



Identifiably Irish
Ireland's Domain Registry

dot ie

Digital Health Index

Q1 2017



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Foreword



Welcome to the latest edition of the IE Domain Registry's (IEDR) dot ie Digital Health Index, the fourth in a series of reports that seeks to provide a comprehensive analysis of the quantity and quality of digital assets, like websites, web sales ability and social media profiles, owned by Irish SMEs.

To date, we have completed six waves of research, each with the same objective of exploring, examining, analysing and tracking how Irish SMEs engage and interact with their online markets. Of those SMEs surveyed, 86% were micro-businesses of less than 10 employees, with the remaining 14% of respondents having between 11 and 50 employees.

This report investigates the digital health of Irish SMEs in key areas such as:

- ▶ The capability of SMEs' websites;
- ▶ SMEs' attitudes to e-commerce and social media;
- ▶ The persistent issue of offline SMEs.

We also conducted additional consumer-focussed research into attitudes to the digital marketplace and consumers' views on Irish SMEs' e-commerce offering.

This fourth edition of the dot ie Digital Health Index marks a steep recovery of the overall Index score. The Index fell to 41.8 in October 2016, the second lowest score since research began, but rose to 45.4, the second highest, in March 2017 when this latest research wave was undertaken.

This increase was powered primarily by SMEs' perception of their digital assets: they see their websites, social media pages and e-commerce tools performing better and playing a more important role in their business, and to a greater extent than those of their competitors. Furthermore, 67% report having a website, up 5 percentage points on the last wave of research.

However, almost 1 in 5, or 22%, of SMEs report no online presence whatsoever – no website, no social media page, nor any other digital asset. This is an ongoing issue. Despite shifting consumer expectations favouring businesses that have websites, the looming spectre of Brexit and even awareness of the business benefits of a website, few SMEs show signs of changing their attitudes. This 'offliner conundrum' is discussed in detail in Chapter Six.

SMEs' e-commerce and general web sales abilities also remain disappointingly poor. Just under a third of those with websites can process or take sales orders online. Ireland's share of the European e-commerce marketplace is valued at €9 billion and is expected to grow to more than €14 billion by 2021. More than half of this spend, however, will go abroad.¹ Without increased investment by SMEs in their online presence and by industry groups and state bodies in e-commerce initiatives, Ireland will become highly uncompetitive and businesses will lose out on revenue and customers, perhaps permanently.

In Chapter Nine, we make recommendations to help improve the digital health of Irish SMEs. These are built upon two key pillars: mentorship and infrastructure.

The recovery of the dot ie Digital Health Index is good news, but there is still plenty of work to do. Industry and government must continue to work in close partnership to ensure that more SMEs benefit from the value of a website and the transformative power of e-commerce.

David Curtin.

David Curtin
Chief Executive, IEDR

June 2017

¹ Source: Virgin Media Digital Insights Report 2016

Executive summary

Positive signs

- ▶ The dot ie Digital Health Index score has risen to 45.4, the second highest score since research began in 2014.
- ▶ More SMEs are building websites. 67% have a website, compared to 62% in October 2016.
- ▶ SMEs are confident in the quality of their digital assets, with 68% believing their website is stronger than their competitors'.
- ▶ 20% of offline SMEs are currently in the process of building a website, compared to just 8% in the last wave of research.
- ▶ SMEs are updating their websites more frequently: 14% of SMEs update their websites on a daily basis (up from 9% in October 2016), while 19% update weekly (up from 16%).

Ireland's e-commerce status

Ireland's e-commerce market is valued at €9 billion and is expected to grow to €14 billion by 2021². However:

- ▶ Only 30% of Irish SMEs with websites can process payments or take sales orders online.
- ▶ Most SMEs have static 'postcard' websites that lack deeper functionality, like e-commerce or video content.
- ▶ Only 37% of SMEs with websites promote their business online.

The offliner challenge

Offline SMEs remain an ongoing issue for Ireland's digital marketplace. 22% of SMEs are completely offline, with no website or social media presence. This figure is unchanged since the last wave of research in October 2016. Among the reasons SMEs cite for not having a website or any digital assets include:

- ▶ 68% say there is 'no need' to have a website in their industry.
- ▶ 20% say they don't have enough time to build one.
- ▶ 78% say the majority of their business is driven by word-of-mouth, so a website is not necessary.
- ▶ 13% say a lack of reliable broadband is keeping them offline, down slightly from 17% in the last wave of research.
- ▶ 57% of offline SMEs have no plans to build a website in the near future. Though this number is down from 66% in the last wave of research, it is still too high.

² Source: Virgin Media Digital Insights Report 2016

Consumers' expectations

We also conducted consumer-based research that asked 1,000 Irish consumers about their online behaviour and how they engage with SMEs online. The findings revealed that:

- ▶ Consumer expectations have shifted: 83% of Irish consumers believe that all SMEs should have a basic website that lists contact details and opening hours.
- ▶ Perception matters: 68% of consumers believe a business is 'outdated' if it doesn't have a website.
- ▶ 71% of consumers are 'more likely' to buy from a business that has a website.
- ▶ 65% of consumers want their local shops to allow them to browse and research their products and services online.
- ▶ The odds are stacked in Irish SMEs' favour: 77% of consumers say buying Irish is important to them.

Graduation time?

SMEs with a website receive more work and make more money than their offline counterparts, our research has revealed. However, less than a third of SMEs with a website can take sales orders (30%), or accept bookings or reservations online (29%). If a business does not have a presence on the web, it is missing out on a huge number of potential customers.

Now is the time for SMEs to take the next steps in building a profitable online presence:

- ▶ SMEs with a website earn an additional €24,000 and receive 22 extra jobs or web-based sales on average each year.
- ▶ Graduate from Facebook: while Facebook can lead customers to an SME's shop window, their website will close the sale and give the SME more control over its future e-commerce progression. You can read more about this here: <https://www.iedr.ie/blog/better-website-facebook-page/>.
- ▶ Graduate from 'brochure' websites: with so many new plugins, tools and third-party integration possibilities, it's never been easier, or more affordable, to take the next important steps to a transactional website that lets businesses generate sales and take orders and bookings through its website.



Identifiably Irish
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dot.ie Digital Health Index

The dot.ie Digital Health Index has increased to:



45.43
from
41.76 in
October
2016

This is the second highest score since research began.

More SMEs are building websites.

67% have a website compared to **62%** in October 2016



SMEs with a website earn an additional **€24,000** and receive **22 extra jobs** or **web-based sales** on average each year.

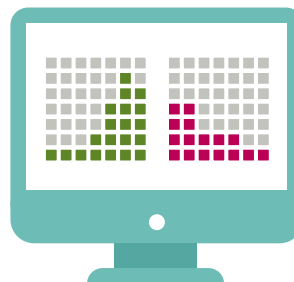
Only **13%** of SMEs have web sales enabled website, down from **20%** in October 16, despite Irish consumers spending **€9 billion** online¹



¹ Source: Virgin Media Digital Insights Report 2016.

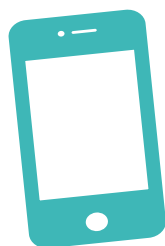


71% of Irish consumers are more likely to buy from a business that has a website.



Only **7%** of **SMEs** have the ability to run analytics for their business's online tools.

Only **49%** of SME websites are mobile responsive



The EC's DESI ranked Ireland number one in Europe for SMEs selling online but the methodology used to calculate this ranking does not account for **92%** of all Irish businesses – SMEs with less than 10 employees.

Only **30%** of **Irish SMEs** with websites can process payments or take sales orders online.



Chapter one

What is the dot ie Digital Health Index?

The dot ie Digital Health Index provides a unique analysis of the number of digital assets owned by SMEs and the perceived quality of these assets.

1.1 Construction of the dot ie Digital Health Index

Just as the Daft.ie Property Index measures aspects of the property market, the dot ie Digital Health Index seeks to measure the digital health of Irish SMEs.

From a baseline that was established with an initial wave of research in May 2014, the Index tracks the number and use of digital assets among Irish SMEs, along with SME opinions and perceptions about the importance and performance of their assets versus those of their competitors in their market niches.

The nine digital assets are:

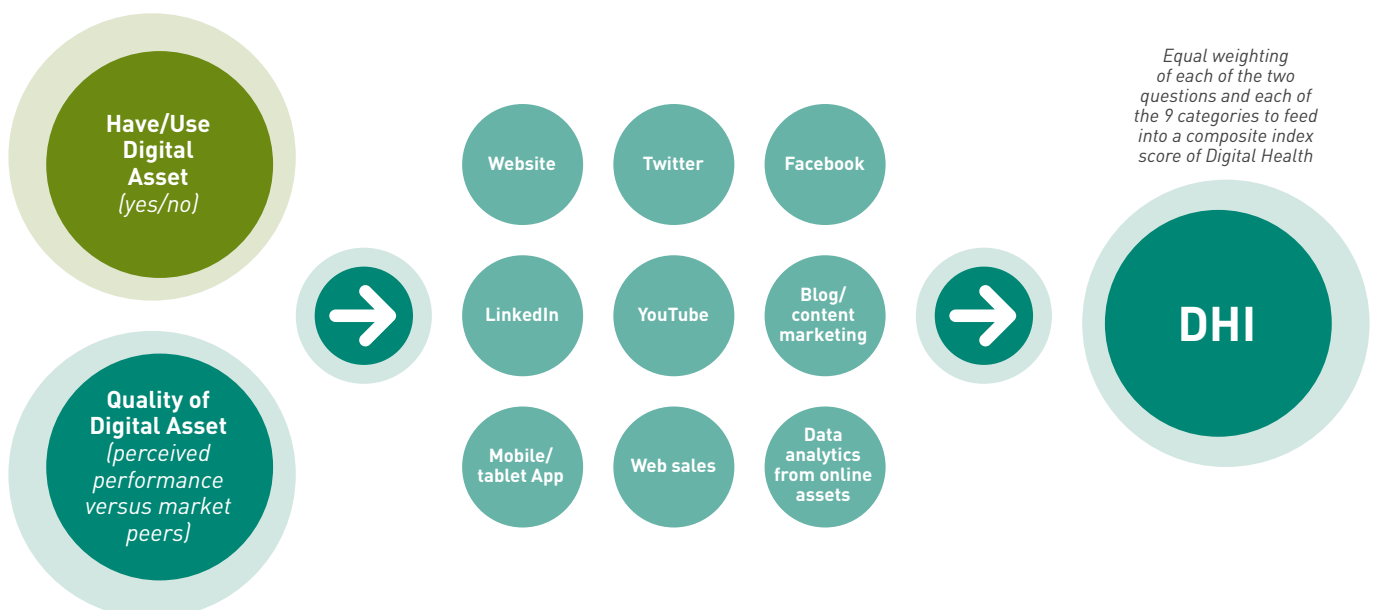
- ▶ Website
- ▶ Mobile or tablet app
- ▶ LinkedIn
- ▶ Twitter
- ▶ Data analytics from online assets
- ▶ Blog or content marketing software
- ▶ YouTube
- ▶ Facebook
- ▶ Web sales

In this edition of the Digital Health Index, SMEs' use of four additional social networks and messaging services – Instagram, Snapchat, WhatsApp and Pinterest – was also measured, although the findings are standalone and not factored into the overall dot ie Digital Health Index score.

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

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

Creating the dot ie Digital Health Index – the methodology



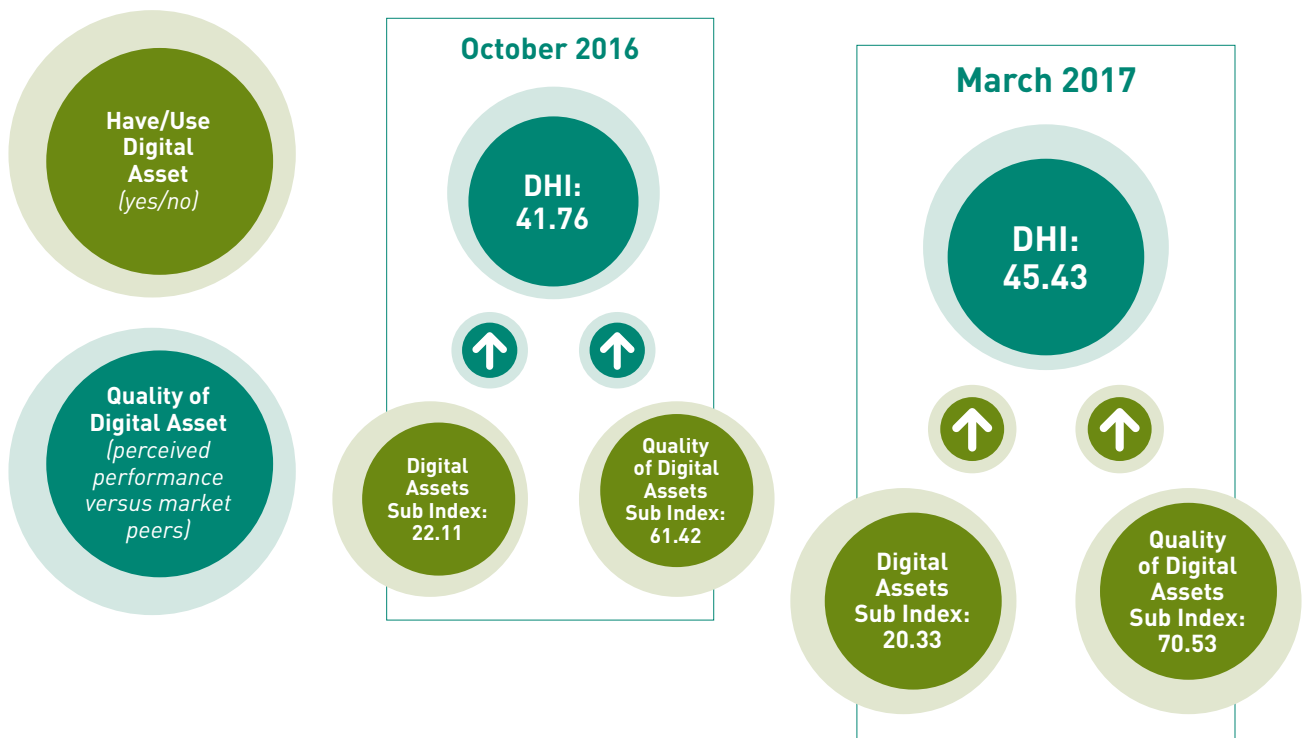
1.2 dot ie Digital Health Index Score – March 2017

This is the sixth wave of research conducted as part of the dot ie Digital Health Index, with previous waves conducted in May 2014, December 2014, September 2015, April 2016 and October 2016.

As of March 2017, the dot ie Digital Health Index stands at 45.4, the highest score since April 2016 (45.5) and the second highest since research began. It is also a significant increase from 41.8 in October 2016, which was the second lowest score recorded.

The Index shows that while the overall number of Irish SMEs that have and use digital assets has decreased slightly, the perceived quality of the performance of these assets when directly compared with those of their market peers has increased.

The increase was primarily driven by a marked improvement in SMEs' perception of their digital assets' performance and importance to their business, as well as an increase in the number of SMEs with a website (67% compared to 62% in October 2016).



1.3 dot ie Digital Health Index: all waves

Overview of the dot ie Digital Health Index (including sub-indexes)

	May 14	Dec 14	Sep 15	Apr 16	Oct 16	Mar 17
Digital Assets – Sub Index	13.0	16.1	19.7	24.2	22.1	20.33
Quality of Digital Assets – Sub Index	61.7	67.8	67.3	66.8	61.4	70.53
DHI (Digital Health Index)	37.4	42.0	43.4	45.5	41.8	45.4

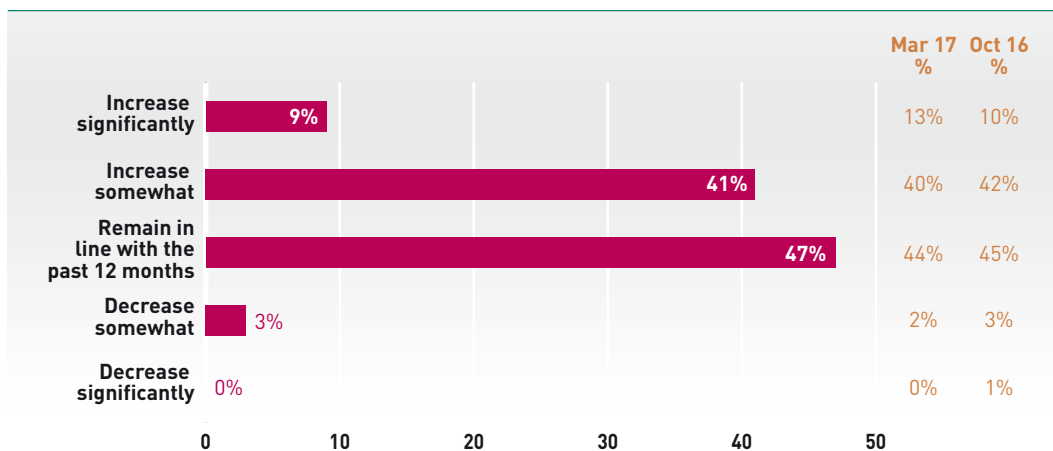
This edition of the dot ie Digital Health Index shows a rise in the overall score, to 45.4, the second highest score since research began in 2014. This is a positive recovery from the previous score of 41.8 in October 2016, which was the second lowest we had recorded.

