



IE Domain Registry



SME Digital Health Index 2019



IE Domain Registry

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For more information, download the IE Domain Registry SME Digital Health Index 2019 appendices and your region's factsheet.



Foreword

IE Domain Registry is proud to present the 2019 edition of its SME Digital Health Index (DHI), the seventh report since 2014 and the second in an annual format.

The DHI examines the digital behaviours of 1,000 Irish SMEs, including their usage of digital assets like websites, social media, and e-commerce, and their general attitudes towards digital technology learning and investment.

A key component of the DHI is the 'Digital Health Assessment', which ranks SMEs' capabilities in communicating with their customers online, facilitating online transactions, and enhancing or 'boosting' their online presence with productivity software, like data analytics tools. When graded against an ABCDEF system, Irish SMEs rank 'C' for communicating, 'D' for transacting, and 'E' for boosting. Throughout the DHI, we suggest how these grades can be improved.

Looking to broader trends, digital asset ownership is at a five-year high. 70% of Irish SMEs have a website. SMEs understand that a website is a customer's first port of call for information on product range, opening hours, and location. For this reason, it is imperative that this information is clear and regularly updated; our research shows that consumers are reluctant to shop with businesses that have no online presence. Instead, they spend their money elsewhere, including on international competitors' websites.

As in previous editions of the DHI, most SMEs are still using their websites as static 'digital business cards'. Few engage in e-commerce and fewer still use business-boosting tools, such as project management and file hosting software. Although many of these tools are affordable, accessible, and designed with non-technical users in mind, SMEs remain reluctant to adopt them.

Unfortunately, this reluctance is not a new phenomenon. IE Domain Registry believes that lasting, substantive change in national SME attitudes to digital technology can only occur with large-scale action. For the last year, as part of our Digital Town initiative, we have been working with communities in Gorey and Sligo to highlight their digital achievements and provide their businesses and community organisations with the digital tools they need to further enhance their capabilities.

We believe that the government can replicate and scale this model, particularly in the context of the National Broadband Plan (which is viewed with scepticism by many Irish SMEs) and other government-led digitalisation plans. By prioritising the connection of high-potential towns, where businesses, schools, and other public services have demonstrated an eagerness to use digital technology, the government, and the local economies it invests in, will benefit from increases in local employment and increased consumer footfall in local retail.

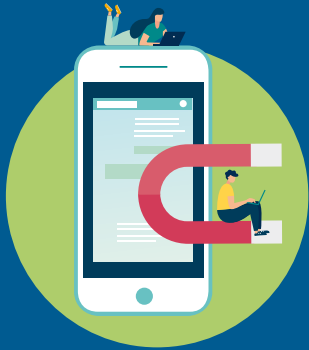
David Curtin

David Curtin

Chief Executive, IE Domain Registry



Key findings



87%

of SMEs have at least one digital asset, like a website, an e-commerce web sales platform, or social media profile.

A website is the initial step in building an online relationship with a customer. It's also the basis of a first impression: 63% of consumers believe that a business looks outdated if it doesn't have a website.



66%

of SMEs do not believe the Government can deliver the National Broadband Plan in its current form.

For 1 in 12 SMEs, poor internet connectivity is the number one reason preventing them from doing more online.



72%

of SMEs say that being online and digitally savvy has increased customer awareness of their business.

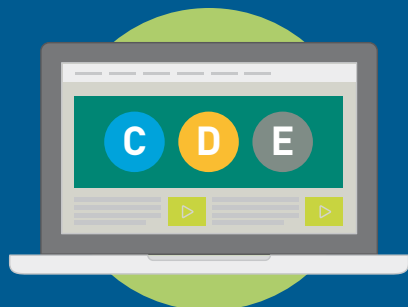
An ability to connect and transact online creates benefits and opportunities offline. 73% of SMEs with a website say it has contributed to their face-to-face, in-store sales.



Only 32%

of SMEs with a website can take sales orders or process transactions through it.

59% of consumers say making online purchases is important to them. Consumers are online and spending, and they won't wait for their local high street shops to catch up with rival businesses and international online competitors.



Digital Health Assessment

In the DHI Digital Health Assessment, SMEs average a grade of 'C' for communicating, 'D' for transacting, and 'E' for boosting.



Many SMEs, particularly micro-businesses, are resource-poor. 28% say that a lack of time is a major barrier to doing more online.

Consumers want more digital experiences. SMEs need to know that modern digital tools, like website builders and e-commerce platforms, are affordable, easy to use, and time-efficient.

Special report: The changing consumer

Mass broadband penetration, social media, the smartphone: the 2010s have been defined by multiple mini tech revolutions.

These three innovations together have transformed the internet from a primarily professional and recreational *utility* to a new digital *reality* for billions of people. It is a resource as integral and invaluable to business, community, government, media, and personal connections as electricity, roads, or water.

We now 'live' rather than merely 'use' the internet. It is available to us on demand at any hour of the day at an affordable cost and with few restrictions. The figures bear this out.

There are up to 4 internet-enabled devices in every Irish household.⁽¹⁾ We use our smartphones for more than 4.5 hours a day; nearly 70% of us check ours, and by extension the internet, within 30 minutes of waking.^{(2) (3)}

A young Generation Z-er, born after the millennium, checks their phone on average 82 times a day.⁽³⁾ They will likely have grown up without ever needing to ask anyone other than Google for directions.

This massive technological change has radically altered the practical ways we interact with businesses, as well as our attitudes to purchasing and consuming goods and services.

The current generation of consumers are adapting their shopping habits in response to technology. The next generation of consumers will be a majority of digital natives, and they will expect nothing less than the 'digital default': accessibility, ease of use, and immediacy. In what could be news to many Irish SMEs, our survey found that Irish consumers expect their local SMEs to provide the same service levels as companies like Amazon.

The future of the physical shop

E-commerce is worth €12.3 billion to the Irish economy⁽⁴⁾, yet as Chapter 2 of this report reveals, fewer than a third of SMEs with a website can actually take sales orders or process transactions through it.

This flies in the face of consumer demands and expectations, which are both likely to intensify in the 2020s as new technology facilitates even greater convenience.

According to our DHI research, 59% of Irish consumers say that it is important to them to be able to make a purchase online. Indeed, more than half (53%) believe that online shopping will, at some point, supersede traditional shopping at bricks-and-mortar stores.

Nearly half (48%) of consumers only visit bricks-and-mortar shops for everyday necessities, like groceries and toiletries. That means that a significant proportion of Irish consumers are exclusively buying goods like electronics, clothing, entertainment, and luxuries online. Considering most Irish SMEs do not have any e-commerce capabilities, most of that money is therefore going abroad to international online retailers and/or to local online competitors.

In response to this emerging trend, some retailers are transforming their physical shops into 'showrooms', whereby consumers visit in person for staff expertise and a physical, hands-on experience of the goods, then make a purchase at the till or via touchscreen, where they can choose to have the item delivered direct-to-door.

While this won't be practical or indeed necessary for every Irish SME, businesses that respond to the changing consumer will find themselves well positioned for the 2020s.

Adapting now

Building a website and integrating e-commerce is a straightforward, cost-effective, and time-efficient process.

Less digitally savvy SMEs can and should take steps to improve their online presence now, especially ahead of the busiest commercial period of the year.

Black Friday and Cyber Monday, while slightly less prominent in recent years, are still compelling enough to mobilise a large cohort of Irish consumers.

DHI research shows that 45% plan on buying products online or in store on one or both days, with 3 in 10 open to persuasion. The intention to buy presents a compelling e-commerce opportunity.

Sources:

- (1) IE Domain Registry, Digital Trends in Ireland survey, October 2018
- (2) ComReg Digital Society report, September 2019
- (3) Deloitte Mobile Consumer Survey 2018
- (4) Growing Small Business Through Online Trade, Department of Communications report, May 2016



Action point: The 'regional digital hub' approach

Ireland's digital infrastructure development is haphazard and uncoordinated.

Despite a multitude of industry and government supports, the communities and businesses with the greatest potential to benefit from and utilise technology frequently miss out.

A catch-all approach to digital doesn't work: Dublin's needs differ from Galway's, Galway's from Letterkenny's, and Letterkenny's from Skibbereen's. Awareness campaigns, funding programmes, and digital activation initiatives, both private and public, need focus.

Since 2018, IE Domain Registry's Digital Town initiative has recognised the efforts and achievements of digitalisation in regional towns, namely Gorey in Co Wexford and Sligo Town. Having worked with businesses and communities there, we know that a strong regional digital hub acts as a magnet for investment.

