conducted across the country for five years, and is designed to help MYOB understand the challenges and opportunities in the current environment for local SME owners and operators. A parallel report is also run in Australia, which allows regular comparison between the two markets and provides important insights into the SME sector within the two trading nations.



The information contained in the survey is shared across a wide range of industry partners, government agencies, stakeholders, the business community and the media, in order to provide an up-to-date picture of New Zealand's SME economy. The aim of publicising the material is to help promote an understanding of the sector and the areas in which professional support, advocacy and the regulatory framework may be shaped to help make business life easier for New Zealand's SME operators.

This report presents a summary of the economic performance measures and political policy preferences from the MYOB Business Monitor comprising a national sample of **1,023** business owners, managers and directors (operators), conducted in August 2014. It is the second MYOB Business Monitor released in 2014 (the earlier survey was carried out in January/February). The businesses participating in the online survey were both non-employing and employing businesses. All data has been weighted by industry type, location and number of employees, which are in line with Statistics New Zealand (New Zealand Business Demography Statistics: At February 2010: ISSN 1174-1988.)



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