The increase has been driven by an improvement in SMEs' perception of their digital assets' performance and importance to their business. Indeed, the digital assets quality sub-index hit its highest ever score in March 2017 (70.5), recovering from its drop to 61.4 in October 2016 and pushing ahead of the previous record, 67.8, set in December 2014.

1.4 General industry sentiment

SME sentiment regarding expected revenue generation over the next 12 months – total sample across all research waves

Thinking of the next 12 months, how do you expect revenue in your business to change compared to the previous 12 months?



Base: 3,013; All companies across six research waves, 500 companies [October 2016 and March 2017]

As the dot ie Digital Health Index score has increased, business confidence, too, has continued to trend upwards. Sentiment is still predominantly positive: 13% of SMEs expect their revenues to increase 'significantly' in the next 12 months (higher than the 9% average across all research waves and up from 10% in October 2016), and 40% expect them to increase 'somewhat' (down 2% on October 2016 and 1% on the average).

The majority expect their revenues will remain in line with the past 12 months (44%, compared to 45% in October 2016 and the 47% average). Only 2% believe their revenues will decrease, compared to 3% last year and the 3% average.

Chapter two

What Irish consumers want from SMEs

- ▶ 83% of consumers believe that all businesses should at least have a basic website
- ▶ 68% of consumers believe a business is 'outdated' if it does not have a website
- ▶ 71% of consumers said they were 'more likely' to purchase from a business with a website
- ▶ Buying from Irish businesses is important to over three-quarters (77%) of Irish consumers

No SME can exist without customers. When building the dot ie Digital Health Index we wanted to show a complete picture of the online behaviours and activities of both Irish businesses and consumers. In addition to surveying 500 SMEs, we also surveyed 1,000 Irish consumers to assess what they do online and what they look for from an SME's online presence. This chapter explores the expectations of modern Irish consumers, while the following Chapters Three, Four and Five will reveal the findings of the SME research.

Irish consumers are spending vast sums of money online. Today, Ireland's share of the European e-commerce market is worth €9 billion, and that figure is set to reach €14 billion by 2021. More than half of that, however, will be spent with retailers outside the country.³ Indeed, as we will discover in Chapters Four and Five, only 30% of Irish SMEs with a website possess any sort of web sales ability, while 22% remain completely offline without even a basic website.

Consumers have certain expectations of their local businesses. At the very least, they want to be able to see what they have for sale on a well-designed, intuitive and easy-to-navigate website, and most would like to be able to buy online from them. As increasing numbers of businesses in Europe and North America offer this functionality, including the option to buy online with direct-to-door delivery, Irish SMEs cannot afford to stay behind the curve, losing out on revenue and customers in the process.

The majority of consumers believe that Irish SMEs are not equipped for the digital age. While they would prefer to 'buy Irish', if they cannot find the goods they want, they will simply look to international retailers to meet their needs.

2.1 Consumer attitudes to SMEs' online presence

Highlighting the need for an online presence, almost three-quarters (74%) of Irish consumers are frustrated when they find that a business does not have a website. Of this frustrated cohort, almost half (49%) find it 'extremely frustrating'.

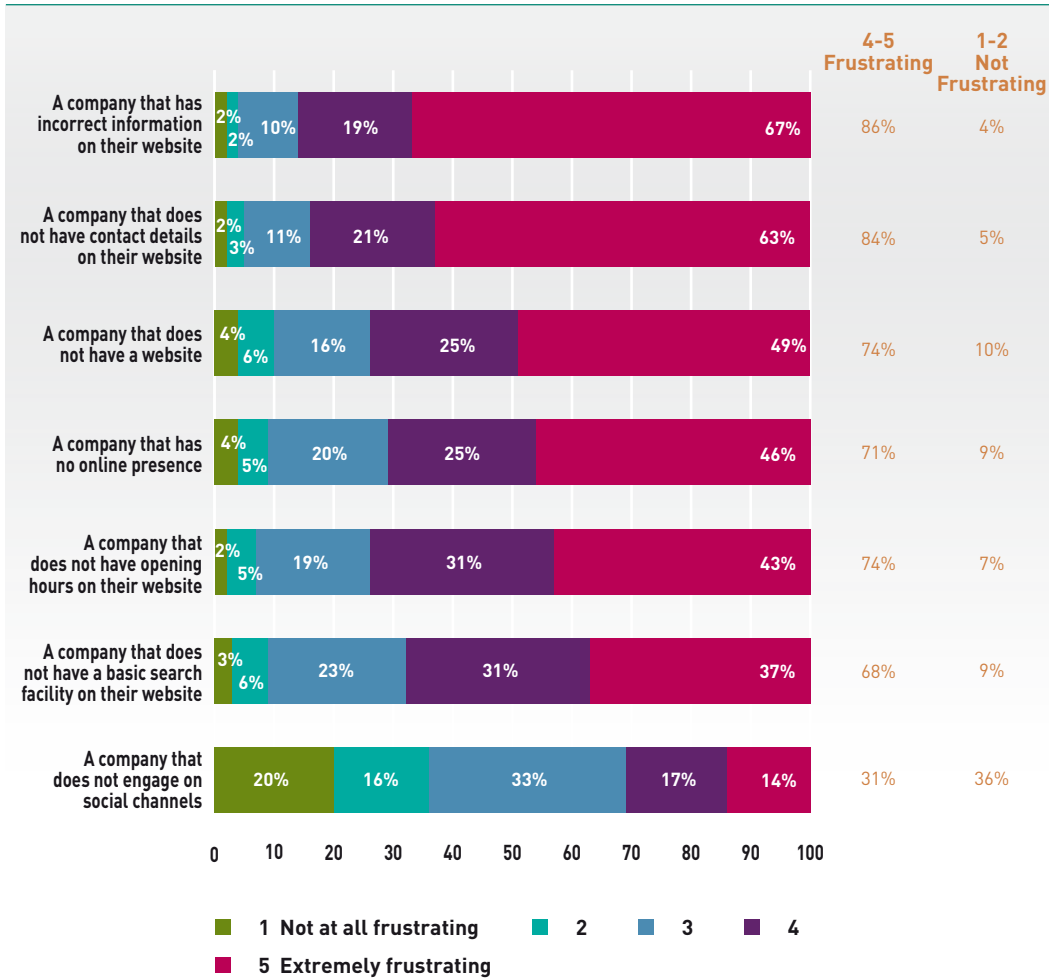
Underpinning the need for websites to display up-to-date, accurate information at all times, 86% of consumers find it frustrating when a business has incorrect details on its website, while 84% are frustrated when they cannot find a business's contact details.

Curiously, consumers are less frustrated when a business can't be found on social media – less than a third (31%) said this bothered them.

³ Source: Virgin Media Digital Insights Report 2016

Consumer attitudes to researching local businesses online

Using a 5-point scale where 5 is extremely frustrating and 1 is not at all frustrating, please tell us how you feel about the following when looking for information on Irish SMEs/small businesses online?



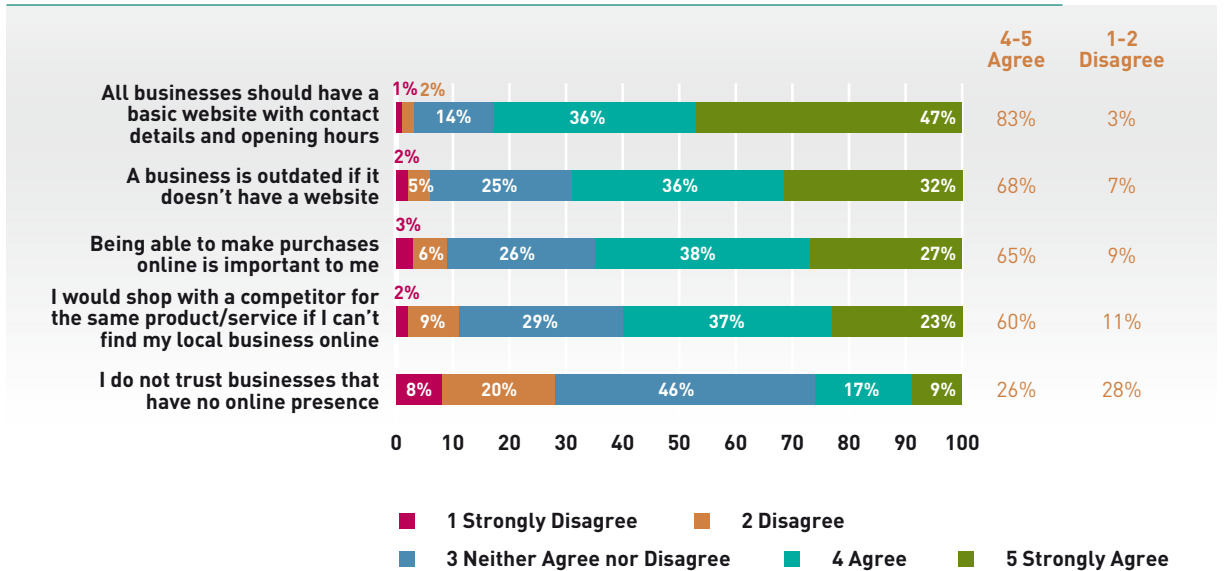
Base: All respondents: 1,000

A significant majority (83%) of consumers believe that all SMEs should have a basic website that lists contact details and opening hours.

In fact, over two-thirds (68%) believe that a business is 'outdated' if it doesn't have a website. 60% would shop with a competitor for the same product or service if they cannot find their local business online. Nearly two-thirds (65%) of consumers say that being able to make purchases online is important to them.

Consumer attitudes to SMEs' online presence

Using a 5-point scale where 5 is strongly agree and 1 strongly disagree, please tell us how you feel about the following statements?



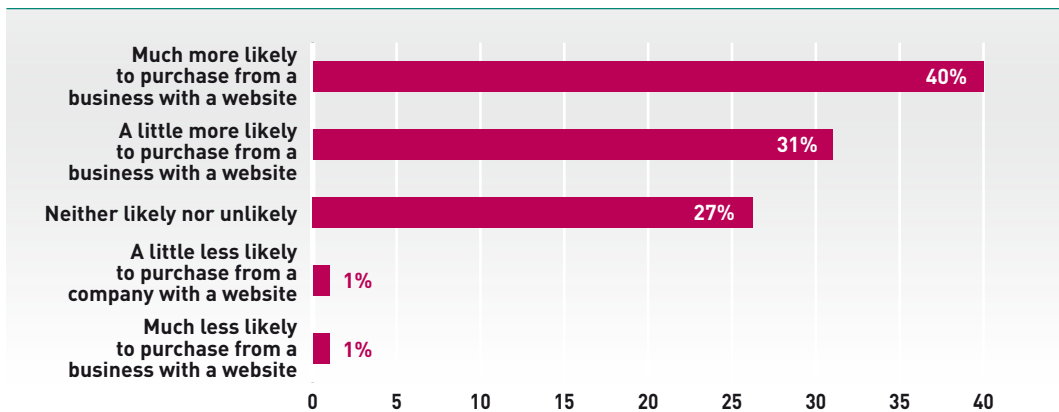
Base: All respondents: 1,000

2.2 Consumer attitudes to online shopping

71% of consumers said they were 'more likely' to purchase from a business with a website, demonstrating the authenticity factor and trustworthiness an online presence adds to businesses.

How a website affects consumer purchasing decisions

How likely are you to purchase goods or services from a business that has a website?



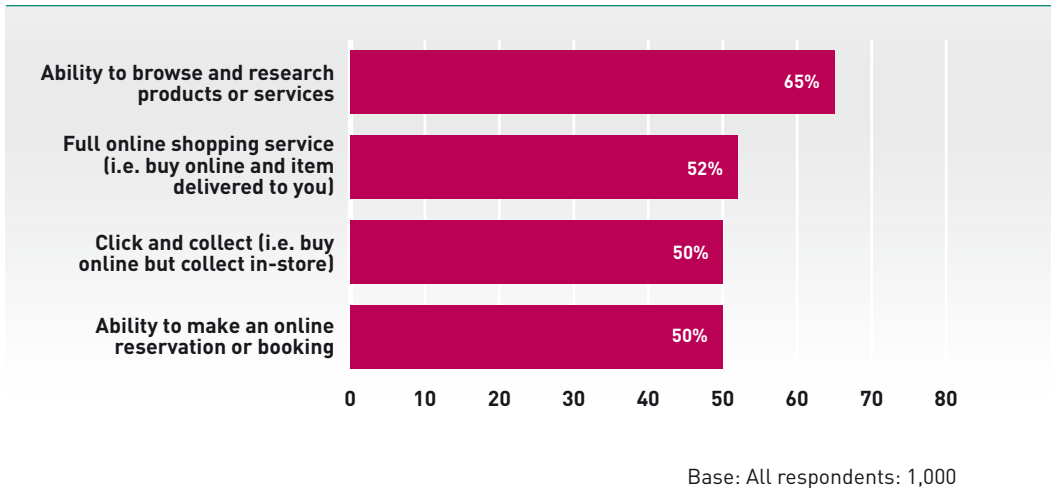
Base: All respondents: 1,000

However, when asked if they believe their local shops and businesses are well-equipped for the digital age, consumers are almost evenly split. 51% say they do not believe their local businesses are prepared.

At the very least, 65% of consumers want their local shops to offer the ability to browse and research their products and services online. Over half, 52%, want a full online shopping service, allowing them to buy the product online and have it delivered to their door.

What consumers want from their local businesses

What online services would you most like your local high street stores and service providers to offer?



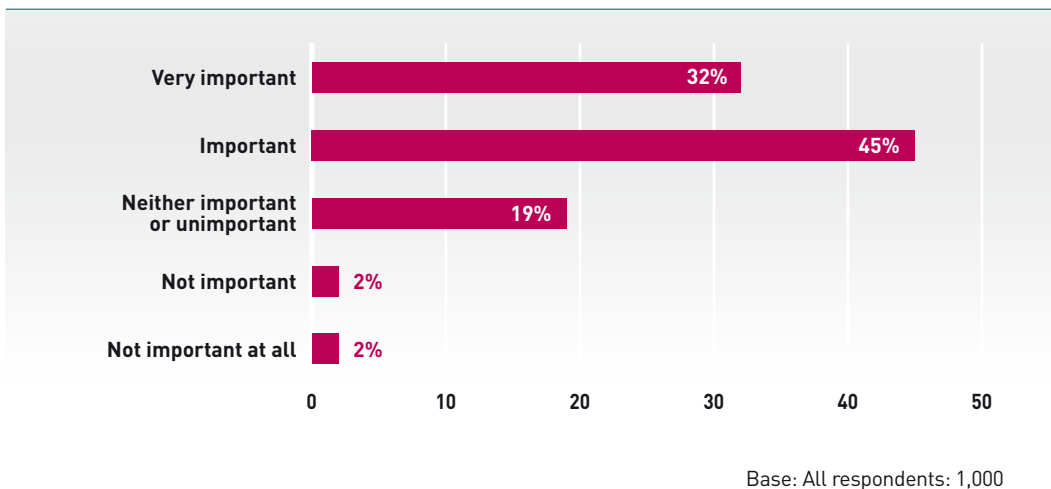
2.3 Buying Irish: does it matter to consumers?

In short, yes. Buying from Irish businesses is important to over three-quarters (77%) of Irish consumers – 32% say it is ‘very important’. This overall figure is significantly higher among over-35s (80%) compared to under-35s (70%).

Only 4% of Irish consumers feel no particular loyalty to Irish goods or services, while 19% say buying Irish is neither important nor unimportant to them.

Consumer attitudes to buying Irish

How important is buying Irish or supporting Irish business to you?



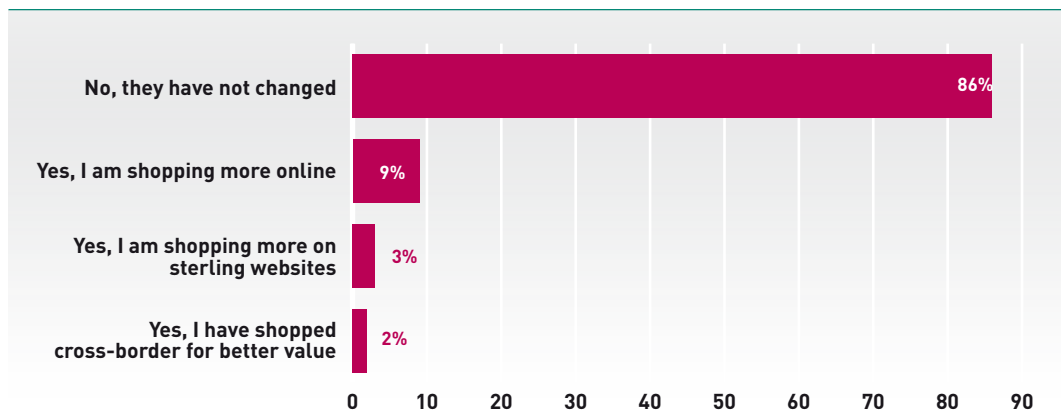
2.4 Consumer attitudes to Brexit

Despite Brexit, most consumers' shopping habits have remained the same. Though attitudes may change as UK-EU negotiations unfold over the next two years, the vast majority, 86%, said that their shopping habits have not altered since the vote.