For example, a co-working space in a town, powered by high-speed broadband, can become the new home for tech start-ups and even the European HQ for multinational companies.

Investment by government in digital skills training programmes for businesses can significantly boost local SMEs' revenues and keep the high street alive. It can transform the delivery of public services, making it possible to do more with the same or fewer resources, and enhance office systems enough to facilitate smart working.

Inclusive, total digitalisation of Ireland should be our ultimate aspiration, but it is not practical in the immediate term. Instead, public and private stakeholders should prioritise digital skills training and internet infrastructure upgrades in smaller towns and regions with high growth and high potential.

IE DOMAIN REGISTRY'S RECOMMENDATIONS:



Adopt a 'regional digital hub' approach to government investment in digital infrastructure.



Simultaneously, integrate the regional digital hub approach into the National Broadband Plan.



Identify the towns, villages, and regions most likely to quickly generate economic and social returns on investment.



Focus on connecting high-growth, high-potential areas, rather than remote, sparsely populated villages and townlands.



Prioritise digital service rollouts and training/funding programmes in these areas.



Co-working spaces, start-up incubators, and remote working hubs should be prioritised for super-fast broadband for speedier returns on investment.

Targeted investment in digital is already transforming regional economies

"With a digital hub in Gorey, high-growth, high-potential start-ups that would have gone to the capital are now choosing to set up here. It's brought skilled professionals who would have been sitting on buses and trains to Dublin back to the local area.

"Local businesses are coming into the hub [Hatch Lab] in their droves and working with the start-ups on digitalisation. They're starting to see growth. An increasing number of innovation projects are feeding out to local SMEs, as well.

"The hundred people who work here are shopping in Gorey and Wexford, not Dublin. They're living better lives in a social, connected town."

John O'Connor, CEO of The Hatch Lab, a co-working space in Gorey, Co Wexford

"Sligo is a digital powerhouse in Ireland's North West. The town is well served by co-working spaces, superfast broadband, and supporting businesses, and that's encouraging innovative Irish and multinational companies to invest and grow in an area that, even a few years ago, would not have seemed as attractive.

"The Landing Space in Sligo Town, which is a joint initiative of IDA Ireland and our partners IT Sligo and Sligo County Council, has been a key contributor in this regard. The quality of the space and the synchronous gigabyte connection it offers is as good as is available anywhere. This tailored facility provides a readymade environment to set up and scale a business where arriving companies can rapidly deploy and become operational in Sligo."

John Nugent, IDA Ireland, Manager of Business and Relationship Development for the Border Region

1

Ireland's Digital Health Assessment

The Digital Health Assessment provides a broad overview of Irish SMEs' digital skills based on size, industry, and region. Using an ABCDEF grading system, we rate SMEs on their ability to communicate online, transact online, and enhance or 'boost' their online presence with software and digital skills.



IRELAND'S DIGITAL HEALTH ASSESSMENT — OVERVIEW

How SMEs are assessed

All 1,003 surveyed SMEs are awarded points according to their digital capabilities in the three categories of **communicating**, **transacting**, and **boosting**. The full methodology is available at the end of this report.



COMMUNICATING

An ability to connect with customers through a website, social media platform, or messaging software.

Points criteria:

- ▶ The SME has a digital asset.
- ▶ The SME has a mobile-optimised website.
- ▶ The SME uses digital tools to communicate.



TRANSACTIONING

An ability to facilitate e-commerce and manage other business transactions online.

Points criteria:

- ▶ The SME allows customers to purchase products/make appointments/book services online through its website, click-and-collect, or has a third-party platform.
- ▶ SME's owners digitally manage their business through online banking, ordering supplies online, and making bookings/appointments online.



BOOSTING

An ability to use software and digital skills to improve business productivity, analyse customer data, and promote an online presence.

Points criteria:

- ▶ The SME uses productivity software.
- ▶ The SME uses analytics software.
- ▶ The SME invests budget to promote its services online.
- ▶ The SME upskills staff.
- ▶ The SME avails of digital supports.

The grading breakdown

Based on the points achieved in the assessment, SMEs are graded on an ABCDEF scale, with A representing an excellent understanding and use of digital, and F a poor understanding and use of digital.

A 81% +
Excellent

B 71-80%
Very good

C 61-70%
Good

D 51-60%
Fair

E 40-50%
Mediocre

F 0-39%
Poor

► Ireland's Digital Health Assessment – key findings ◀

COMMUNICATING



C – GOOD*

Almost 50% of SMEs achieved an A grade

- ▶ Nearly half (48%) of professional services SMEs achieved an A grade for communicating
- ▶ SMEs in Munster and Connacht-Ulster ranked better than those in Dublin and Leinster for communicating, suggesting digital may be more important for raising awareness in less densely populated areas

TRANSACTIONING



D – FAIR*

62% of SMEs received an E or F grade

- ▶ Construction sector SMEs fare best: 3 in 10 achieved an A or B grade for transacting
- ▶ Older SMEs' transacting skills do not improve with time. SMEs in business between 3-5 years ranked best, indicating greater ease using e-commerce platforms; a generational factor may be involved

BOOSTING



E – MEDIOCRE*

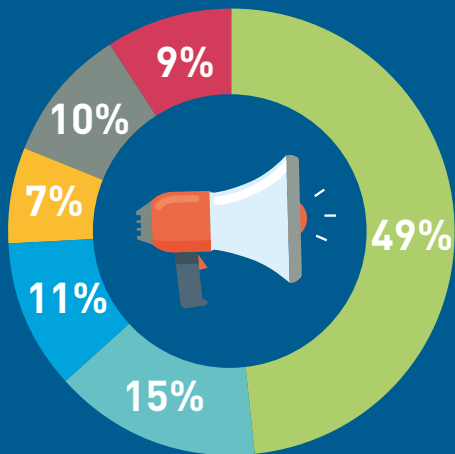
75% of SMEs received an E or F grade

- ▶ Education sector SMEs are the best at boosting—25% achieved an A, B, or C grade. However, capabilities are generally poor across all sectors
- ▶ SMEs with between 6 and 15 employees ranked best for boosting, suggesting internal flexibility helps with digital implementation

* SME average grade. Further breakdown is provided in Chapter 5: SME digital demographics.

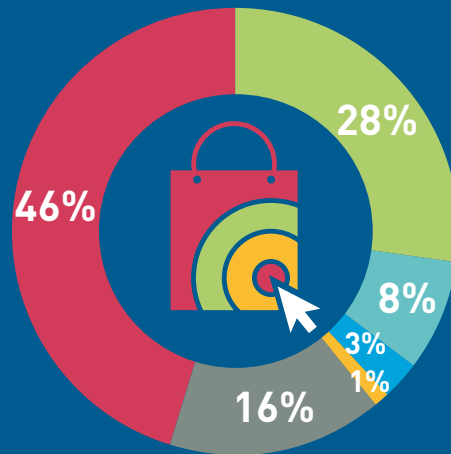
► Ireland's Digital Health Assessment — full breakdown ◀

COMMUNICATING



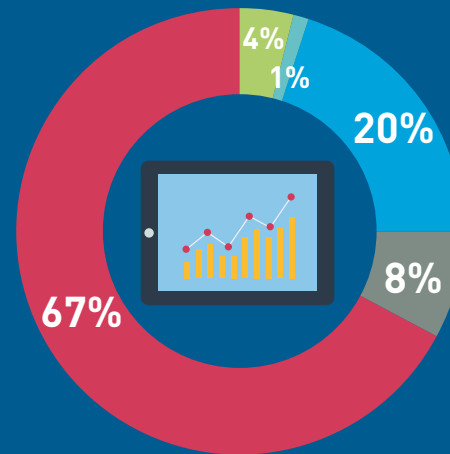
AVERAGE
68%
C

TRANSACTIONING



AVERAGE
51%
D

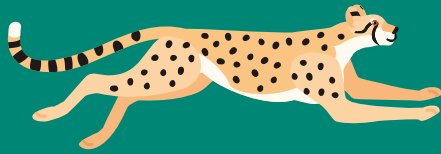
BOOSTING



AVERAGE
40%
E

- A 81% +
- B 71-80%
- C 61-70%
- D 51-60%
- E 40-50%
- F 0-39%

Ireland's Digital Health Assessment — profiling Irish SMEs

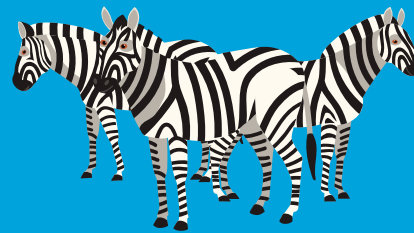


THE CHEETAHS

Generally A-B grades

The Cheetahs are a minority of digitally savvy SMEs that are fast to market and take a comprehensive, integrated approach to digital and online technology.