14% said they had changed their shopping habits, with 9% stating they were shopping online more. 3% said they were shopping online more specifically on sterling websites, and 2% said they had physically crossed the border to shop for better value.

Consumer attitudes to Brexit

Have your shopping habits changed since Brexit?



Base: All respondents: 1,000

Chapter summary

- ▶ Consumer expectations have shifted. 83% of consumers believe that all SMEs should have a basic website that lists contact details and opening hours.
- ▶ Perception matters: 68% believe a business is 'outdated' if it doesn't have a website.
- ▶ 71% are more likely to buy from a business that has a website.
- ▶ 65% want their local shops to allow them to browse and research their products and services online.
- ▶ Irish consumers are patriotic: 77% say buying Irish is important to them.
- ▶ 86% say Brexit has not affected their shopping habits.

Chapter three

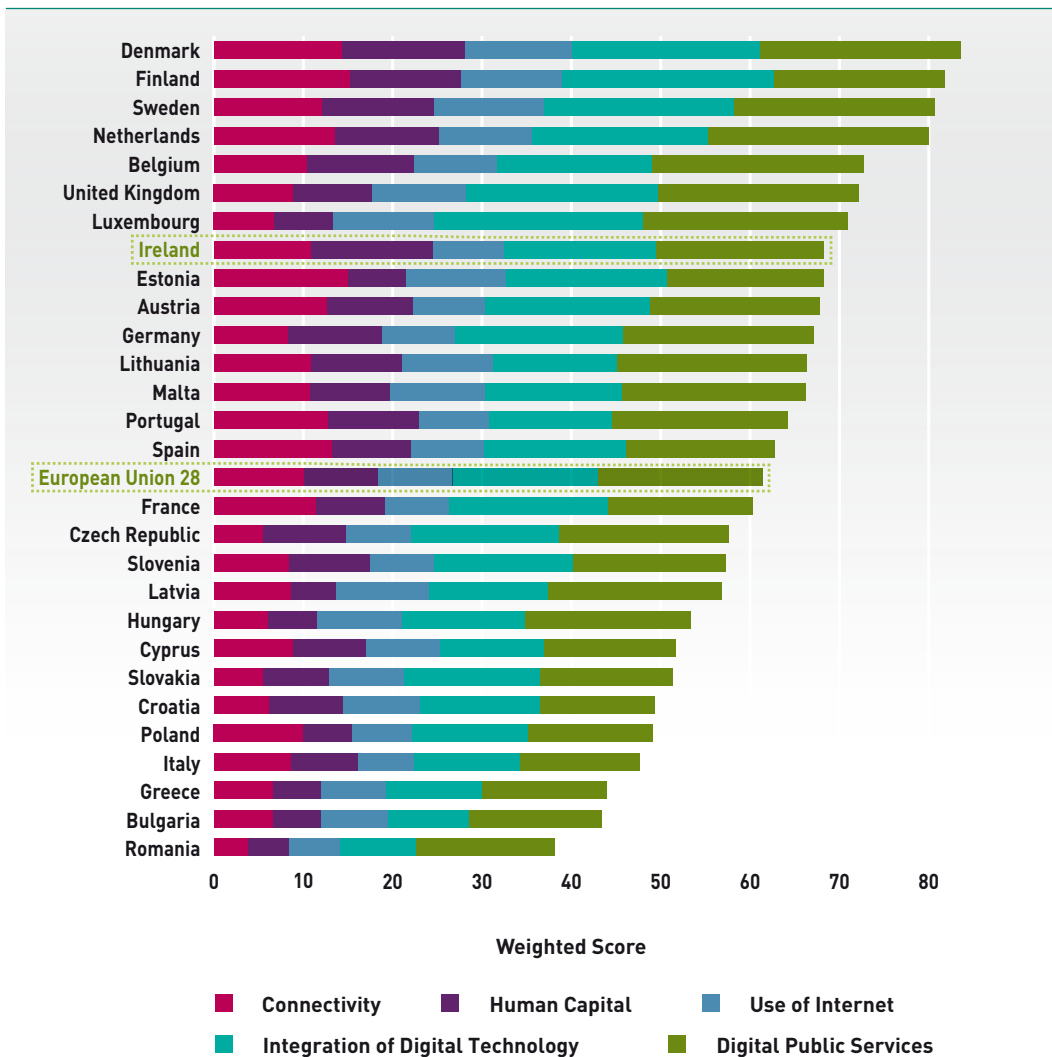
Special report: Ireland's e-commerce ranking

Ireland is ranked number one in Europe for SMEs selling online, SMEs eCommerce sales and SMEs selling online cross-border. IEDR was amazed at this conclusion in the DESI 2017 report, so we investigated further. We found that the methodology used to calculate this ranking does not account for the online activities of 92% of all businesses in Ireland – SMEs with less than 10 employees.

The European Commission's latest edition of the Digital Economy and Society Index (DESI) ranked Ireland as 8th in Europe.

Digital Economy and Society Index

By Main Dimensions of the DESI



Source: European Commission, Digital Scorecard, http://ec.europa.eu/newsroom/document.cfm?doc_id=43018

The DESI is a composite index measuring progress in digital through five components:

1. Connectivity – fixed broadband, mobile broadband, broadband speed and prices
2. Human capital – basic skills and Internet use, advanced skills and development
3. Use of Internet – content, communication and online transactions
4. Integration of Digital Technology – business digitisation and e-commerce
5. Digital Public Services – eGovernment

Taking a closer look at component 4, Integration of Digital Technology, we note that Ireland is ranked number one in Europe, by a sizeable margin, for SMEs selling online, SMEs' e-commerce turnover and SMEs selling online cross-border – ahead of the UK, Germany and France, and more than double the EU averages.

Integration of Digital Technology

Across all of the EU, Irish SMEs make the most use of the sales opportunities offered by integration of digital technology

	IRELAND				EU
	DESI 2016		DESI 2015		DESI 2016
	Value	Rank	Value	Rank	Value
4a1 Electronic Information Sharing % enterprises (no financial sector, 10+ employees)	25% (2015)	▲ 21	23% (2014)	22	36% (2015)
4a2 RFID % enterprises (no financial sector, 10+ employees)	4% (2014)	▶ 13	4% (2014)	13	3.8% (2014)
4a3 Social Media % enterprises (no financial sector, 10+ employees)	35% (2015)	▲ 2	31% (2014)	2	18% (2015)
4a4 eInvoices % enterprises (no financial sector, 10+ employees)	n.a.	- -	14% (2014)	5	n.a.
4a5 Cloud % enterprises (no financial sector, 10+ employees)	21% (2015)	▲ 5	16% (2014)	7	n.a.
4b1 SMEs Selling Online % SMEs (no financial sector, 10+ employees)	32% (2015)	▲ 1	26% (2014)	1	16% (2015)
4b2 eCommerce Turnover % turnover of SMEs (no financial sector, 10-249 employees)	19% (2015)	▲ 1	17% (2014)	2	9.4% (2015)
4b3 Selling Online Cross-Border % SMEs (no financial sector, 10+ employees)	16% (2015)	▲ 1	11% (2013)	6	7.5% (2015)

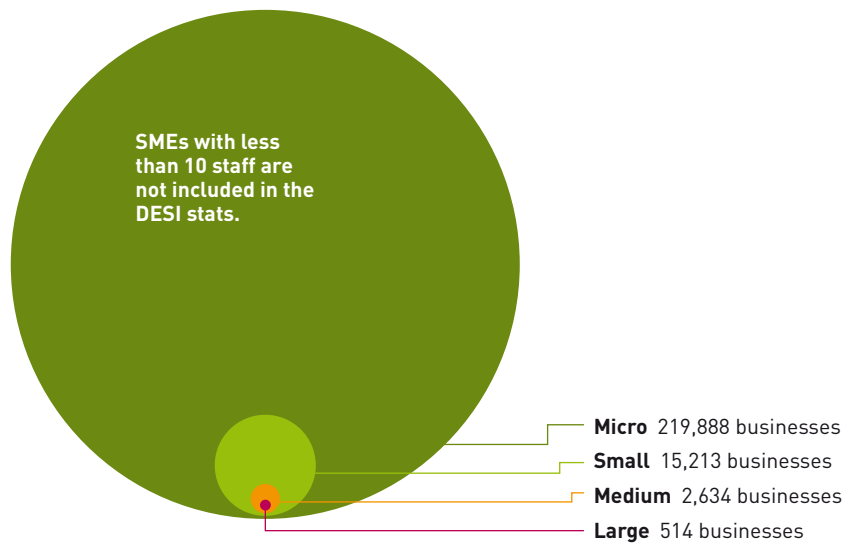
Source: European Commission, Digital Scorecard, http://ec.europa.eu/newsroom/document.cfm?doc_id=43018

On the surface, this seems like an extremely positive result. However, closer inspection of the report’s methodology reveals a risk of misleading conclusions in accurately assessing the online sales performance of Ireland’s SMEs.

The DESI classifies ‘small enterprises’ as businesses that have between 10 and 49 employees; it completely excludes micro-businesses (businesses with fewer than ten employees). This omission is significant: micro-businesses make up 92% of all enterprises in Ireland. The CSO statistics can be illustrated as follows.

Business size in Ireland

Micro businesses make up 92% of all enterprises in Ireland



Enterprise class size (No. of staff)	Number of Staff	Number of Active Enterprises	
Micro (<10)	234,596	219,888	92%
Small (10-49)	288,583	15,213	
Medium (50-249)	254,558	2,634	
Large (<250)	413,939	514	
	1,191,676	238,249	100%

Source: CSO Business Demography Survey 2014, <http://www.cso.ie/en/releasesandpublications/er/bd/businessdemography2014/>

Our research reveals that the reality for Ireland’s SMEs e-commerce status is rather different than that displayed in the DESI. The dot ie Digital Health Index SME survey sample is primarily composed of these micro businesses, being representative of the CSO national enterprise profile. As you will read over the coming chapters, e-commerce capabilities, and in some cases even a basic online presence, are uncommon. Less than a third (30%) of Irish SMEs with websites can process payments or take sales orders online.

While the European Commission’s stats are a useful guide, considering the huge importance of medium-sized enterprises and multinational corporations to Ireland, the stats are not an accurate measurement of our overall e-commerce success. At a time of such profound economic and political uncertainty, the last thing Irish businesses and policy makers can afford to do is grow complacent.

Many of the business owners we surveyed say that a lack of time, technical know-how and expertise are blocking their attempts to get online and start selling, while in some areas, the absence of high-speed broadband infrastructure is still a major barrier.

Irish consumers are not waiting for SMEs to catch up. Ireland's share of the European digital marketplace is valued at €9 billion, and this figure is expected to grow significantly in the years ahead. The majority of this spend, however, is leaving the country, with shoppers purchasing from international retailers who offer a full online shopping and delivery service.

Clearly, there is a large gap between the online offerings of Irish SMEs and their customers' expectations and behaviours. Although 22% of SMEs remain completely offline (as reported in section 4.2), 71% of Irish consumers said they were more likely to purchase from a business that has a website. Almost three-quarters (74%) said they find it frustrating when they can't find details about their local business online, and 60% said they would consider shopping with a competitor if they couldn't find their preferred business on the internet.

Could it be the case that offline micro-businesses are massively under-estimating the value of a website and e-commerce to their business? In this edition of the dot ie Digital Health Index, IEDR can reveal that micro-businesses with a basic website earn an additional €24,000 and receive 22 extra jobs or online sales on average each year – this dwarfs the average yearly spend of €274 on website upkeep. Every micro-business, regardless of industry, stands to benefit from an online presence.

This is particularly true as Brexit unfolds. While there is little sign of SMEs changing their website-building plans because of it, as the consequences of the UK's withdrawal from the EU become evident over the coming years, the established order of doing business will change. Sales channels to the UK will be massively disrupted, as will long established logistics and fulfilment patterns.

As with all major economic shifts, smaller businesses, which tend to be less flexible and diversified than their larger peers, are typically the first to suffer negative effects. E-commerce helps SMEs to become more adaptable to change by allowing them to digitally amplify and extend their business beyond their local geography.

For example, a completely offline business in Clonmel will only be able to serve customers and visiting tourists in the surrounding area – limiting its maximum potential revenue and customer base. Its online neighbour, through e-commerce, can sell to new local and foreign customers in Clare, Cork, Coventry, Copenhagen and Chicago. An online shop stays open 24/7, 365 days a year. With a well-designed and intuitive website, and minimal marketing spend, an SME can begin to spread into international markets.

To improve Ireland's e-commerce outlook and establish our digital marketplace as a globally competitive one, Government, industry bodies and employer organisations must continue to work with SMEs to not only provide more shoulder-to-shoulder bespoke mentorship and guidance, but work to ensure our infrastructure, particularly high-speed broadband, is fit for the twenty-first century. IEDR's recommendations can be found in Chapter Nine.

Chapter four

What digital assets do SMEs own and use?

- ▶ 22% of SMEs still do not have any digital assets
- ▶ 67% of SMEs have websites, an increase on October 2016 (62%)
- ▶ Ability to run analytics drops to 7%, a decrease on October 2016 (20%)
- ▶ SMEs with web sales enabled websites (13%), a decrease on October 2016 (20%)

Digital assets, like websites and social media pages, are crucial to SMEs' online strategy, allowing them to reach out to new customers, grow existing relationships, sell goods and services, and analyse market trends.

4.1 Overall digital health improves

The overall digital health of SMEs has risen to 45.4, the second highest score since research began in 2014. It is also a marked improvement on the previous dot ie Digital Health Index (October 2016) score of 41.8.

However, this increase is largely as a result of the improvement in SMEs' perception of the quality and importance of their digital assets to their business, not necessarily the number of them.

Encouragingly, the number of SMEs with a website now stands at 67%, up from 62% in the last wave of research. In general, SMEs understand the value of a website and its importance in driving awareness and providing a certain standard of customer service.

However, there has been a noticeable decline in the number of SMEs with web sales ability (13%, down from 20% in October 2016) and run analytics (7%, down significantly from 20%).

Social media usage is covered in greater detail in Chapter Eight. Emerging trends for Irish SMEs include:

- ▶ The number of SMEs with a Facebook page remains largely unchanged (50%, compared to 52% in October 2016).
- ▶ Twitter's popularity has been in steady decline since September 2015. Now only 17% of SMEs have a Twitter profile, down from 18% in October 2016 and from a peak of 22% in September 2015.
- ▶ 17% of SMEs have a LinkedIn profile, down from 19% in the last wave of research.
- ▶ 5% have a YouTube account, up slightly from 4% in the last wave of research, but down 2% from the peak high of 7% in April 2016.

While not included as part of the dot ie Digital Health Index score, in this wave of research we also examined SMEs' use of newer social networks and messaging services:

- ▶ 9% use Instagram.