They use websites and social media pages to interact regularly with their customers. They take full advantage of e-commerce and business-boosting software to sell to and interact regularly with new and existing markets, and use digital technology to improve their own internal processes, reducing expenditure of time and money.



THE ZEBRAS

Generally C-D grades

Zebras comprise the majority of Irish SMEs. While Zebras may have some digital assets, like a website, a limited number of productivity tools, or even some e-commerce ability, they feel constrained by their day-to-day tasks. Consequently, Zebras' digital assets are under-utilised, and their web presence remains largely anonymous.

Concerns about the perceived burdens of time, expertise, and money in digital investment are holding the Zebras back from breaking away from the herd and reaching their true online potential.



THE OSTRICHES

Generally E-F grades

The Ostriches have little to no online presence. While some may have a website or social media page, they are unlikely to see its true value or use it only infrequently.

Others may have no interest whatsoever in developing their online presence and feel that there's no need to, despite evidence to the contrary.

In today's e-commerce-driven world, where consumers demand convenience and accessibility, Ostrich SMEs have their heads in the sand.

2

SME attitudes to digital

Irish SMEs have more digital assets than ever before, but only a minority of 'Cheetahs' are using them to their full potential. E-commerce is the exception rather than the rule, a trend that is pushing Irish consumers to shop with online competitors and international online retailers.



► Key findings ◀



87%

of SMEs have at least one digital asset



**ONLY
32%**

of SMEs with a website can take sales orders or process transactions through it



63%

of Irish consumers think a business looks outdated if it doesn't have a website



53%

of Irish consumers want their local high street shops to offer a full online ordering service

Digital ownership

A digital asset is any technology or tool that helps an SME interact with the online world, such as a website, a Facebook profile, a data analytics programme, or an e-commerce platform.

Digital is the modern default. SMEs that rely exclusively on word-of-mouth sales and the local newspaper for advertising are in a dwindling minority. The number of SMEs with no digital assets whatsoever—among them the ‘Ostriches’—has dropped to 13%, a 2% reduction on last year and a 15% reduction since 2014.

In 2019, just under 70% of all SMEs have a website, up from 63% in 2014; 65% have a Facebook page (up from 34% in 2014). Nearly a quarter (23%) have an Instagram profile, significantly more than Twitter (17%) and LinkedIn (8%).

However, many of Ireland’s SMEs conduct their online business on a ‘surface level’, where they focus exclusively on digital communications to the detriment of their transacting and boosting abilities. Compared to last year, overall web sales ability (that is, the ability to process sales online in any way) has declined to just 5% and data analytics capabilities to 4%.

Websites remain digital business cards

Just under three-quarters of all Irish SMEs have websites. What truly matters, however, is how these websites are used.

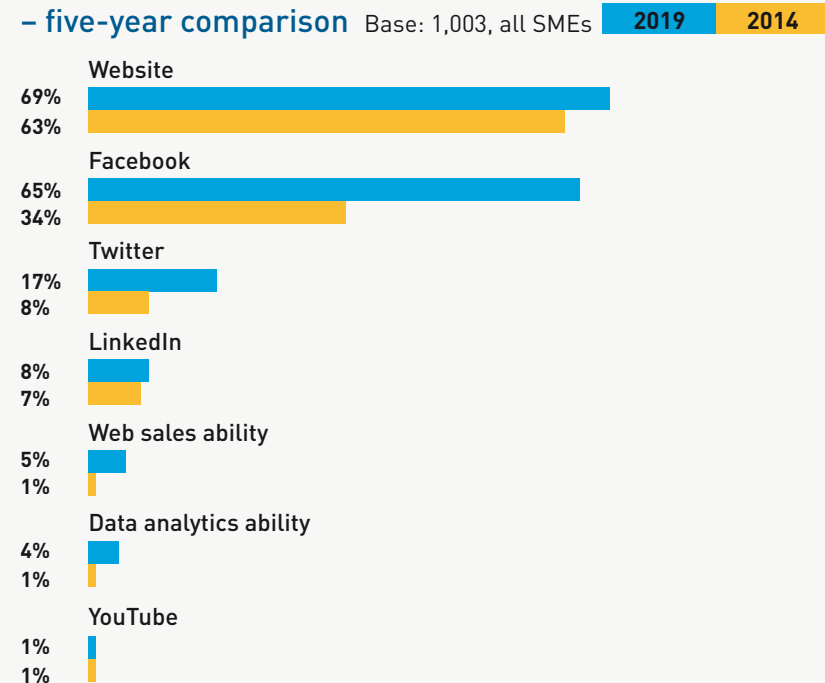
Almost every website (96%) has a description of the products and services it offers. 95% provide business contact information.

In an encouraging and sustained trend, more than three-quarters (76%) say they have a mobile-optimised website, up nearly 50% on 2014. The majority of Irish consumers use their smartphone as their primary internet-browsing device. 43% have video content, up almost 20% on 2014.

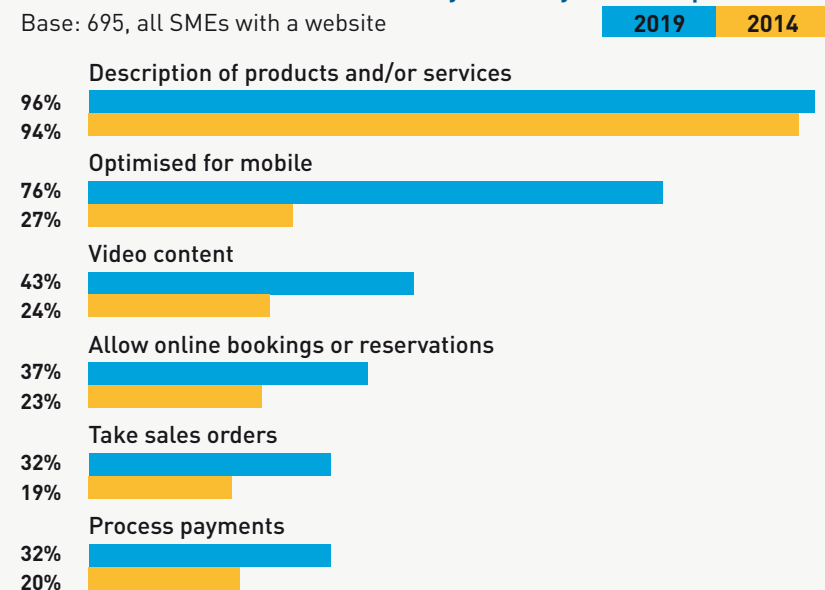
E-commerce ability, however, while marginally improved year-on-year, remains low even when compared to five years ago. 37% of SMEs with websites say they can take bookings or reservations through their websites. Less than a third (32%) can take sales orders or process payments through their website.



Digital asset ownership among Irish SMEs – five-year comparison



Irish SME website functionality – five-year comparison



The digital consumer...

Irish consumers spend €850,000 online every hour, which helps to create an e-commerce market worth €12.3 billion.⁽¹⁾

The digital era has raised consumer expectations. Online shoppers want the same level of convenience from their local SMEs that they get from larger retailers.

53% want their local high street stores to provide a full online shopping service, 45% want a click-and-collect service, and 52% want the ability to browse and research a company's products and services.

Almost half (45%) of all Irish consumers say they will change their shopping habits post-Brexit; of that group, 30% will shop online more with Irish retailers. When they discover that only a small minority of Irish SMEs with websites can actually transact online, they are likely to continue to spend with international retailers.

It jars if a business is not online. A clear majority (80%) agree that all businesses should have, at the very least, a basic website with contact details and opening hours. Nearly two-thirds (63%) think a business is outdated if it doesn't have a website.

Irish consumers are patriotic: 81% believe that buying Irish is important. However, national pride aside, in an age of digital convenience, they will not wait around for their local high street businesses to catch up. 54% of consumers will shop with a competitor if their preferred retailer isn't online, and that might entail spending abroad.

At the very minimum, an SME needs a website to act as its 'digital business card'. Ideally, to stay competitive, it should have some form of e-commerce capability as well, whether that's an ability to facilitate online transactions, book an appointment, or make a query that directly leads to an in-person sale.