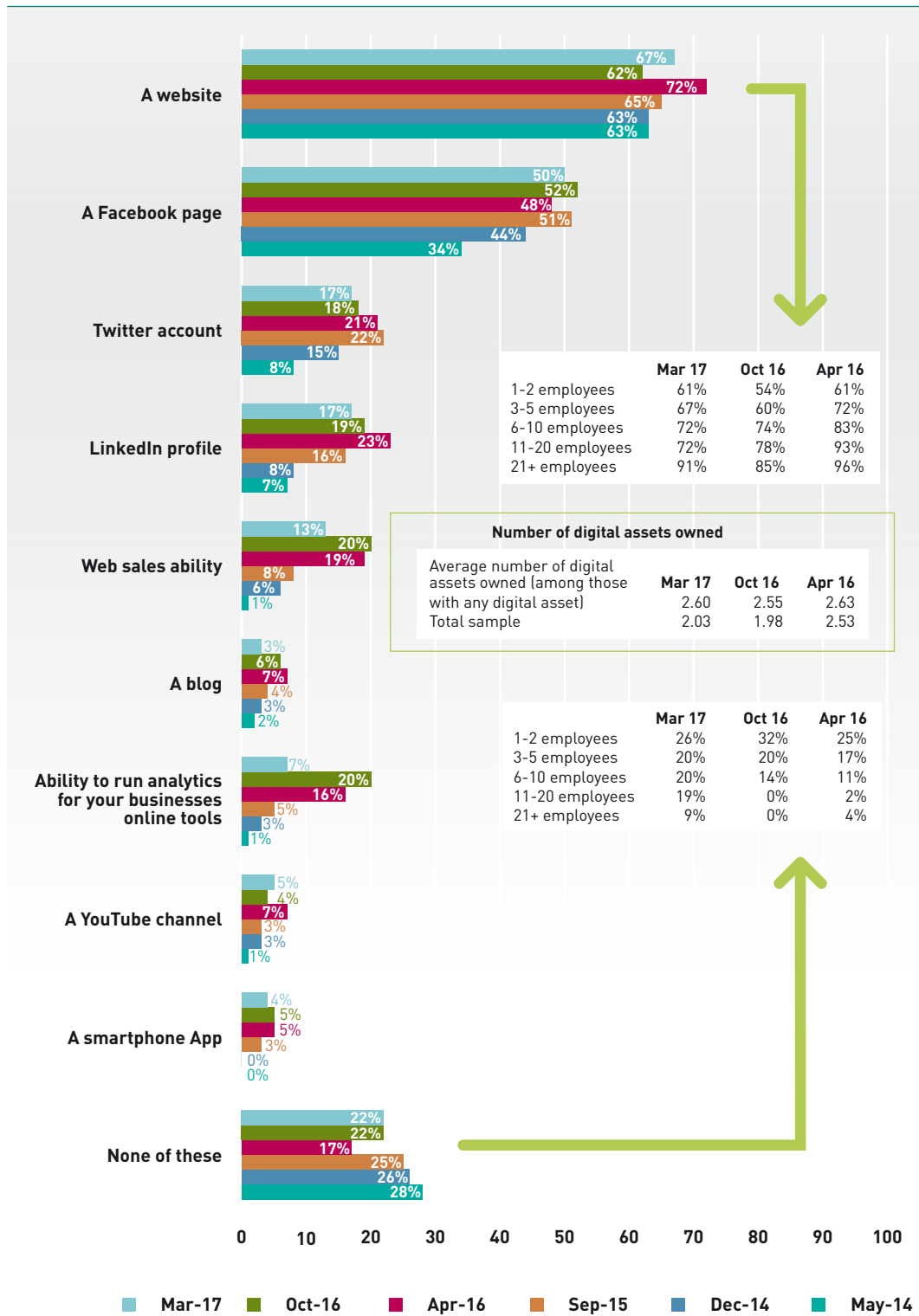
This is 4 percentage points more than SMEs with YouTube (5%); 5 percentage points more than SMEs who have a specially developed app (4%); and 6 percentage points more than those with a blog (3%). Furthermore:

- ▶ 4% use WhatsApp.
- ▶ 2% use Snapchat.
- ▶ 2% use Pinterest.

4.2 Digital assets owned – SMEs with a website

Breakdown of the digital assets owned by Irish SMEs

Which of the following does your business have?



Base: 500; All Participants [March 2017]

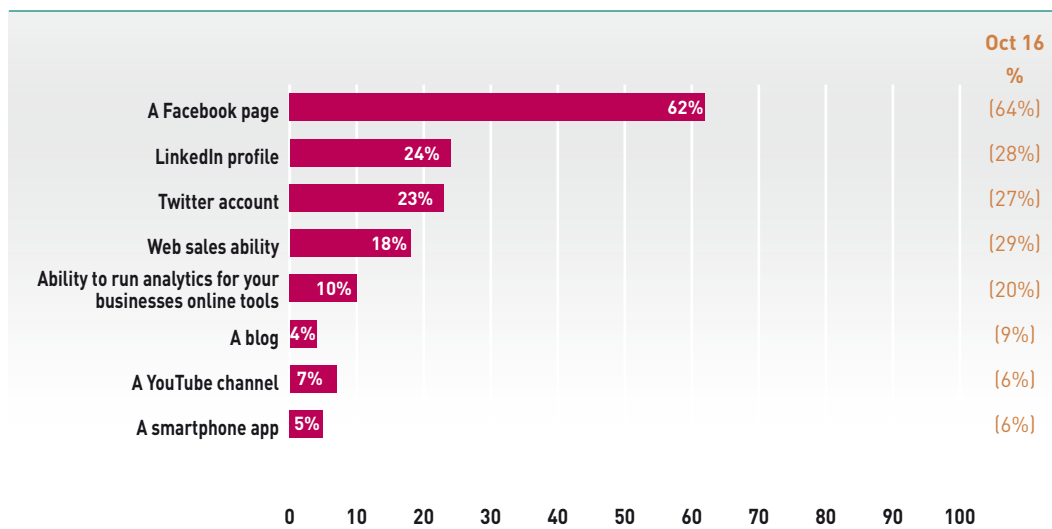
4.3 Digital assets owned – SMEs with multiple digital assets

Though a small cohort of SMEs remains completely offline, many have multiple digital assets. This indicates a level of appreciation for a comprehensive digital offering, giving business owners more platforms to target customers, sell goods and services, and engage with their target market.

The graph below shows the other digital assets owned by SMEs with a website. There have been some small decreases in social media ownership (Facebook, LinkedIn and Twitter all show a marginal decline in ownership compared to October 2016), while there have been significant drops in the number of businesses with web sales ability (29% to 18%) and the ability to run analytics (20% to 10%).

Breakdown of other digital assets owned by Irish SMEs that have a website

Which of the following does your business have?



Base: 336; All companies with a website (March 2017)

4.4 The offliners

The increase in the Digital Health Index score comes at a time when Ireland’s share of the European e-commerce market is worth more than €9 billion and is set to increase considerably in the years ahead, to as much as €14 billion by 2021.⁴

However, the number of SMEs with no online presence whatsoever – no website, social media pages or any other digital asset – remains at nearly a quarter (22%). This is despite the fact that 68% of consumers think a business looks ‘outdated’ if it doesn’t have a website, and 71% are more likely to buy from a business that has its own website.

We take a deeper look at this ‘offliner conundrum’ in Chapter Six.

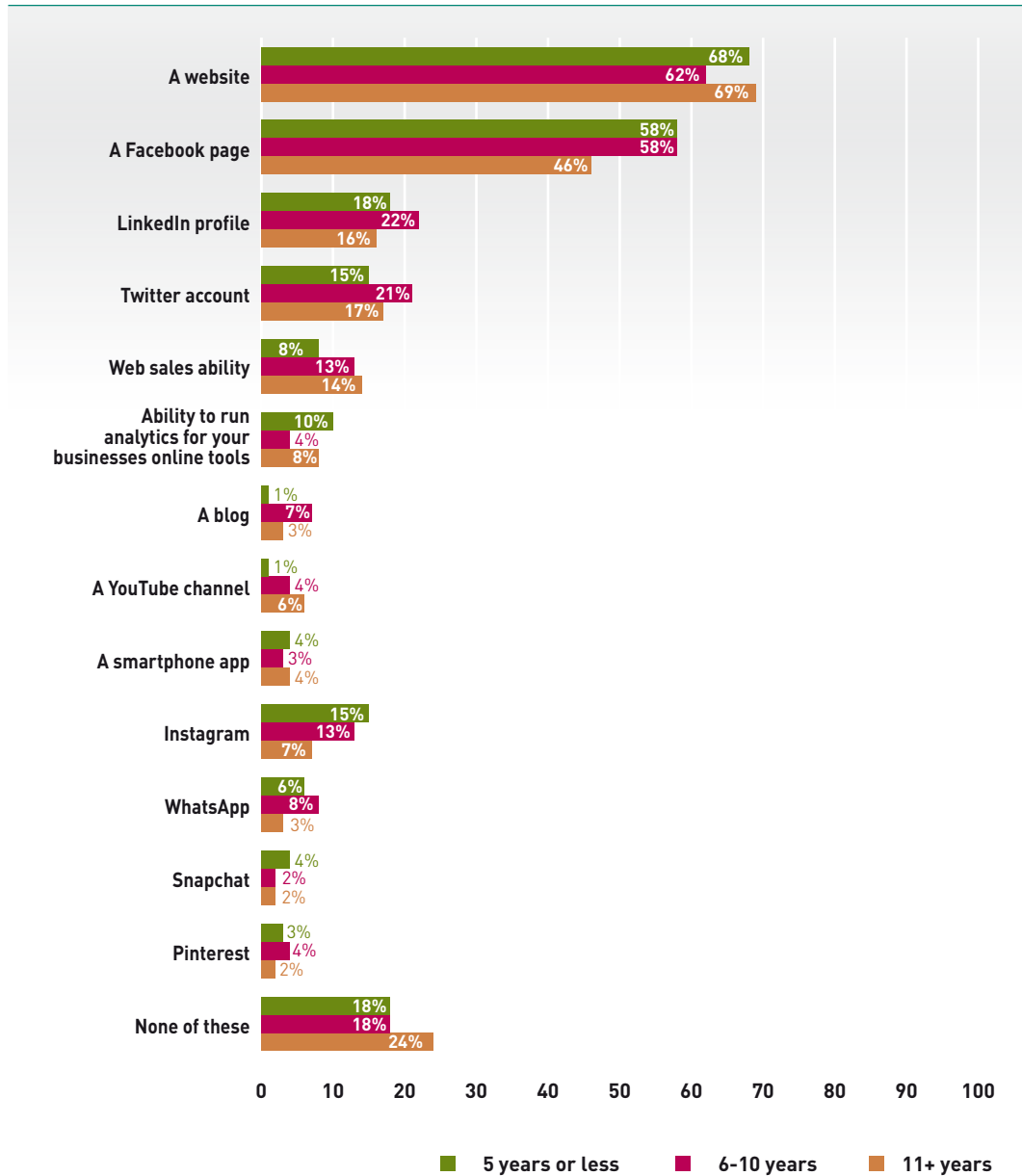
⁴ Source: Virgin Media Digital Insights Report 2016

4.5 Old vs young – how the age of an SME affects digital asset ownership

The older the business, the less likely it is to have a digital asset. 24% of SMEs over 11 years old have no digital assets whatsoever, compared to 18% for business younger than 5 years and between 6 and 10 years. More established businesses may feel like they have already secured their customer base and therefore have little need for websites and social media pages to grow it further.

Breakdown of the digital assets owned by Irish SMEs according to their age

Which of the following does your business have?



Base: 500; All Companies; March 2017

Chapter summary

- ▶ 67% of SMEs have websites, an increase on October 2016 (62%)
- ▶ Overall e-commerce capability is low: only 13% of SMEs (including offliners) have web sales abilities.
- ▶ 22% of SMEs still do not have any digital assets.
- ▶ The older the business, the less likely it is to have a digital asset: nearly a quarter of SMEs over 11 years old have no digital assets, compared to 18% for businesses younger than 5 years.
- ▶ 50% of SMEs have a Facebook page, 17% have a Twitter profile, the same number have a LinkedIn profile, and 4% have a smartphone app.

Chapter five

How SMEs use their websites

- ▶ Not e-commerce enabled (only 30% can process payments online)
- ▶ Not sales focussed (only 30% can take sales orders online)
- ▶ 85% say their website is important in bringing in new business
- ▶ Only 49% of SME websites are mobile responsive, a drop on October 2016 (53%)

Today's world is online. Websites and digital assets give SMEs the ability to reach out to existing and potential customers, spread the word about their products and services, and drive business growth.

However, Irish SMEs are not going the full distance in leveraging the benefits of an online presence. While 67% have websites, of that figure, less than a third can process payments or take sales orders online. Instead, most SMEs have static 'postcard' websites that offer only the most basic product and contact information. Failure to tap into a bustling digital marketplace means many small businesses are losing out on new customers and revenue.

5.1 Website functionality

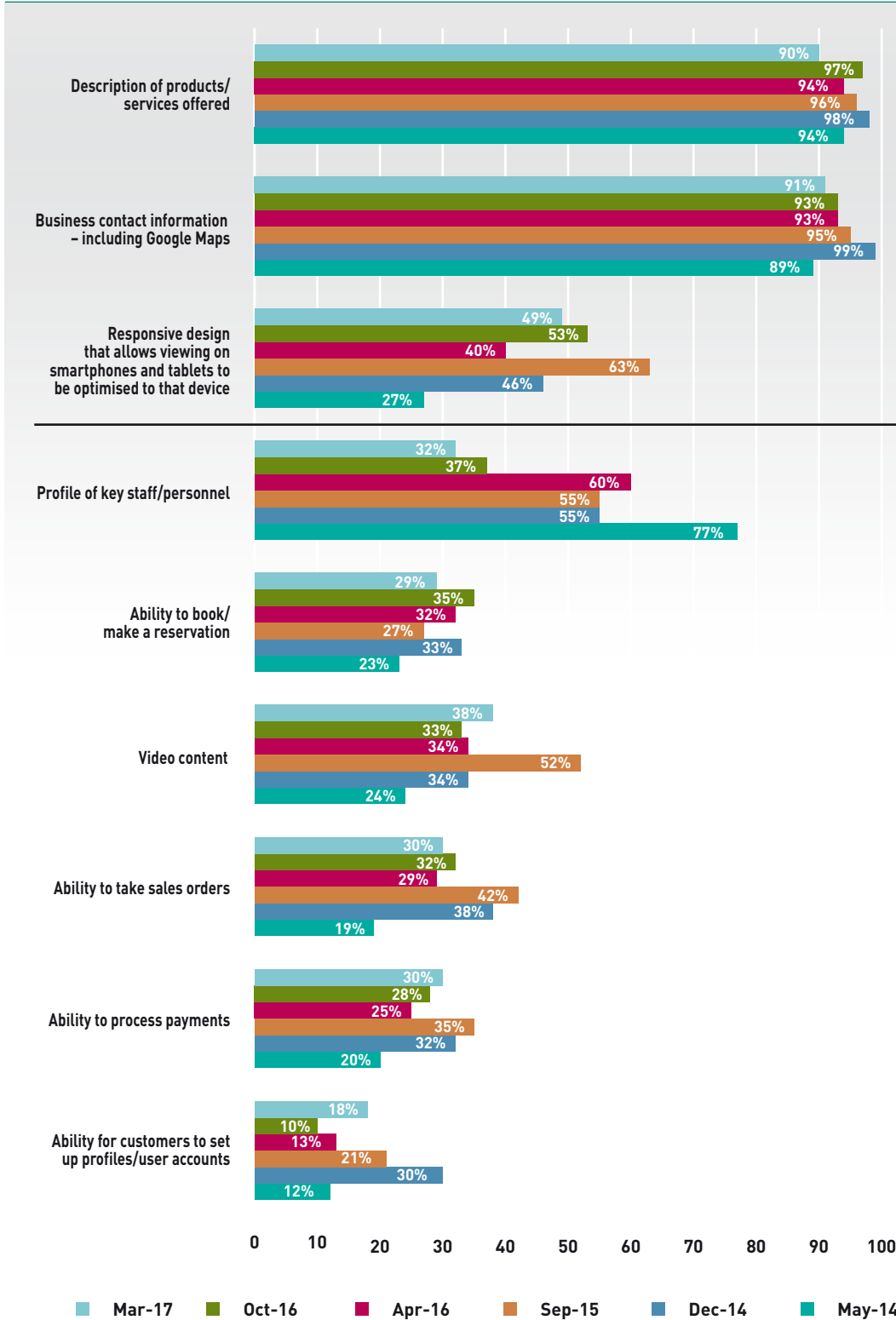
The dot ie Digital Health Index survey asks questions designed to assess the content provided by, and the functionality of, SMEs' websites.

- ▶ For e-commerce capability and online promotion, see 5.2
- ▶ For basic website functionality, see 5.3
- ▶ For the importance of websites to SMEs, see 5.5

A full breakdown of SME website functionality is provided in the following graphs.

Website functionality

Considering your business's website, which of the following does your website do/have?

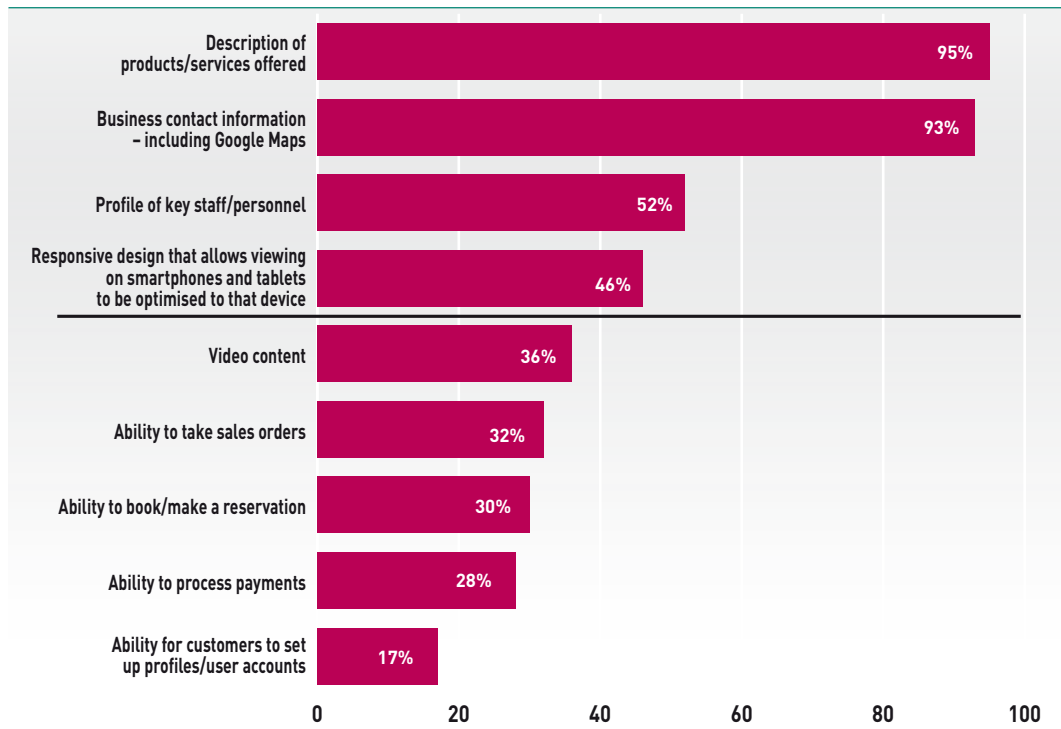


Base: 1,971; All companies with a website across six research waves

Over the period since May 2014, the six waves of research have covered 3,013 SMEs. Of those 1,971 SMEs with websites, the average functionality percentages, illustrated below, show 32% can take online sales orders, 30% can process bookings/reservations online, and 28% have the ability to process payments.