Sources:

(1) Growing Small Business Through Online Trade, Department of Communications report, May 2016

Online services Irish consumers want from their local high street shops

Base: 1,000 consumers



Consumer attitudes to SMEs' digital presence and e-commerce capabilities

Base: 1,000 consumers

80% agree

All businesses should have at least a basic website

59% agree

Being able to make purchases online is important to me

63% agree

A business is outdated if it doesn't have a website

54% agree

I'll shop with a competitor if I can't find my preferred retailer online

...and the analogue SME

The 'Cheetah' SMEs are a minority: they proactively make full use of all their digital assets, including e-commerce. They use their website as a point of sale just like a shop till, appealing to a broad range of online consumers.

Most other SMEs fall into the 'Zebra' or 'Ostrich' categories: they don't know how to use an e-commerce platform or don't have the resources to set one up. Some don't even see the value.

A third of SMEs without an e-commerce-enabled website say that they don't sell a product, while a significant portion say that they have no need for e-commerce, they don't have the volume of sales to justify it, or they don't have the time to invest.

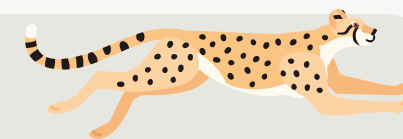
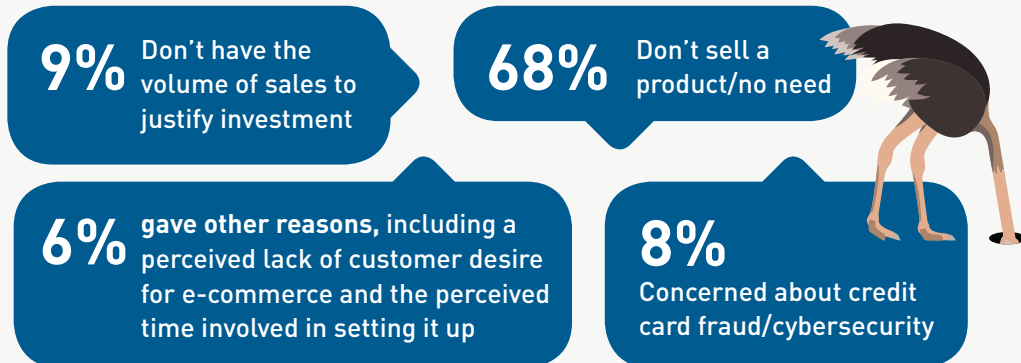
E-commerce platforms can be integrated into existing websites in a short amount of time. Most require little to no technical expertise to operate. But what's crucial to remember is that not every e-commerce transaction involves an online shopping cart. In fact, e-commerce can work for nearly every business and industry.

A high street café, for example, might not be an obvious candidate for an e-commerce upgrade. However, new technology for the food and drink industry, like Open Table and Bamboo, allows customers to pre-order from restaurants, takeaways, and cafés and pay online. Once they've done that, they drop in-store and pick up their pre-paid food, skipping the queue in the process. This is the type of click-and-collect system that customers actively seek out.

Even a simple booking or enquiry system can lead to a meeting, a proposal, or an in-person sale that otherwise might never have been facilitated. This, too, is e-commerce.

Why SMEs with a website don't have e-commerce capabilities

Base: 593, all SMEs with a website but no ability to take payments through it



A Cheetah's perspective: Homeland.ie

Homeland.ie is Aurivo's consumer retail brand. Aurivo is a global agribusiness with exciting consumer brands and a diverse portfolio across dairy ingredients, consumer foods and sports nutrition, animal nutrition and livestock marts, and retail and lifestyle stores.

"We operate 34 Homeland stores in 8 counties across the island of Ireland. Our stores provide consumers with a full range of products across agri, garden, clothing, fuel, hardware, building, pet care and homewares. Based in the heart of the community, we pride ourselves on our personal customer service based on knowledge and expertise. In December 2018, we opened our 35th branch, Homeland.ie, an online retail store offering consumers our full range of products with next-day delivery nationwide.

"The decision to set up Homeland.ie was driven by the changing needs of our primary customer, farmers, many of whom are time-poor and seeking a quick and convenient way to purchase the products they require. Giving them the option to shop online is an ideal way to meet their needs.

"For smaller goods, we offer free delivery on purchases over €100 and a next-day delivery service once you order before 2pm. For larger goods that require delivery by pallet, like feed and gravel, we offer free delivery over €300. We also recently launched our click-and-collect service in our Sligo and Athlone stores, which is same-day collection when you order before 12pm.

"Our online experience has been very positive. Online sales are strong, and we're noticing that the website has driven increased footfall in store, too. Many new and existing customers use our website to check stock available in our branches, doing their research before coming to purchase in-store. We're now working to expand our online offering to meet the needs of our growing customer base."

Cleo Devaney, E-commerce Manager, www.homeland.ie

2 SME ATTITUDES TO DIGITAL [CONTINUED]

Paying it forward

The disconnect between consumers' digital demands and SMEs' lack of ability or desire to meet them looks all the stranger when we examine SMEs' own online activities.

In a business context, SMEs, like consumers, make full use of digital and online technology: 79% use online banking, 75% make payments online, and 68% order from their suppliers online.

Many will have discovered these suppliers and services through a search engine or a digital marketing campaign.

The internet is a big, busy place, comprised of 1.5 billion websites and hundreds of billions of webpages.^[2] Google handles roughly 70,000 search queries a second.^[3]

Most Irish SMEs, however, are unwittingly making their websites hard to find. Unless a customer is searching for a specific business in a specific area, an SME is unlikely to be found by accident.

The internet has replaced the phone book. In both rural and urban areas with younger, changing populations, word-of-mouth referrals are becoming less relevant. That's what makes digital advertising and promotion so important.

However, 60% of SMEs do not promote themselves online in any way. Despite having a digital platform, they are not using digital communications to direct customers to their website.

Among those that do invest in digital marketing and advertising, the average monthly spend is €146, although 70% spend less than €100.

Sources:

[2] 'How Search Works', Google Search www.google.com/search/howsearchworks/

[3] www.cognifide.com

How SMEs use digital technology in a business capacity

Base: Base: 1,003, all SMEs

79%

Online banking

75%

Make payments online

68%

Order from suppliers online

60%

Shop online

50%

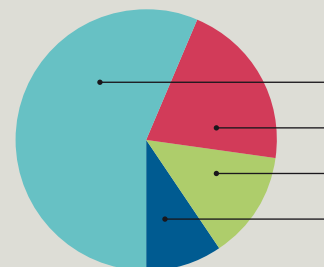
Make bookings/
appointments online

32%

Click-and-collect

How SMEs promote themselves online

Base: 1,003, all SMEs



60% We do not promote our services online

22% Through paid advertising on other websites/social media

14% Through search engine optimisation (SEO)

10% Other

How much SMEs spend on online promotion per month

Base: 400, all SMEs that promote their services online

€146

= Average

... although 70%
spend less than

€100



3

The benefits of an online presence

SMEs that invest in digital skills and assets almost universally see a return. A visible, intuitively designed website with e-commerce capabilities functions like an online shop capable of making sales 24/7, 365 days a year to customers all over the world.



► Key findings ◀



73%

of SMEs say their website contributes to their offline or 'face-to-face' sales



86%

of SMEs stay in touch with their customers using digital tools, like email newsletters and SMS messages



72%

of SMEs say being online and digitally savvy has helped increase awareness of their business



69%

of SMEs believe that their website is more important than, or equally important to, their social media profiles

3 THE BENEFITS OF AN ONLINE PRESENCE [CONTINUED]

Knowledge is power

Increased use of digital is helping SME owners connect with customers, increase their revenue, and build more innovative and relevant products and services.

Just under three-quarters of SMEs (72%) say that one of the biggest benefits of being online and digitally savvy is an increased awareness or understanding of their business among consumers.

A third believe that their online presence has led to increased revenue, while a similar number believe it saves them time.

The latter two figures have both increased by 5% year-on-year, indicating an appreciation for the productivity and commercial benefits of an online presence and digital savviness.

When digital knowledge is applied to boosting software, it creates continuous benefits, including a constant link to a loyal customer base.

86% of SMEs use digital tools to stay in touch with their customers, up 4% on 2018. Email newsletter remains the dominant method of communication (59%), followed by SMS text message (39%), and social networks and social messaging apps (25%).

Just under a third (32%) of SMEs proactively gather and use online feedback from customers to improve existing or offer new products and services. 'Cheetah' SMEs use customer feedback to create a more bespoke product or service, which in turns makes repeat business more likely.

SMEs on the importance of their website to...

Base: 695, all SMEs with a website, 'important' or 'very important' responses

91%

Providing an understanding of what business does

86%

Generating awareness of business

73%

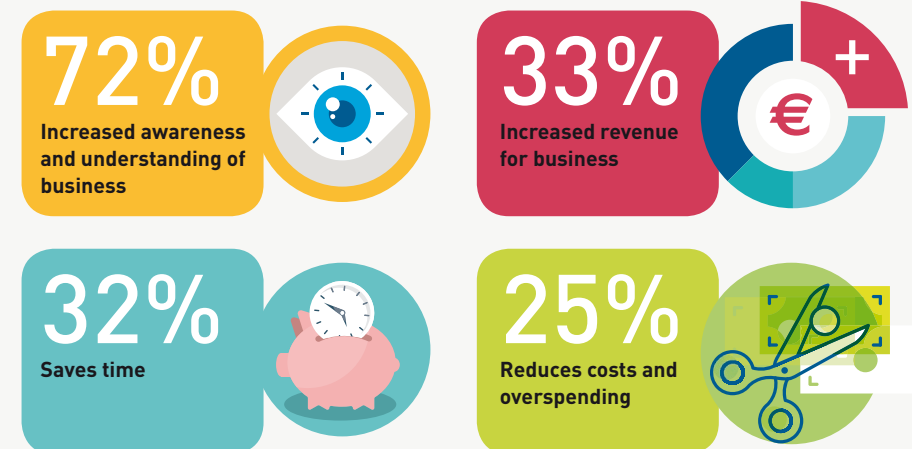
Driving future sales growth

65%

Generating sales

The biggest benefits of being online and digitally savvy

Base: 869, all SMEs with a digital asset



The value of a website

A website is much more than just a place to say 'hello' to customers.

91% of SMEs with a website say that it is important for creating an understanding of what their business does or offers, while 65% say it is important for driving or generating sales.

While it helps, processing transactions isn't the only way a website can generate sales revenue for a business.

Allowing a customer to book an appointment, or even simply make a query, can lead to a sale at a later time. In these cases, a website is facilitating a transaction that otherwise would not have taken place.

Indeed, almost three-quarters (73%) believe that their website contributes to 'offline' or face-to-face sales. Among SMEs with a website, 53% say that it generates at least 10% of their monthly revenue.

The website-social media partnership

Irish consumers are heavy social media users: 65% use Facebook, nearly 40% use Instagram, and 33% use Twitter. Many—and in the case of Facebook and Instagram, the majority—use them daily.⁽¹⁾

For SMEs, a social media profile, used in partnership with a website, provides a powerful way to connect with customers, enhance interaction, and drive sales and footfall. 87% of SMEs with social media say that it has helped to increase customer awareness of their business.

However, social media profiles are 'rented', not owned. At any time, a provider can alter its terms of service, restrict access to an audience, or limit what analytics can reveal about customer behaviour.

An awareness of these facts is likely reflected in the finding that 69% of SMEs regard their website as more important than, or equally important to, their social media profiles.

Among this cohort, 44% say they use their social media profiles to drive traffic to their website. 29% say that a website offers them more control over their business's online presence.

Disappointingly, however, just 5% say they can better analyse customers through their website, which aligns with SMEs' overall mediocre grade for 'boosting', outlined in **Chapter 1**.

Source: (1) Ipsos MRBI Social Networking Tracker, June 2018

Why websites are more important than social media to SMEs

Base: 195, all SMEs that said social media is less important than their website

44%

Website is the centre of the SME's online activity – social media used to drive traffic to website



29%

Website offers full control of business online



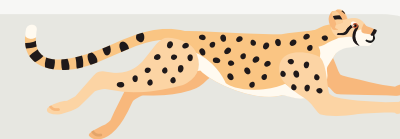
27%

Website is more customisable



26%

Website is better suited to selling product/service



A Cheetah's perspective: Paytient Payments

Paytient Payments, based in Gorey, Co Wexford, is a fintech start-up specialising in digital payment services for healthcare organisations. By using digital technology, in particular a dynamic, software-boosted website, the business has grown in Ireland and internationally.

"While it's relatively straightforward to contact healthcare providers in Ireland, our goal is to build an international business and export our payment services abroad.

We encourage international enquiries on our website by using two simple pieces of software: firstly, international language translation, with a view to communicating with visitors in their own language; and secondly, chatbots, which enable potential clients to chat with you about your products or services through your website.

We estimate that since going live in December 2018, as a result of using these two pieces of software, 80% of our new business enquiries have been from international clinics, in the USA, UK, Germany, Tunisia, India, France, Sweden, and elsewhere.

We also find that social media platforms like Twitter, LinkedIn, and Facebook are invaluable to the growth of our business. They help us to connect with potential clients worldwide without incurring the costs associated with setting up an overseas office or having staff on the ground."

Ruairi Gough, Founder of Paytient Payments

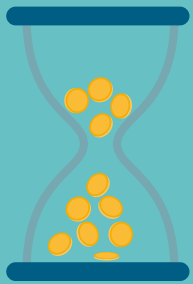
4

The barriers to doing more online

SMEs, particularly micro-businesses, are generally resource-poor. Time, money, and expertise are in short supply, which forces digital investment to the bottom of the priority list. Consumer demand, however, is only going in one direction, and SMEs that fail to embrace digital will lose out sooner than they think.

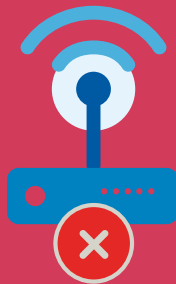


► Key findings ◀



28%

of Irish SMEs say a lack of time is a major barrier to doing more online



1 in 12

Irish SMEs say poor broadband connectivity is their *main* barrier to doing more online



66%

of Irish SMEs have no faith in the Government's ability to deliver the National Broadband Plan in its current form



48%

of Irish SMEs without a website say that there is 'no need' to have one

4 THE BARRIERS TO DOING MORE ONLINE [CONTINUED]

Time and money

A hallmark of 'Zebra' SMEs is the inability or unwillingness to invest time, money, or expertise into relatively small digitalisation projects, such as building a website or setting up an online shop.



When asked what exactly is preventing SMEs from doing more online, nearly 3 in 10 said they simply don't have the time. 1 in 10 say they lack the expertise, and a similar number say that the investment seems too expensive.

Almost a quarter said they are already doing all they can online, even though DHI data shows that the vast majority of Irish SMEs still grade mediocre to poor for transacting and boosting.

This slowness to adapt to the digital standard is largely based on a pervasive misconception that using a website, using data analytics tools, or accepting online payments are difficult, time-consuming tasks that require specialist expertise. This is not the case.

There are now many affordable (and sometimes free) online tools that allow SMEs to build modern, e-commerce-ready websites in a matter of hours without any knowledge of coding or web design.

Only 1 in 10 Irish SMEs have availed of digital skills training supports (like a Local Enterprise Office grant) in the last twelve months. Improved promotion of these campaigns may lead SMEs to reconsider their current approach to digital.

The bandwidth bottleneck

While Ireland's broadband services rank highly internationally, many rural areas of the country remain under-served.⁽¹⁾ Poor broadband connectivity is the **main** issue preventing nearly 1 in 12 (8%) SMEs from doing more online.

29% of SMEs in Munster, 33% in Leinster (excluding Dublin), and 39% in Connacht and Ulster rate their internet speed and reliability as average, poor, or very poor.

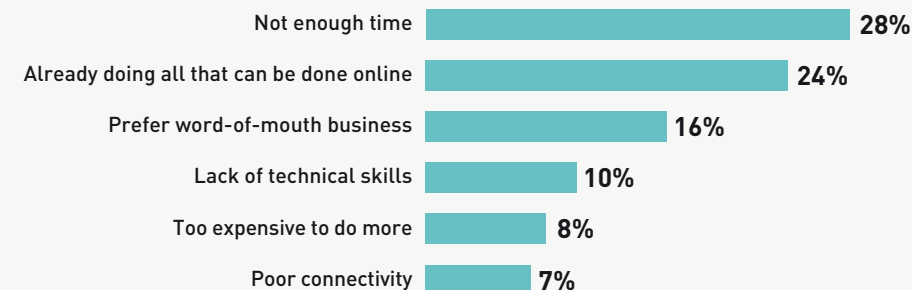
Two-thirds of Irish SMEs do not believe in the Government's ability to deliver the National Broadband Plan in its current form.