Website functionality – total sample across all six research waves

Considering your business’s website, which of the following does your website do/have?



Base: 1,971; All companies with a website across six research waves

5.2 E-commerce-enabled websites

E-commerce allows a business to sell products to customers via the internet. In the dot ie Digital Health Index, we measure SMEs' e-commerce capabilities by surveying their website's ability to take sales orders, process payments and/or process reservations or bookings.

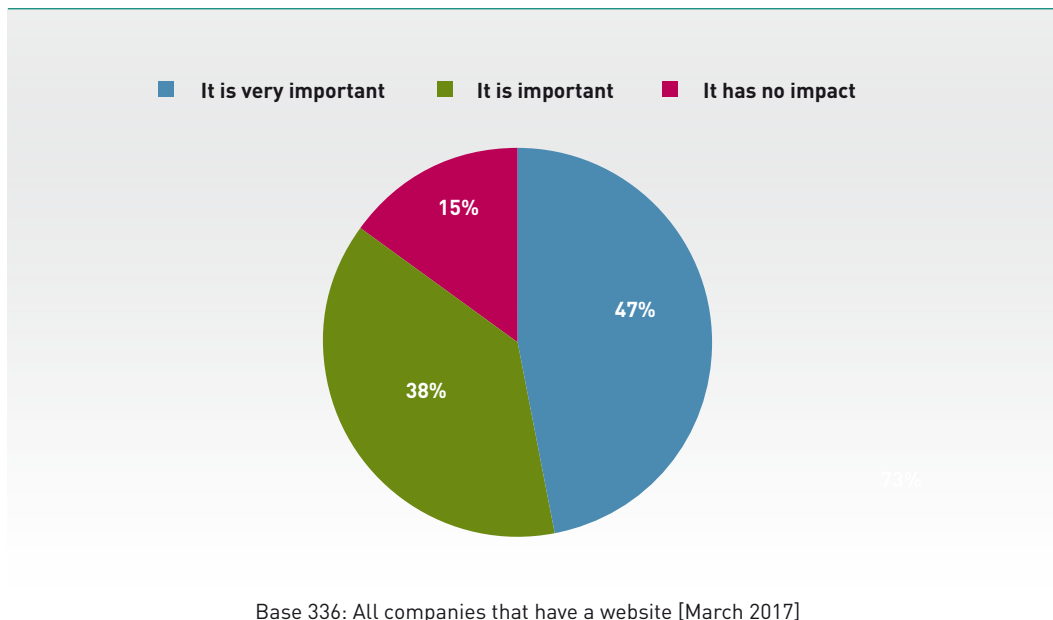
This edition of the report shows that e-commerce remains poorly utilised by SMEs with websites:

- ▶ 30% can take sales orders, down from 32%
- ▶ 30% can process payments, up slightly from 28%
- ▶ 29% can process bookings or reservations, down from 35%

Despite the fact that in two out of three instances, e-commerce ability has decreased, SMEs are still confident in their website's ability to generate sales.

The role of the website in creating new business opportunities

What role does your website play in bringing in new business/sales?



SMEs with a website understand the value an online presence brings to their business. 85% say it is 'important'; nearly half (47%) say it is 'very important'.

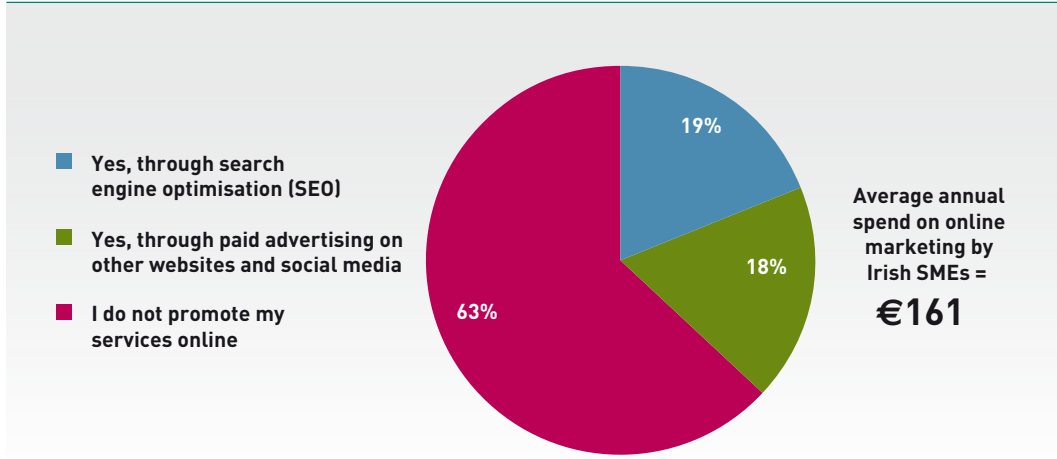
As part of this edition of the dot ie Digital Health Index, we also asked SMEs how much additional revenue they are generating through their websites. In a big boost for business, SMEs with a website receive an average of 22 additional jobs a year, with each worth an average of €1,089. This means that SMEs with a website make on average an additional €24,000 a year compared to those without.

Dublin-based SMEs receive the highest average number of additional jobs (41), followed by the rest of Leinster (16) and Munster (14). Connacht and Ulster receive the fewest (12).

Even without e-commerce capability, a website can still generate new sales leads. 71% of consumers are more likely to buy from a business with a website and 65% want the ability to research a business's products and services online.

SMEs and online promotion

Do you promote your services online?



Base 336: All companies that have a website [March 2017]

The majority of SMEs (63%) do not promote their services online. Of the 37% that do, 19% use search engine optimisation (SEO) and 18% use paid advertising on other websites and social media. SMEs spend an average of €161 per year on online marketing. Even with minimal spend, online promotion is an effective way of reaching out to consumers on search engines and on social networks like Facebook and Twitter.

5.3 Basic website functionality – the ‘postcard’ phenomenon

In previous editions of the dot ie Digital Health Index, we have made the distinction between e-commerce-enabled websites and static ‘postcard’ websites.

The latest wave of research shows that the majority of SMEs’ websites fall into the latter category. 90% offer a ‘description of products/services’ offered, while 91% include contact information. These figures are broadly consistent with all previous waves of research.

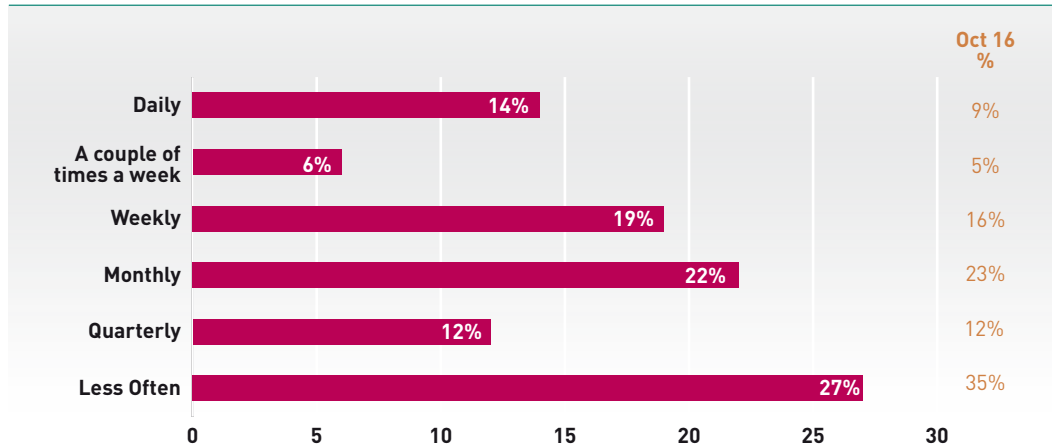
Interestingly, websites with profiles of key staff are on the decline. Compared to 77% in May 2014, the first wave of research, now less than a third (32%) have these pages. This may reflect a trend in website design that favours a cleaner, more minimalistic style.

5.4 Updating the website

A frequently updated website shows consumers that a business is still active; it also allows the business to showcase its latest products and services and can help with SEO.

Updating the website

How frequently do you update your website?



Base 336: All companies that have a website [March 2017]

14% of Irish SMEs update their website on a daily basis, while another 25% update it on at least a weekly basis. 22% opt for monthly updates, while 27% update less often than quarterly.

Compared to the October 2016 wave of research, SMEs are updating their websites more frequently, indicating that businesses increasingly understand the usefulness of a website as a way to reach out to customers and keep them up to date with new products, offers and news.

5.5 The importance of awareness vs action

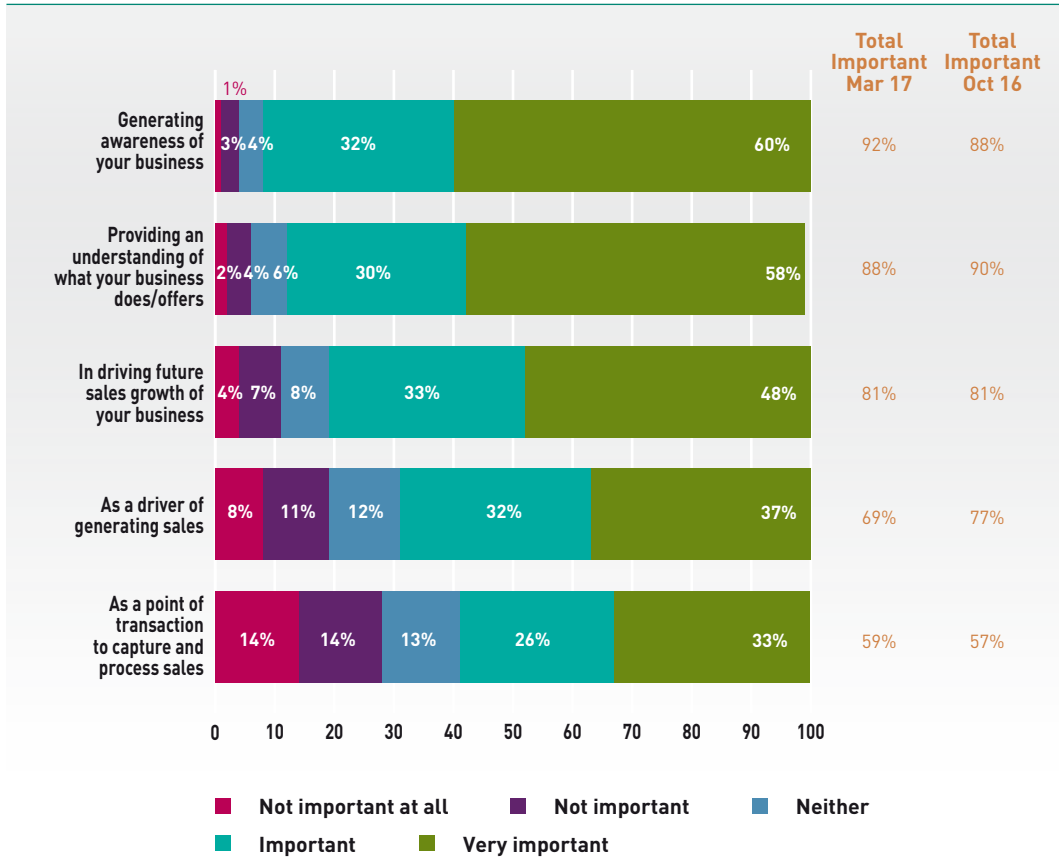
SMEs recognise the importance of a website in many ways, including its ability to generate awareness of the business, and drive sales and growth.

However, only a small percentage of businesses with a website have e-commerce capabilities: just 30% can take sales orders and process payments.

As with the last wave of research, 81% of SMEs see websites as valuable in driving future sales growth. 69% say it is an important current driver of sales (down from 77%), while 59% say it is important way of capturing and processing sales.

The importance of websites

How important or not is your business's website for each of the following?



Base: 336; All companies with a website [March 2017]

This disconnect between awareness and action suggests that at least some SMEs may require training or guidance to help develop their e-commerce capabilities. IEDR's recommendations for this are outlined in Chapter Nine. In the next chapter, we discuss the 'offliner conundrum' and explain why many offline SMEs are staying 'analogue', despite awareness of the benefits of being online.

Chapter summary

- ▶ Irish SMEs are poor utilisers of e-commerce: of those with websites, less than a third (30%) can process payments or take sales orders online.
- ▶ Despite this low figure, 85% of SMEs recognise the importance of their website in bringing in new business.
- ▶ Only 37% of SMEs with websites promote their business online.
- ▶ Most SMEs have static 'postcard' websites that lack deeper functionality, like e-commerce or video content.
- ▶ SMEs are updating their websites more frequently: 14% update theirs daily, while another 25% update weekly.
- ▶ There is a strong disconnect between 'awareness' and 'action'. 81% see a website as a driver of future sales growth, even though less than a third engage in e-commerce. This may indicate a need for deeper digital and e-commerce training.

Chapter six

The offliner conundrum

Running a business without any online presence must be challenging, yet 1 in 5 Irish SMEs remain completely offline. Unfortunately, this figure has remained the same since the last dot ie Digital Health Index in October 2016.

More than 1 in 5 Irish SMEs, or 22%, have no online presence whatsoever. This means they do not have a website, a social media page or any other digital asset. This number of offline SMEs has remained unchanged since the previous wave of research was conducted in October 2016.

There is a degree of 'cognitive dissonance' at work. Half of offline SMEs recognise the importance of a website in generating awareness of a business, and almost half understand its role in driving future sales growth.

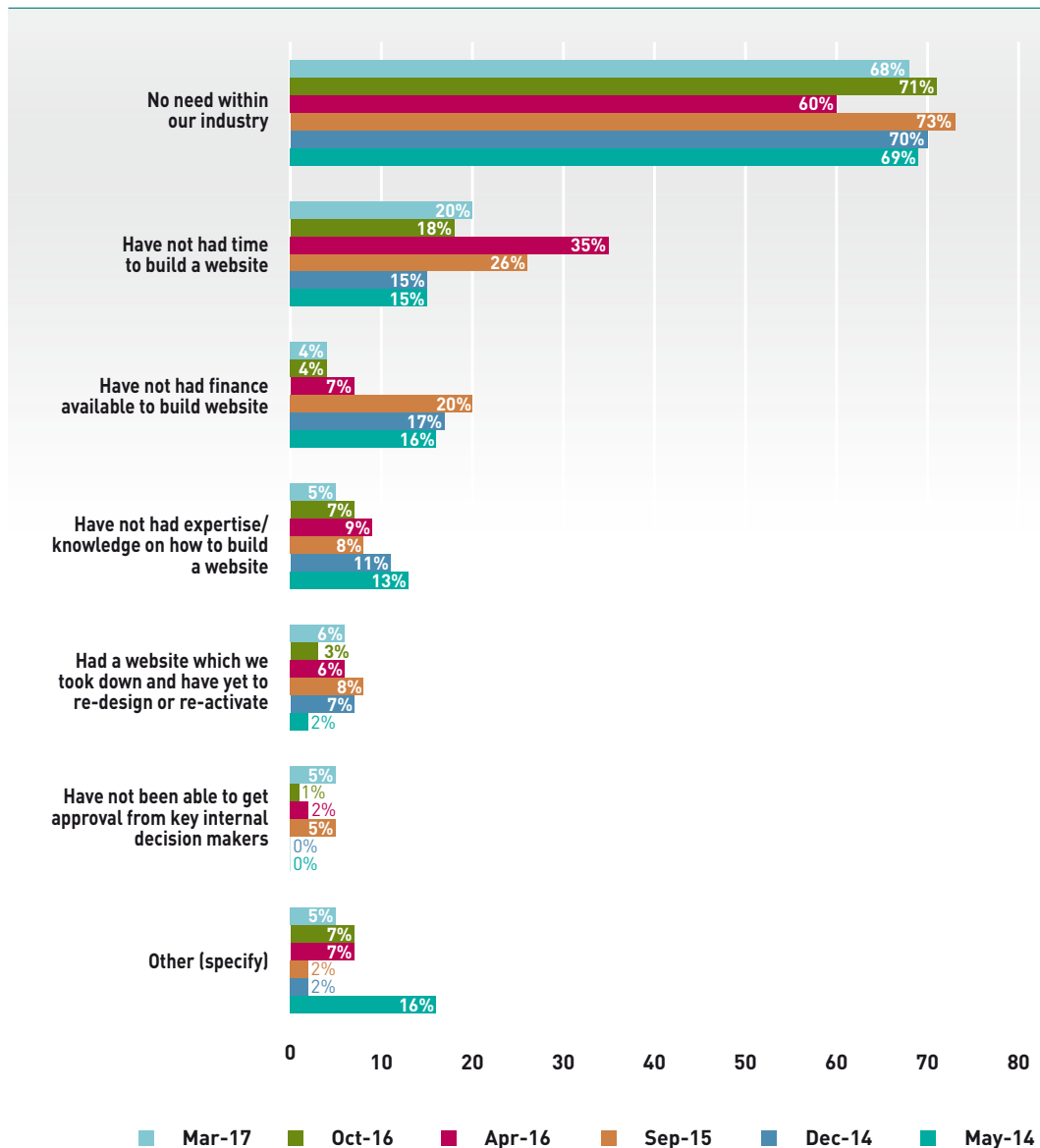
So, what's stopping them from getting their business online? Most say that there is simply 'no need' in their industry – in section 6.2 we elaborate on the rationale behind this – while others complain of a lack of expertise, finance or time. Some cite poor broadband connectivity as the primary barrier to getting online, while others have concerns over cybersecurity.