These findings underscore the urgent need for a national initiative to fast-track the digitalisation of Irish towns and regions with high-growth potential. We explain more in this report's **Action point** chapter.

Sources:

(1) Akamai State of the Internet report, Q1 2017

Major barriers to doing more online Base: 1,003, all SMEs



1 in 12 SMEs say the main issue preventing them from doing more online is poor broadband connectivity Base: 1,003, all SMEs

29%

of SMEs in Munster

33%

of SMEs in Leinster (excluding Dublin)

39%

of SMEs in Connacht and Ulster

...rate their internet speed and reliability as average, poor, or very poor

66%



of SMEs do not believe in the Government's ability to deliver the National Broadband Plan in its current form

14%



of SMEs say their internet connection has actually deteriorated in the last twelve months

4 THE BARRIERS TO DOING MORE ONLINE [CONTINUED]

Scalable barriers

Digital is the business default, but as many as 31% of Irish SMEs do not have a website. These 'Ostrich' SMEs, which rank poorly for communicating, transacting, and boosting, are much more likely to view the status quo of their offline business as a reason not to have a website.

After all, why bother putting money into a new channel when everything is fine as it is and has been for years?

Almost half of these businesses (48%) say there is 'no need' to have a website. Though this marks a 21% decrease on the same period five years ago, it is still a stubbornly high number.

Of this number, 36% do not see an advantage in having a website, and 39% argue that the majority of their business is word of mouth.

On the surface, this seems like a fair retort. However, it presumes that consumer habits are static. It fails to take into account changing demographics (e.g. a growing youth population, increasing migration from regional parts of Ireland to urban areas) and the continuous digitalisation of society and business.

Consumers are online and spending. They are accustomed to and expect seamless, user-friendly online browsing and shopping experiences and will not lower their expectations for their local businesses.

As the DHI's consumer survey shows, 80% believe that all businesses should have at least a basic website, and 63% think that a business is outdated if it doesn't have one. An SME without a website risks being ignored or mistrusted by consumers and outflanked by its competitors.

In less economically developed regions, it can take national action to help businesses scale barriers and achieve their commercial objectives. In this report's **Action point** chapter, we argue for a 'regional digital hub' approach to Ireland's digitalisation programmes and the National Broadband Plan.

By targeting investment in physical infrastructure (such as high-speed broadband and co-working spaces) and digital skills and funding in areas with high-growth potential, websites, e-commerce, and digital skills can help rejuvenate ailing high streets, keep local talent in the community, and open up stagnating or isolated areas to larger markets.

Why SMEs are going without websites – five-year comparison

Base: 308, all SMEs without a website



Why SMEs without a website say there's 'no need' to have one

Base: 148, all SMEs without a website that don't see a need to have one



5

SME digital demographics

A breakdown of the Digital Health Assessment by region, industry, and size. While Dublin SMEs lead the way overall, the capital is by no means a clear winner.

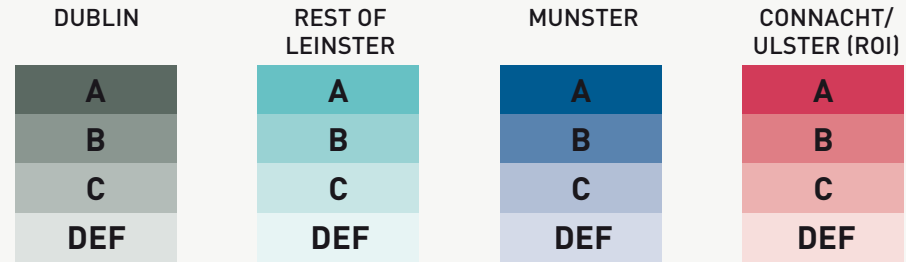
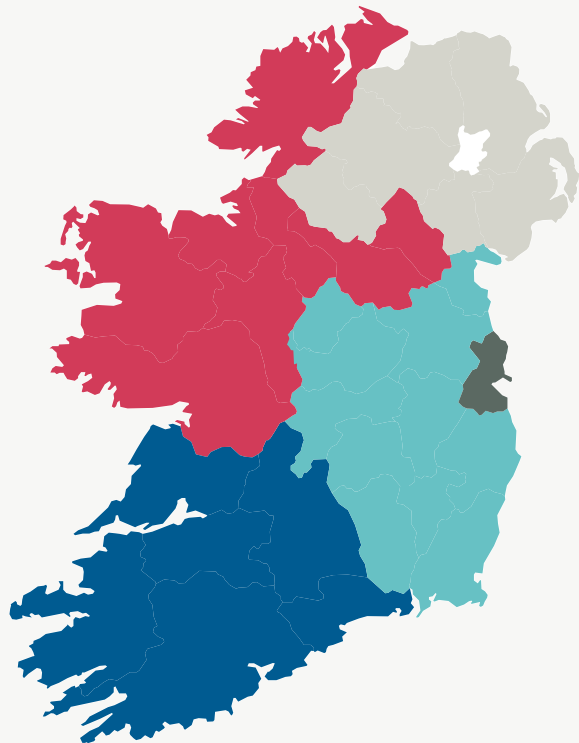


5 SME DIGITAL DEMOGRAPHICS [CONTINUED]

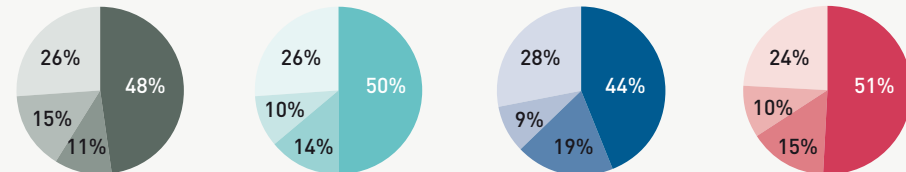
The SME Digital Health Index surveys SMEs from across Ireland. In this wave of research, 27% of respondents were Dublin based, 35% were from the rest of Leinster, 19% from Munster, and 19% from Connacht and Ulster.

The Digital Skills Assessment (see **Chapter 1**) shows that, broadly speaking, Irish SMEs score good grades for communication, fair to mediocre grades for transacting, and overwhelmingly poor grades for boosting.

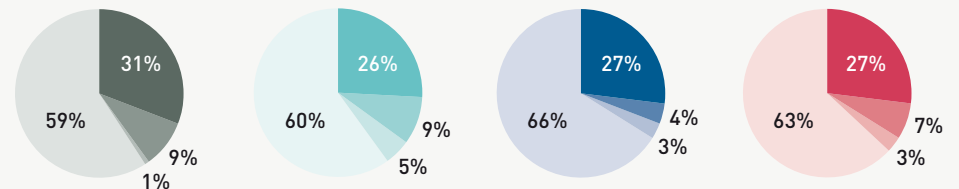
A regional breakdown of these findings shows little meaningful variation. Dublin and Leinster generally lead the way but lag behind Munster and Connacht-Ulster in communicating. In rural parts of the country where physical infrastructure is less developed and populations are less densely concentrated, SMEs may rely more on digital to increase awareness of their business. All regions struggle with transacting and boosting skills, which highlights the need for a targeted approach for a national programme of action.



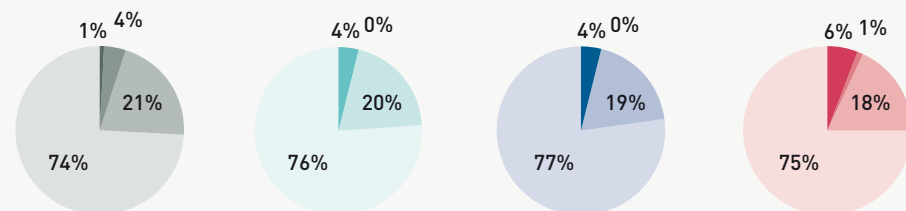
COMMUNICATING



TRANSACTIONING



BOOSTING



A website is an introduction to a customer. An online shopping cart—even a customer enquiry form—can generate sales. Productivity software can help make the most of limited resources. In short, digital benefits all industries.

Naturally, SME size affects grading. The bigger the business, the more resources it has to invest in digital. Most large SMEs, for example, score far better at transacting and boosting relative to the average.

However, smaller size can be an advantage. A micro-business (an SME with fewer than 10 employees) has the benefit of less hierarchy and fewer internal processes, meaning innovative transacting and boosting solutions can be trialled and implemented quickly.

Modern digital tools remove much, if not all, of the traditional hassle associated with setting up a website or e-commerce platform. 'Zebra' and 'Ostrich' micro-businesses should prioritise their own digital rollout to meet consumer expectations.

Top 5 industries by % of A-B grades

COMMUNICATING

66%

Professional services



59%

Education



55%

Pharmaceuticals



49%

Retail



47%

Construction



TRANSACTIONING

35%

Professional services



33%

Retail



29%

Construction



27%

Pharmaceuticals



22%

Education



BOOSTING

6%

Education



6%

Retail



5%

Professional services



3%

Pharmaceuticals



1%

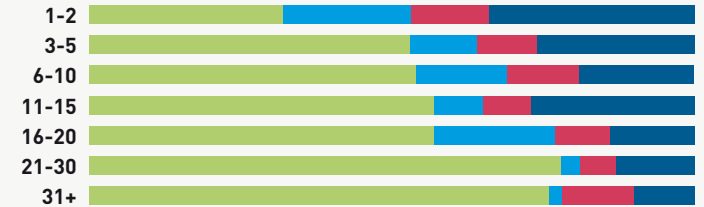
Construction



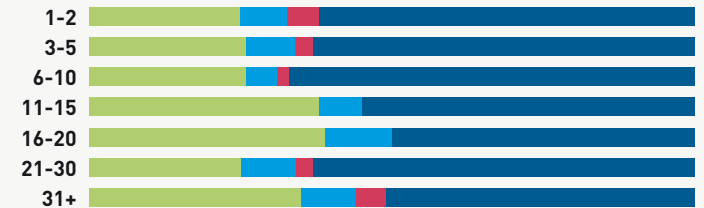
SME grades by number of employees



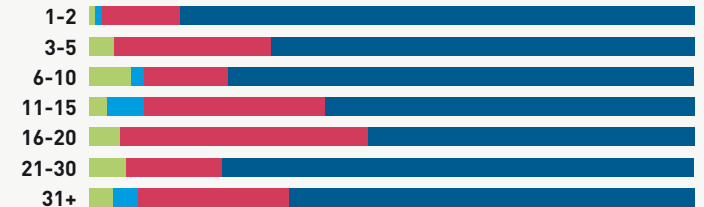
Communicating



Transacting



Boosting



Methodology and Index score



Survey methodology

The IE Domain Registry SME Digital Business Health Index is carried out annually. A total of 5,517 Irish SMEs has been surveyed by Core Research on behalf of IE Domain Registry across nine waves of research over a five-year period (2014-2019). From 2014-2017, 500 SMEs were surveyed bi-annually; since 2018, 1,000 SMEs have been surveyed annually.

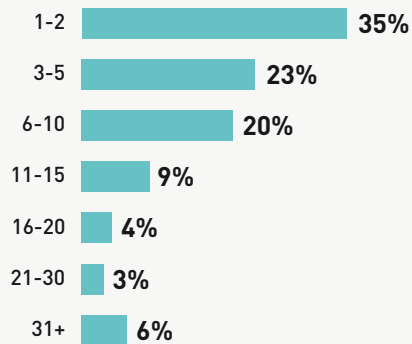
Waves of fieldwork were carried out in July 2019, May 2018, October 2017, March 2017, October 2016, April 2016, September 2015, December 2014, and May 2014.

Of those surveyed in the June 2019 wave, 78% were micro-businesses (businesses with 1-10 employees). According to the latest CSO Business Demography figures, micro-businesses comprise 92% of the total Irish business population. SMEs (businesses with up to 250 employees), including micro-businesses, comprise 99.7% of the total business population and large companies (250+ employees) less than 0.3%.⁽¹⁾

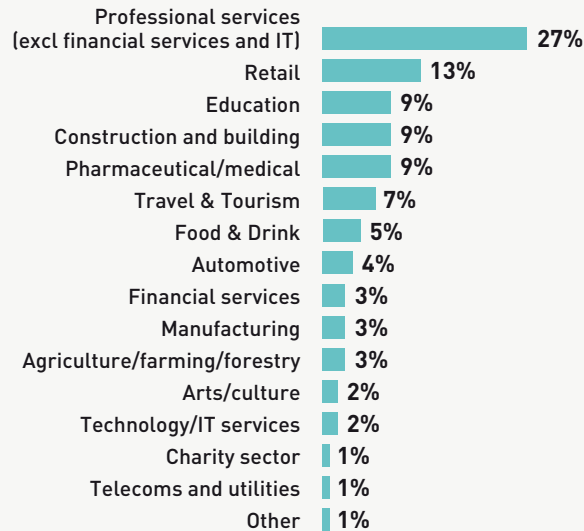
The DHI consumer survey, also carried out by Core Research, asked 1,000 Irish adults (18+) about their attitudes to digital technology, e-commerce, and retail trends. This survey was conducted in September 2019.

Source: (1) CSO Business Demography 2017 (latest figures available)

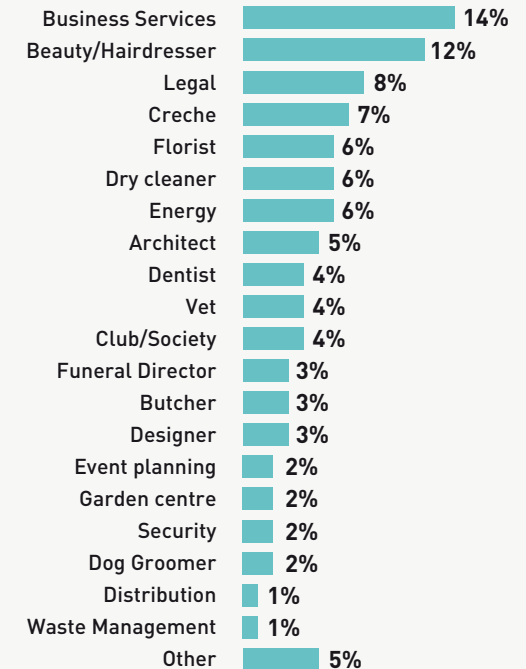
M1.1 SME survey sample by number of employees