6.1 Rationale for not having a website

The two main reasons given by SMEs for not having active websites are 'no need in our industry' (68%) and 'no time' (20%).

Why SMEs do not have active websites

What are the main reasons your business does not have an active website currently?



Base 164: All companies without a website [March 2017]

In March, 68% of SMEs without a website said there was 'no need' to have one in their industry. This is a slight reduction on 71% in October 2016, but the number is still very high. The rationale behind this response is elaborated further in the next section.

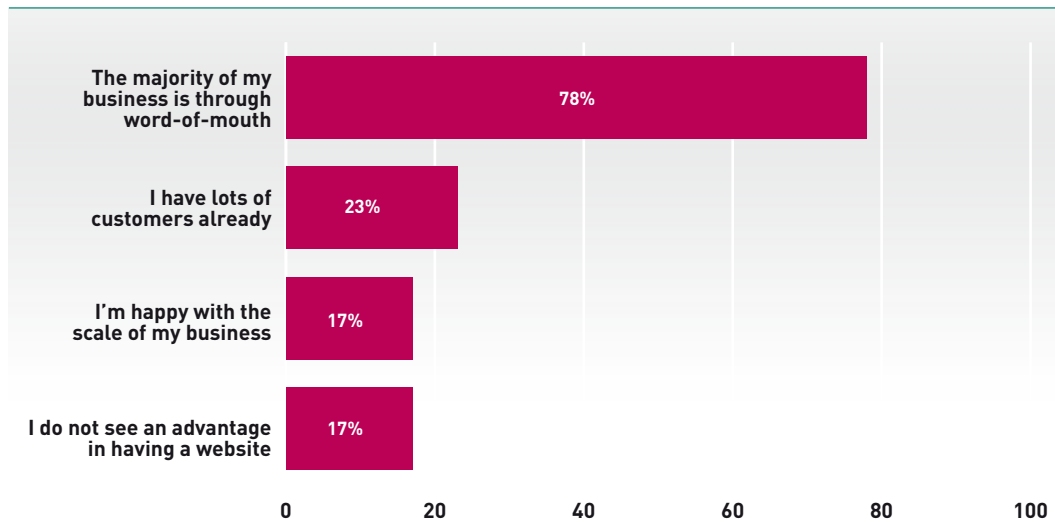
20% cite not having enough time as a significant contributing factor, up 2%. Not having the capital (4%), expertise (5%) or sign off from key internal decision-makers (5%) remain as smaller barriers for our survey respondents, but are still significant in keeping SMEs offline.

6.2 Why is there 'no need'?

In the last edition of the dot ie Digital Health Index, we speculated on why exactly SMEs think there is no need to have a website. In this wave of research, we put the question to business owners, with interesting results.

Understanding why SMEs believe there is 'no need' to have a website

Why is there no need in your industry?



Base 111: All companies that feel there is no need to have a website within their industry [March 2017]

78% say that they don't have a website because the majority of their business is word-of-mouth – this, seemingly, suits them. 23% say they have lots of customers already, and 17% say they are happy with the scale of their business.

Reassuringly, only 17% of SMEs say they do not 'see an advantage' in having a website.

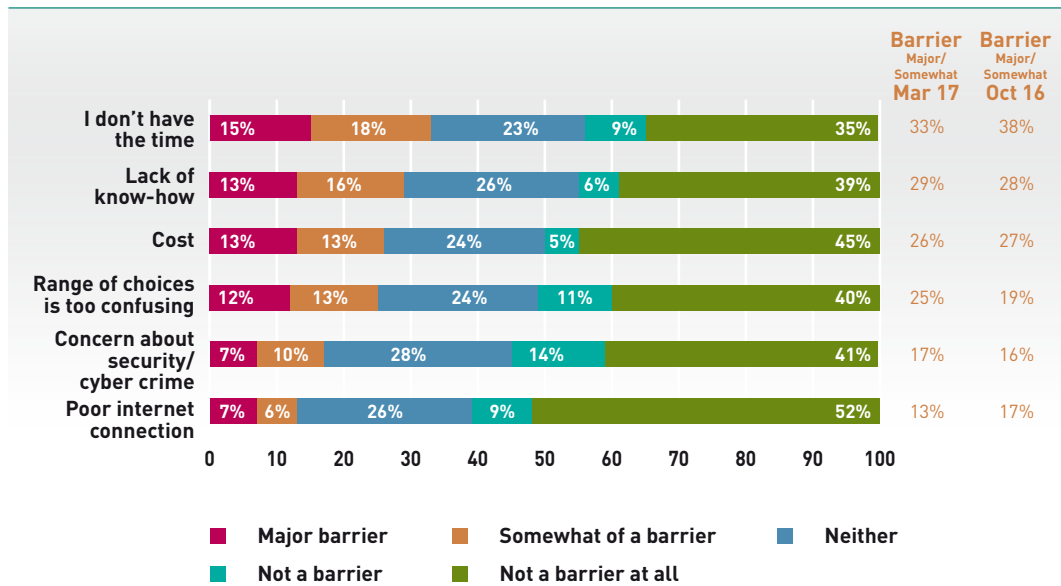
Clearly, many SMEs are happy with the status quo. Their current business model works for them. However, as we learnt in Chapter Two, most consumers expect businesses to have at least a basic website, and many think that a completely offline business is 'outdated'. This indicates SMEs are relying on word-of-mouth and are missing out on many new customers and potential revenue, while simultaneously damaging their reputation.

6.3 Barriers to online activity

With 1 in 5 SMEs completely offline, it's important to understand what factors are stopping them becoming digital businesses.

Barriers to online activity

Using a scale of 1-5 where 5 is not a barrier and 1 is a major barrier, please rate each of the following statements on whether you believe them to be a barrier towards your business going online



Base 164: All companies without a website [March 2017]

For offline SMEs, the biggest barrier to getting online is not having enough time – precisely a third cite this reason. 29% point to a lack of know-how, and 26% say cost is keeping them offline.

The number of SMEs citing a poor internet connection as the biggest barrier to getting online has fallen. Compared to 17% in the last research wave, only 13% of SMEs in March 2017 said this was the primary factor. While this is encouraging news, the number is still high and underlines the urgent need for a broadband infrastructure that serves everyone's needs.

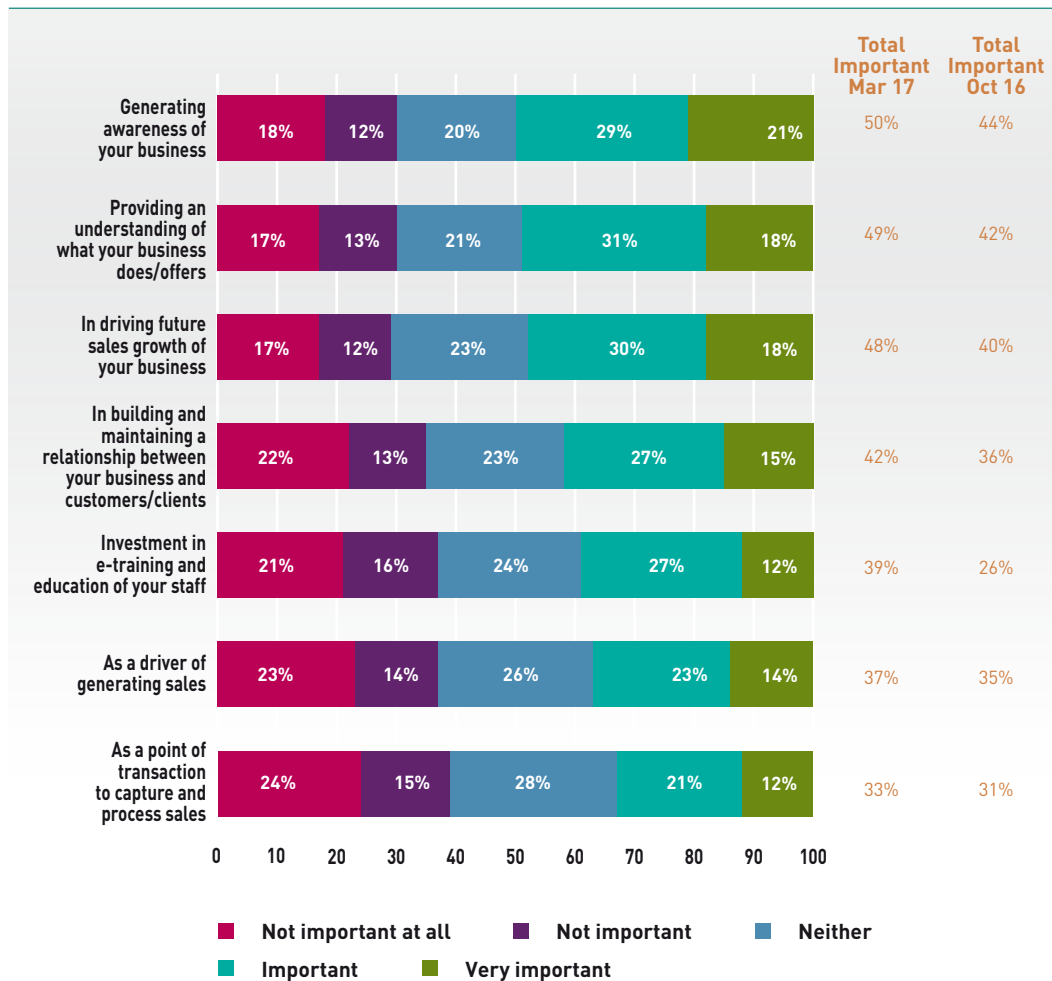
Interestingly, more SMEs (17%) say the threat of cybercrime is keeping them offline.

6.4 Offline SMEs and the value of a website

Even though many SMEs are offline because they think their industry does not require a website, most still appreciate the general value of one.

Attitudes of offliner SMEs towards the importance of having a website

How important or not does your business feel that a website is for each of the following?



Base 164: All companies without a website [March 2017]

Across the board, offline SMEs understand how a website can generate awareness, generate sales and build relationships with customers. Indeed, this sentiment has improved since the last wave of research.

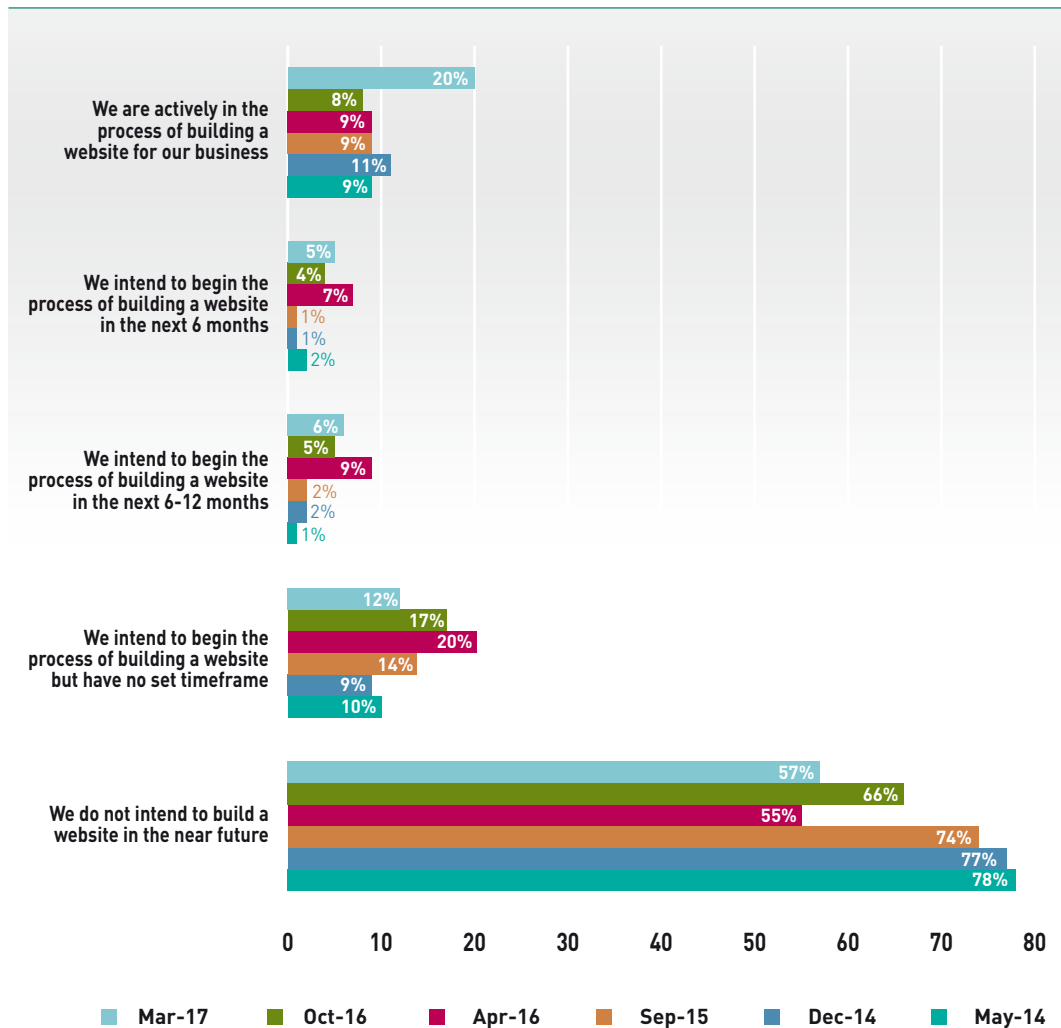
However, an element of cognitive dissonance is at play. While these SMEs do understand the value of a website, many are content to maintain the status quo, happy with their own ‘analogue’, offline approach to business. Others, despite knowing the benefits, are kept offline by material factors like expertise, finance and broadband availability.

6.5 Plans for a website

The number of offline SMEs that are actively in the process of building a website has risen sharply – from 8% to 20%.

Attitudes towards building a website

Which of the following best describes your business current attitude/intentions towards having a website?



Base 164: All companies without a website [March 2017]

The exact origin of this spike is unclear, but increased knowledge of the value of a website, customer expectations and the rapid digitalisation of society are likely contributing factors.

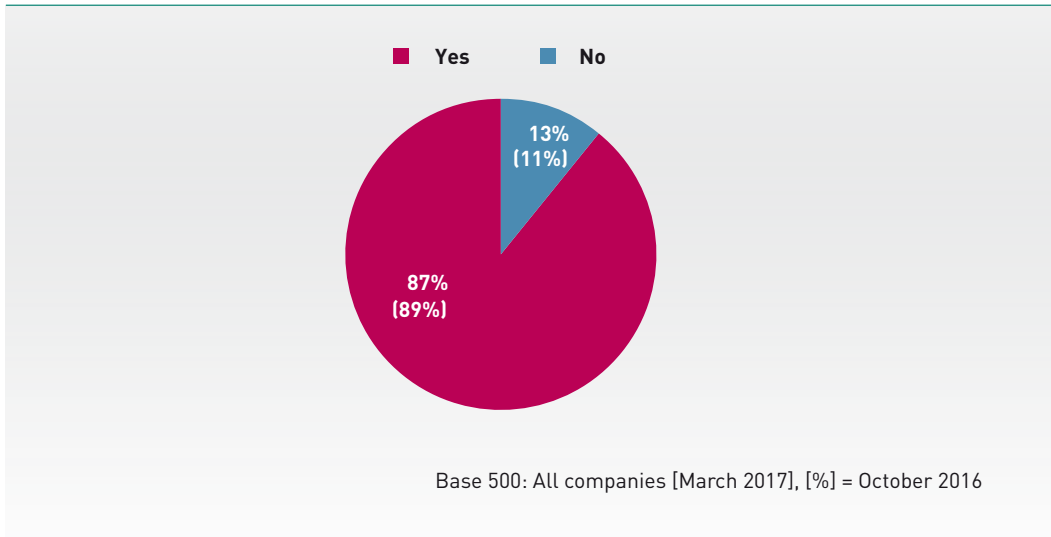
While the number is still high, there has also been a drop in the number of SMEs that have no intention of building a website in the near future, from 66% to 57%.

6.6 The knowledge gap

29% of SMEs say a lack of technical know-how is the biggest barrier to their online presence. However, only 13% have actually availed of digital or e-commerce training or funding.

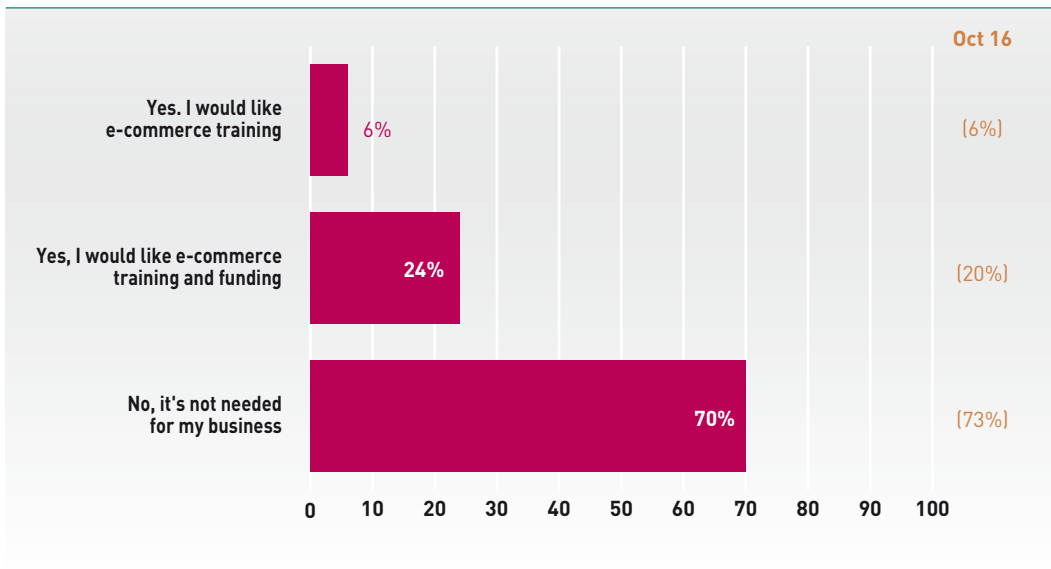
Digital and e-commerce training

Have you availed of any initiative/training/funding to support you with digital or e-commerce?



Digital and e-commerce training

Would you need training and/or funding to support you with digital or e-commerce?



Only 30% claim to want digital or e-commerce training/funding or both, a 4% increase on the last wave of research.

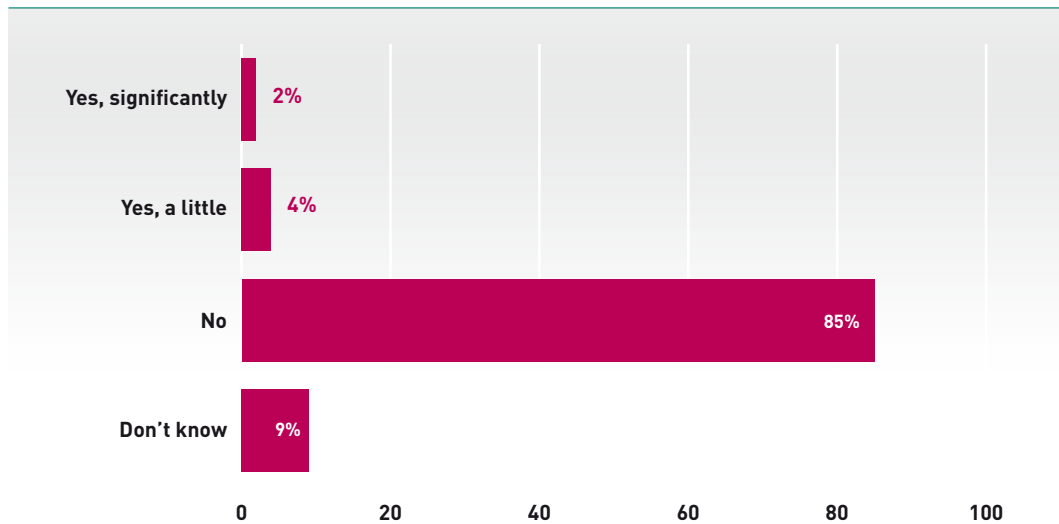
SMEs may perceive digital or e-commerce training as overly time-consuming or complicated. In reality, there are a number of easy-to-use and inexpensive tools and website builders readily available to business owners that allow them to set up a website in a matter of a few hours. IEDR's recommendations for deeper SME mentorship programmes are outlined in Chapter Nine.

6.7 The spectre of Brexit – will more SMEs go online?

In Chapter Two, we reported that the vast majority (86%) of consumers have not changed their shopping habits as a result of Brexit.

The impact of Brexit on offline SMEs

Has Brexit increased the likelihood of you building an e-commerce-enabled website in the near future?



Base 164: All companies without a website [March 2017]

For offline SMEs, the result is practically the same. The UK's vote to leave the EU appears to have done little to spur them online. 85% said that Brexit had not encouraged them to build an e-commerce-enabled website. Only 6% said otherwise, while 9% said they didn't know.

With Brexit likely to make a big impact on the Irish economy in the coming years, diversifying by reaching out to new local and international markets and customers using an e-commerce-enabled website will help shield SMEs from the worst of the economic fallout.

Chapter summary

- ▶ 22% of Irish SMEs are offline: they have no online presence whatsoever.
- ▶ Explaining this, 68% say there is 'no need' to have a website in their industry, while 20% say they don't have enough time.
- ▶ 78% of the 'no need' group say the majority of their business is word-of-mouth, so a website is not necessary.
- ▶ A lack of expertise, time and finance is stopping many SMEs building a website, while 13% complain that a lack of a reliable internet connection is keeping them offline.
- ▶ However, half of offline SMEs grasp the importance of a website as a generator of business awareness.
- ▶ Encouragingly, 1 in 5 offliners are actively in the process of building a website.
- ▶ Only 30% of SMEs wish to avail of digital/e-commerce training or funding.
- ▶ For the majority of offline SMEs (85%), Brexit has not encouraged them to build an e-commerce-enabled website.

Chapter seven

Keeping up with the digital Joneses

The majority of SMEs see themselves as stronger than their competitors in terms of:

- ▶ Website (68%)
- ▶ Twitter (85%, up 21 percentage points since October 2016)
- ▶ LinkedIn (74%, up 12 percentage points)
- ▶ Online analytics (76%)
- ▶ Facebook (76%).

In line with previous dot ie Digital Health Index reports, this report shows that the majority of SMEs view their digital assets as performing better than those of their competitors.

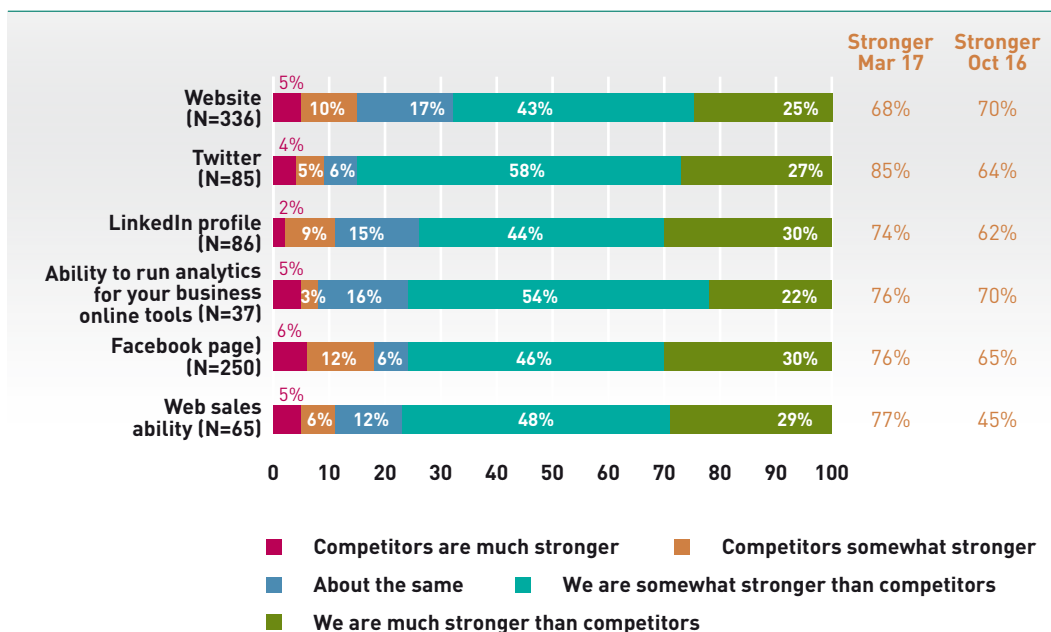
The latest figures also show a significant increase in the number of SMEs that believe their social media assets are stronger than competitors'. 85% of SMEs believe their Twitter presence is stronger than their competitors', up from 64% in October; 74% believe they are outdoing their competitors on LinkedIn, up from 62%; and 76% think their Facebook presence is similarly stronger, up from 65%.

In terms of their business websites, more than two-thirds of SMEs, or 68%, think their website is performing better than their direct competitors, which is slightly less than 70% in October 2016. Despite this slight decrease, this is still good news, considering that less than half, or 48%, felt their website was stronger in September 2015.

In addition to an increased confidence in their social media presence, SMEs showed a growing confidence in online sales. More than three-quarters of SMEs, or 77%, said that their abilities to process web sales was stronger than their competitors – the most dramatic increase on October, when only 45% made that claim.

How SMEs believe their digital assets perform against direct competitors

How well or poorly do you feel your business performs compared to your direct competitors in terms of the following digital assets?



Base: All companies with digital assets [March 2017]

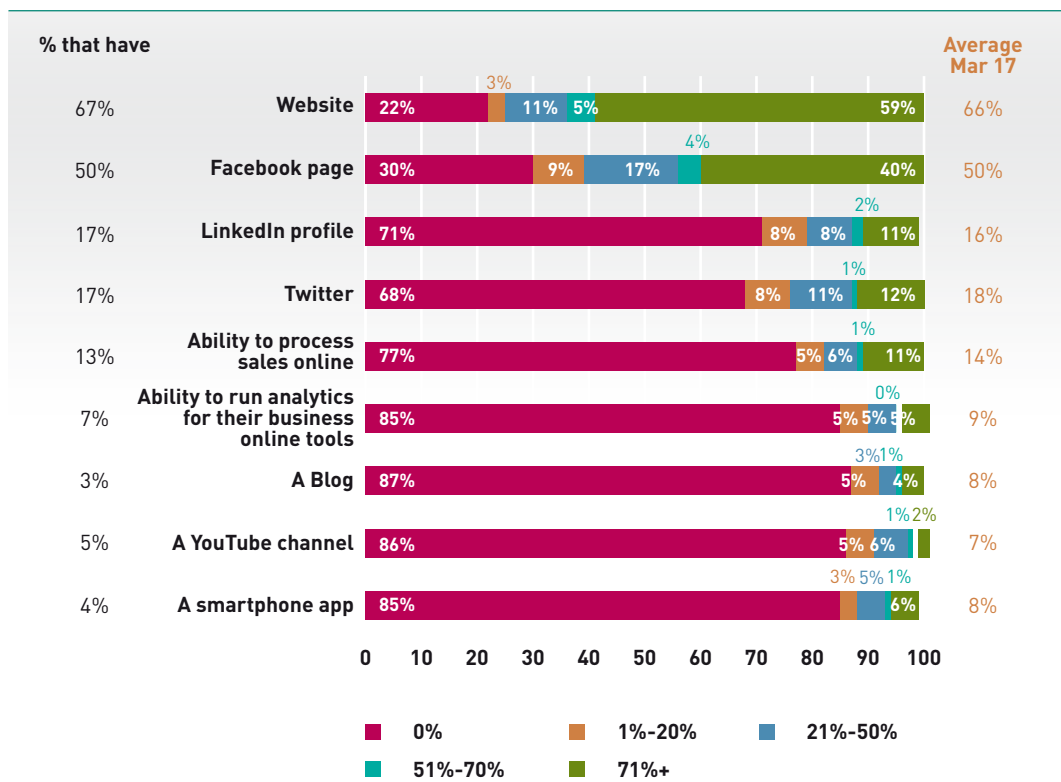
This edition of the dot ie Digital Health Index reveals that, in general, SMEs are more confident in the performance of their digital assets, compared to their competitors. Although they are still slightly overestimating their competitors' use of some digital assets, SMEs are shifting away from the last report in October, which showed that SMEs were significantly overestimating their competitors' use of digital assets

When asked to estimate their competitors' use of nine digital assets, SMEs were able to estimate correctly within 2% for all but two assets. Our research shows that SMEs significantly overestimated their competitors' use of blogs and smartphone apps:

- ▶ SMEs think that 8% of their competitors have a blog; just 3% do.
- ▶ SMEs believe that 8% of their competitors have a smartphone app; only 4% do.

SMEs' perceptions of direct competitors with digital assets

What percentage of your direct competitors do you estimate have each of the following?



Base: 500; All participants [March 2017]

Chapter summary

- ▶ 68% of SMEs believe that their website is stronger than their competitors, slightly lower than October 2016, but a considerable increase from 48% in September 2015.
- ▶ 85% of SMEs believe that their use of Twitter is stronger than their competitors, compared to 64% in October.
- ▶ SMEs accurately estimated their competitors' use of most digital assets.

Chapter eight

Use of social media by Irish SMEs

SMEs beware: The next generation of Irish consumers won't see your newspaper or TV adverts. Instead, they will source their products and services on social media.

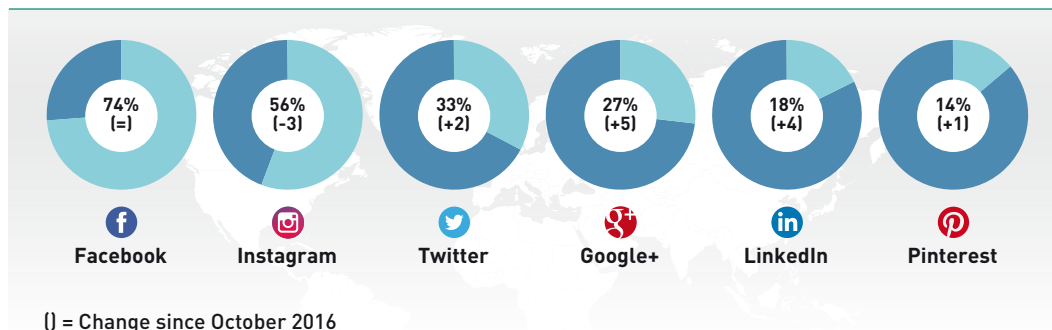
Social media continues to impact on the way Irish SMEs engage with their customers online. Three in four SMEs, or 77%, said that social media has contributed to business growth; while the majority of SMEs, or 92%, said that it has increased awareness of their business.

8.1 Irish society and consumers have embraced social media

According to the most recent Ipsos MRBI Social Networking Tracker (Jan 2017), 64% of Irish people over the age of 15 have a Facebook account (unchanged from October 2016), of whom 74% log into their account daily. 29% of Irish people have Twitter and LinkedIn accounts respectively; 33% of these people access their Twitter account daily, with 18% accessing their LinkedIn daily.

As the popularity of photo and video content continues, so too do social media platforms like Instagram. 28% of Irish people now have an Instagram account, up 5 percentage points from October 2016. Of these users, more than half, or 56%, use it daily.

Of those who have each of the following social networks, what proportion of them use it daily?