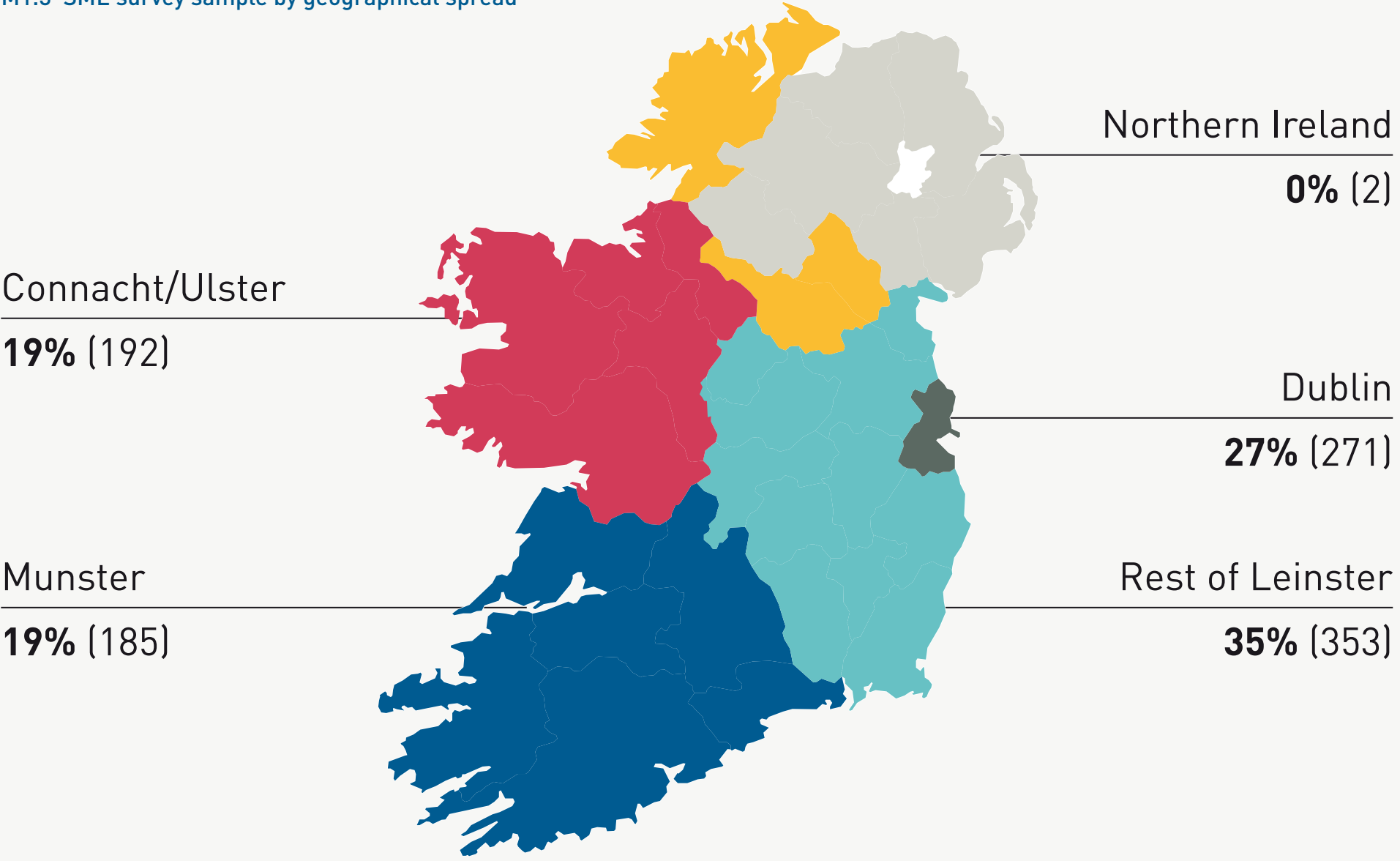
M1.2 SME survey sample by sector



M1.2.1 SME survey sample by sector – professional services breakdown



M1.3 SME survey sample by geographical spread



Construction of SME Digital Health Index

Scored out of 50, the overall 'digital health' of Ireland's SMEs is calculated by analysing their use and perceived quality of nine digital assets:

- ▶ Website
- ▶ Facebook
- ▶ Twitter
- ▶ LinkedIn
- ▶ YouTube
- ▶ Blog or content marketing
- ▶ Mobile or tablet app
- ▶ Web sales ability
- ▶ Data analytics ability

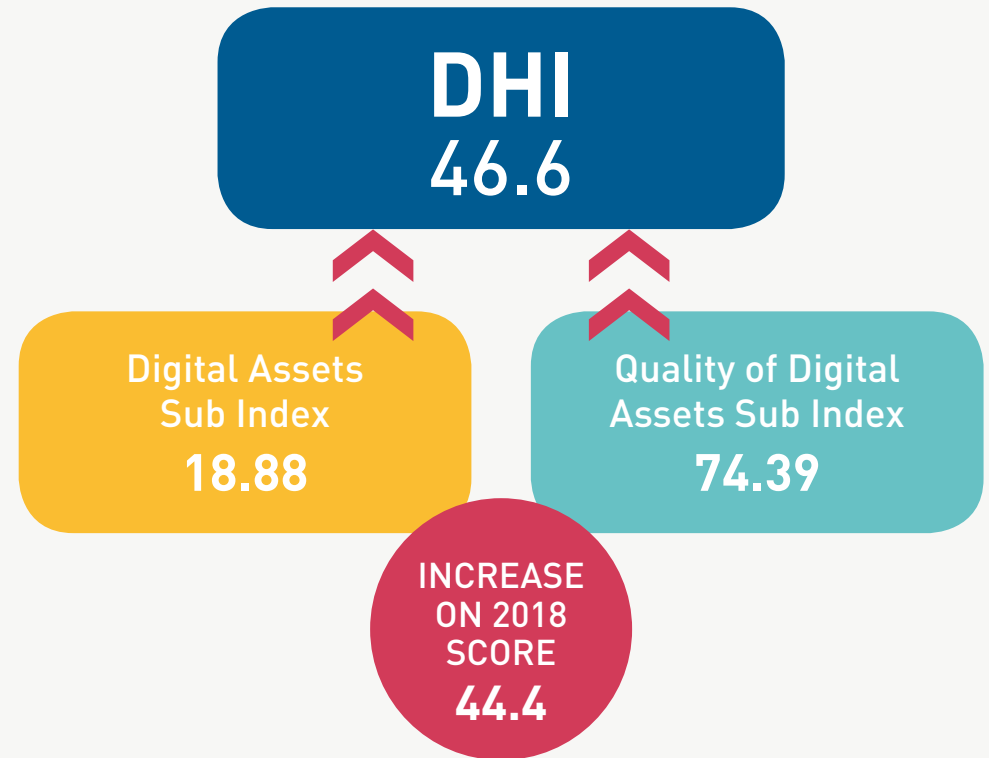
Two key question sets are asked of each SME to determine the overall index score:

- ▶ From the range of nine digital assets and activities, have you or do you use the digital asset?
- ▶ What is your perceived quality of the digital asset used?

Equal weighting of each of the two question sets and each of the nine categories then feed into a composite index score of digital health. See M1.4 for more information.

For additional information on methodology and historical scores, please download the supplementary appendices.

M1.4 2019 SME Digital Health Index score



Digital Health Assessment methodology

The Digital Health Assessment measures Irish SMEs' digital health by measuring their skills in three categories: communicating, transacting and boosting. A grade is given for each using an ABCDEF system.

SMEs are awarded a grade based on the % criteria met in a particular category:

A	81%+
B	71-80%
C	61-70%
D	51-60%
E	40-50%
F	0-39%

SMEs were graded based on their responses to particular questions in the SME Digital Health Index survey.

Digital Skills Assessment grading criteria (max score per question is 100)

COMMUNICATING

- ▶ **Which of the following does your business have?**
 - Website + any other digital asset (100); website only (70); any other digital asset (50); no digital asset (0).
- ▶ **On SME website functionality**
 - If mobile optimised and has ability the take sales orders OR process payments (100); if mobile optimised (70); none of these (0).
- ▶ **Use of digital to communicate**
 - Use any form of digital to communicate (100); don't use any (0).

TRANSACTIONING

- ▶ **Can consumers purchase your products/ make appointments/book your services online?**
 - Yes (100); no (0).
- ▶ **How can consumers purchase your products online?**
 - Direct from my website (100); can't ship but offer a click-and-collect service (50); use a third-party platform (50); other (50).
- ▶ **In your business role, do you do any of the following (online banking, make payments online, order from suppliers online, shop online, making bookings/appointments online, click and collect)?**
 - Yes to all 6 (100); to 5 (80); to 4 (60); to 3 (50); to 2 (30); to 1 (20); no (0).

BOOSTING

- ▶ **What type of programmes (accounting software, CRM, project management, workflow management, internal messaging platforms, other) do you use for your business internally?**
 - Uses any software (100); doesn't use software (0).
- ▶ **SME use of analytics**
 - Uses analytics for any reason (100); does not use analytics (0).
- ▶ **Do you promote your services online?**
 - Yes, through SEO (100); through paid advertising (100); other (50); no (0).
- ▶ **Are you planning to spend more on digital skills?**
 - Yes (100); no (0).
- ▶ **Have you availed of digital supports or training?**
 - Yes (100); no (0).

About IE Domain Registry



IE Domain Registry is the national registry for .ie domain names and is responsible for the management and administration of Ireland's official internet domain, .ie, in the interest of the Irish and global internet communities. It operates the domain name system (DNS) for the .ie namespace, facilitates an independent dispute resolution service, and operates a public WHOIS lookup service for .ie domains.



The company's mission is to provide unique, identifiably Irish domain names, along with registry and related services, to the local and international internet community. Policy development for the .ie namespace follows a bottom-up, consensus-driven approach, through a multi-stakeholder Policy Advisory Committee.



IE Domain Registry is committed to digital advocacy for the SME community. Through the OPTIMISE programme and stakeholder engagement initiatives such as Digital Town, the company works with and supports SMEs to improve their online presence and e-commerce capabilities.



IE Domain Registry produces fact-based research for the business community and policymakers, such as the SME Digital Health Index, which provides key insights into the digital health of SMEs.



The company is focused on providing excellence in customer service through its ongoing customer experience (CX) innovation and improvement programmes. Since March 2018, it is now easier and faster to register a .ie domain. There are almost 280,000 domains in the database.

Based in Dun Laoghaire, Co Dublin, IE Domain Registry employs 22 people.

www.iedr.ie

Core Research

Core Research is part of Core, Ireland's largest marketing communications company.

Core is made up of nine specialist practices united together by one single objective: we collaborate to expand the possibilities of what the clients we work with can achieve.

We're about action, driven by insight. We are a dynamic team of experienced researchers. We navigate the noise, understand the context and find truth. We analyse the data from every source to truly understand people and brands. Our insights lead to smarter, more accurate and successful decisions.





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