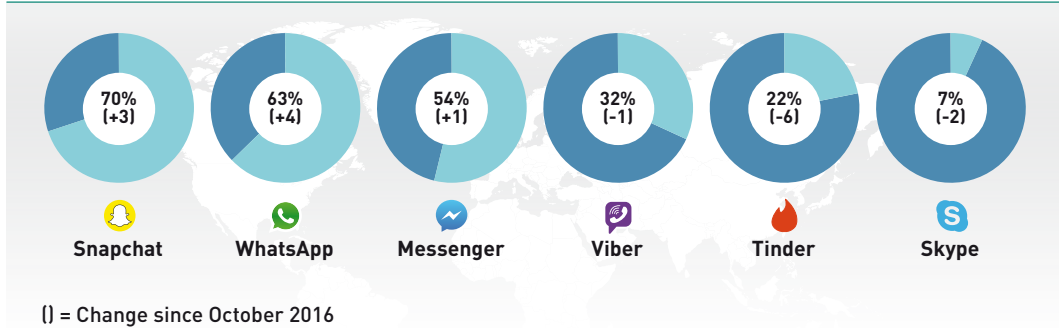
Source: Ipsos MRBI Social Networking Tracker, January 2017

Social messaging applications, like WhatsApp and Snapchat, are continuing to grow too. According to the recent Ipsos MRBI Social Messaging Tracker, of all Irish people over 15 years of age:

- ▶ 58% have a Facebook Messenger account.
- ▶ 56% have a WhatsApp account.
- ▶ 43% have a Skype account.
- ▶ 39% have a Viber account.
- ▶ 29% have a Snapchat account.

While Snapchat has a smaller total Irish user-base than bigger social messaging apps, it has the largest daily active user-base: 70% of Snapchat users log in daily, compared to 63% for WhatsApp and 54% for Facebook Messenger. Despite being the third largest social messaging app in Ireland, only 7% of Skype users log in daily.

Of those who have an account with the following social messaging platforms, what proportion use it daily?



Source: Ipsos MRBI Social Messaging Tracker, January 2017

For SMEs, social networks like Facebook, LinkedIn and Twitter provide free access to an ever-growing audience of followers. However, businesses must also be cognisant that when they build a presence on a third-party platform, they are not the owners of this virtual real estate. Facebook, now the world’s largest social network with 1.8 billion monthly users, started out by ensuring that everything a business posted to the network would be seen by 100% of their connections, yet today business posts rarely reach 10% of connections organically. Changes in the algorithms that determine what users see on these networks can have drastic impacts on business profiles.

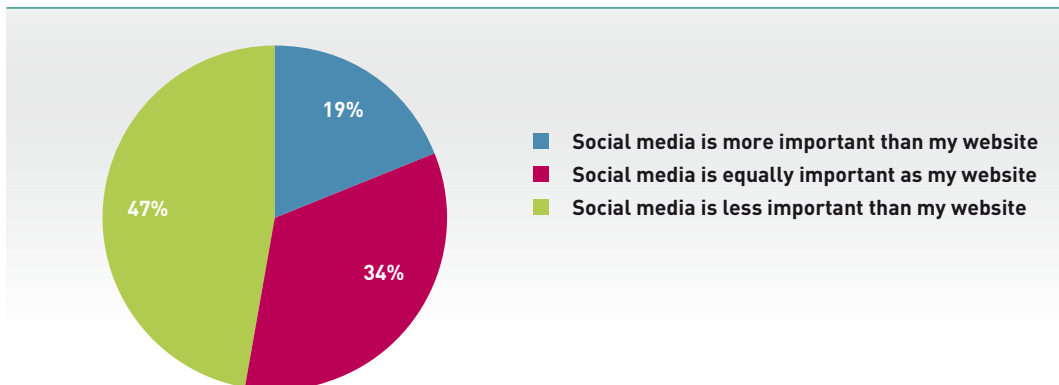
8.2 Social media versus websites

Opinions are divided as to how important social media is when compared to having a website. Almost 1 in 5, or 19%, of SMEs that use social media and have a website say that social media is more important than their website. A further one-third of SMEs, or 34%, say that it is equally important, while almost half of SMEs, or 47%, say that social media is less important than their websites.

Despite their stated opinions on the importance of social media, 91% of businesses that have a website say that they also use social media to promote their business. This suggests that many SMEs see the value of having a permanent home on the internet, as well as leveraging the opportunity to reach wider audiences or drive increased footfall to both the website and the physical store through social media. This two-pronged approach is increasingly recommended by digital marketing experts to their clients.

Social media versus websites

How important is social media in relation to your website?



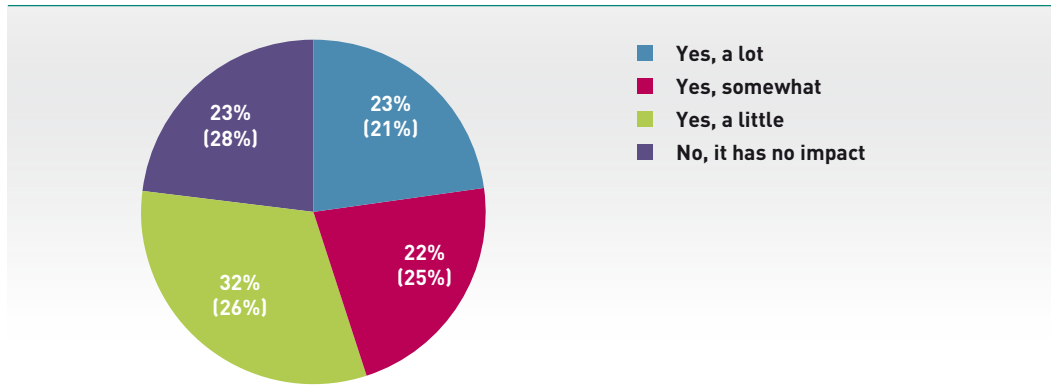
Base: 306; All companies that use social media and have a website [March 2017]

8.3 Social media and business growth

In this latest dot ie Digital Health Index, the SMEs surveyed said that they remain positive about the contribution of social media to their business growth. Three in four SMEs, or 77%, say that social media has had an impact on their business growth, which is up from 72% in October 2016. 23% said it has had no impact, down from 28%.

Perceived value of social media to business growth

Has social media, such as Facebook or Twitter, contributed to your business's growth?



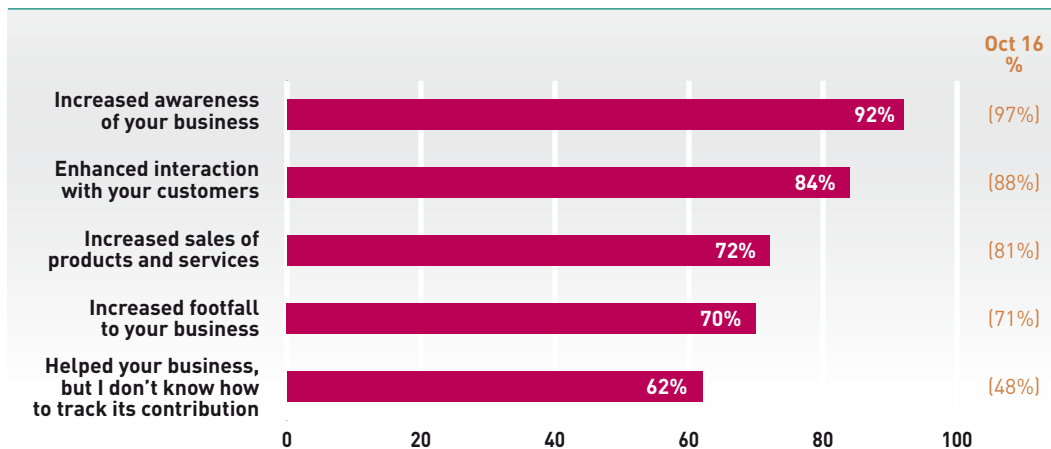
Base: 288; All companies that use social media [March 2017], [%] = data from October 2016

8.4 Social media and business benefits

Social media appears to be having a positive impact on SMEs that use it, although figures are slightly down on the last research wave. 92% of SMEs said that social media has increased awareness of their business, 72% said that it has increased sales of products and services and 70% said that it increased footfall to their business.

Business benefits: breakdown of valuable outcomes as a result of SMEs using social media

Has social media...



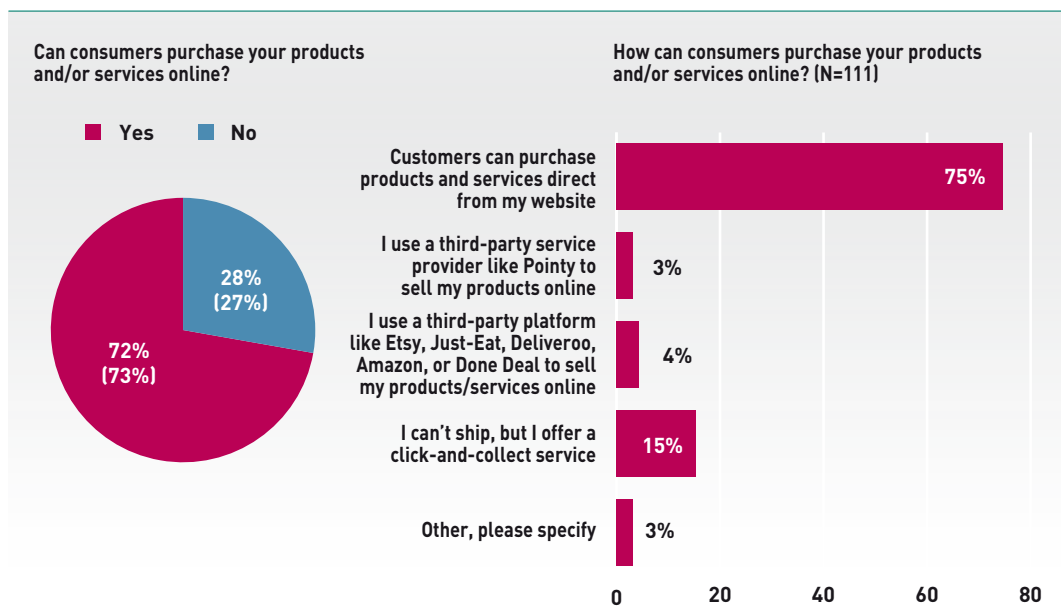
Base: 223; All companies that believe social media has had an impact on their business [March 2017]

Interestingly, six in 10 SMEs, or 62%, said that while social media had helped their business, they did not know how to track its contribution. At 62%, this is a significant increase on the last research wave when 48% said that they did not know. This figure, while startling, is not entirely surprising given that only 7% of SMEs reported using analytics programmes to track interaction and customer behaviour – down from 20% in October 2016. This figure is disappointing, and suggests that SMEs are not making better use of the available software to gain real-time insight into their businesses.

What’s more, when we asked SMEs if customers could purchase products or services online, the results were rather underwhelming when compared to the positive social media contributions listed above. This suggests that while social media undoubtedly has a vital role to play in increasing awareness, customer interaction, offline sales and footfall, it might not be the best way to generate revenue online for SMEs.

SMEs and selling online

How can consumers purchase your products online?



Base: 288; All companies with digital assets [March 2017], [%] = data from October 2016

Chapter summary

- ▶ 91% of SMEs that have a website also use social media to promote their business.
- ▶ 77% of SMEs said that social media has contributed to business growth; 92% said that it has increased awareness of their business.
- ▶ 72% said that social media had increased sales of products and services and 70% said that it increased footfall to their business.
- ▶ 62% said that while social media had helped their business, they did not know how to track its contribution.
- ▶ 19% of SMEs that use social media and have a website said that social media is more important than their website, 34% said that it is equally important, while 47% said that it is less important.

Chapter nine

Recommendations

This edition of the dot ie Digital Health Index shows a clear improvement in Ireland's digital health. Our SMEs are more confident in their use of digital assets, and more SMEs are building websites.

While these results are encouraging, our e-commerce performance leaves a lot to be desired. Evidence suggests that most SMEs are using their websites as static 'postcards', with very little online beyond their contact details and opening hours.

The global economy is digital. Shoppers in Ireland can buy goods and services from New Zealand, and vice versa, almost as easily as they can purchase directly from their local businesses. This increased competition for consumer spend requires SMEs to graduate to the next level with their online presence. Ireland's share of the European e-commerce market is worth €9 billion, and is expected to grow to as much as €14 billion by 2021⁵. Without a change in our approach to e-commerce, more than half of this will be spent with businesses outside the country.

Of the 67% of Irish SMEs with a website, only 30% can process sales or take sales orders online. 22% of SMEs surveyed are offline completely. Considering the willingness of consumers to spend online, this persistent issue is worrying.

There are many factors behind this. We have learnt that for many SMEs, a lack of time and technical expertise is keeping them offline. Broadband availability, too, is acting as a barrier to full online engagement, especially in rural areas. A significant cohort simply believe that there is "no need" for them to have a website, despite understanding and appreciating the value of the value of a website.

These problems will take time to fix. However, it is important that SMEs, industry bodies, local agencies and the Government, currently contingency planning for Brexit, collectively act now to ensure that Irish SMEs use their digital assets to access business and consumers in new markets.

IEDR's five recommendations for a better digital economy are built on two fundamental pillars: mentorship and infrastructure.

Pillar one: mentorship

1) Increase awareness of importance of e-commerce

Implement a national awareness campaign, targeting Irish SMEs with fewer than ten employees, that highlights the myriad benefits of trading online, such as increasing the potential to take sales orders and expand into new markets.

2) Shoulder-to-shoulder guidance for SMEs

Create a tailored "buddy system" between medium/large businesses and older/less tech-savvy SME owners. This buddy system would impart one-to-one, industry-specific knowledge on the basics of a website, perhaps facilitated on a local basis by Local Enterprise Offices (LEOs), the benefits of an online presence, and e-commerce platforms.

3) Increase online supports for SMEs

Increase state funding for new and existing online supports but route these through industry groups and employer organisations who know and understand the digital needs of business owners. The poor adoption of the Department of Communications' Trading Online Voucher Scheme, which provides matching financial grants to small businesses to invest in their online sales capacity, indicates that a change in approach is essential.

Pillar two: infrastructure

4) Provide reliable, high-speed broadband

13% of offline SMEs cite reliable internet access as the biggest barrier to getting online. This number is still too big. We must continue the rollout of high-speed broadband infrastructure to all parts of the country, particularly to micro businesses and their staff in rural Ireland.

5) Resource relevant state agencies

Ensure that LEOs, particularly those outside urban areas, have the manpower, expertise and resources to reach out to 'analogue' offline micro-businesses with fewer than ten employees and help them to set up and grow their business online.

⁵ Source: Virgin Media Digital Insights Report 2016

Chapter ten

Survey methodology

The dot ie Digital Health Index was conducted on behalf of IEDR by Ignite Research among 3,013 Irish SMEs across six waves of research, with 500 respondents in each wave. These waves of fieldwork were carried out in May 2014, December 2014, September 2015, April 2016, October 2016 and March 2017.

Of those surveyed in the March 2017 wave, 86% were micro-businesses of less than 10 employees. This is in line with the latest CSO business demography, which reports that SMEs account for 99.8% of the total enterprise population. 92% of all Irish businesses are micro-businesses.⁶

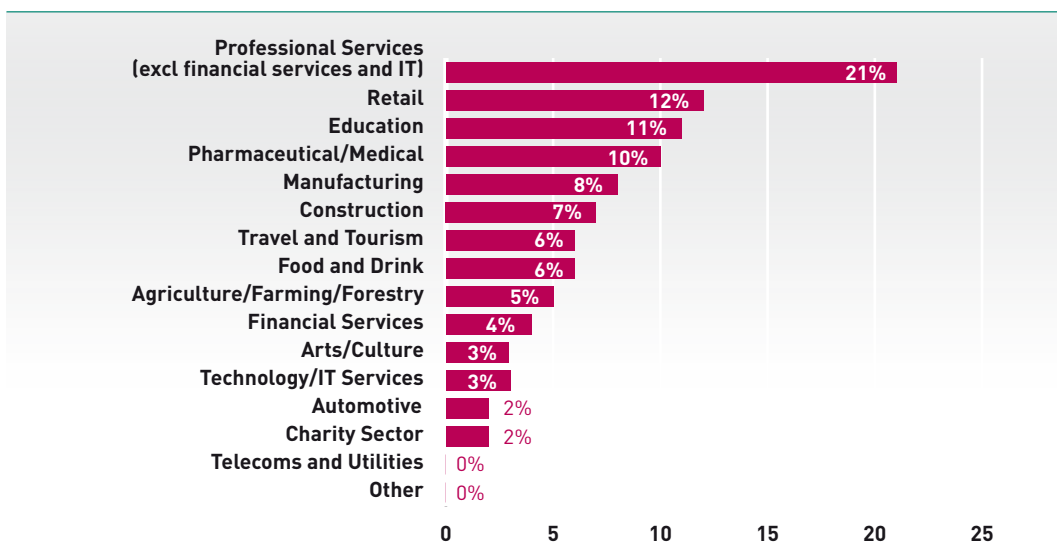
10.1 SME survey sample

Breakdown of overall sample by employee size

Number of Employees		Number of Employees	No. of SMEs Sample Size (%)
1-10 Employees	86% of Sample	1-2 Employees	220 (44%)
11+ Employees	14% of Sample	3-5 Employees	133 (27%)
		6-10 Employees	76 (15%)
		11-15 Employees	29 (6%)
		16-20 Employees	17 (3%)
		21-50 Employees	25 (5%)
		Total	500

10.2 Demographics by sector

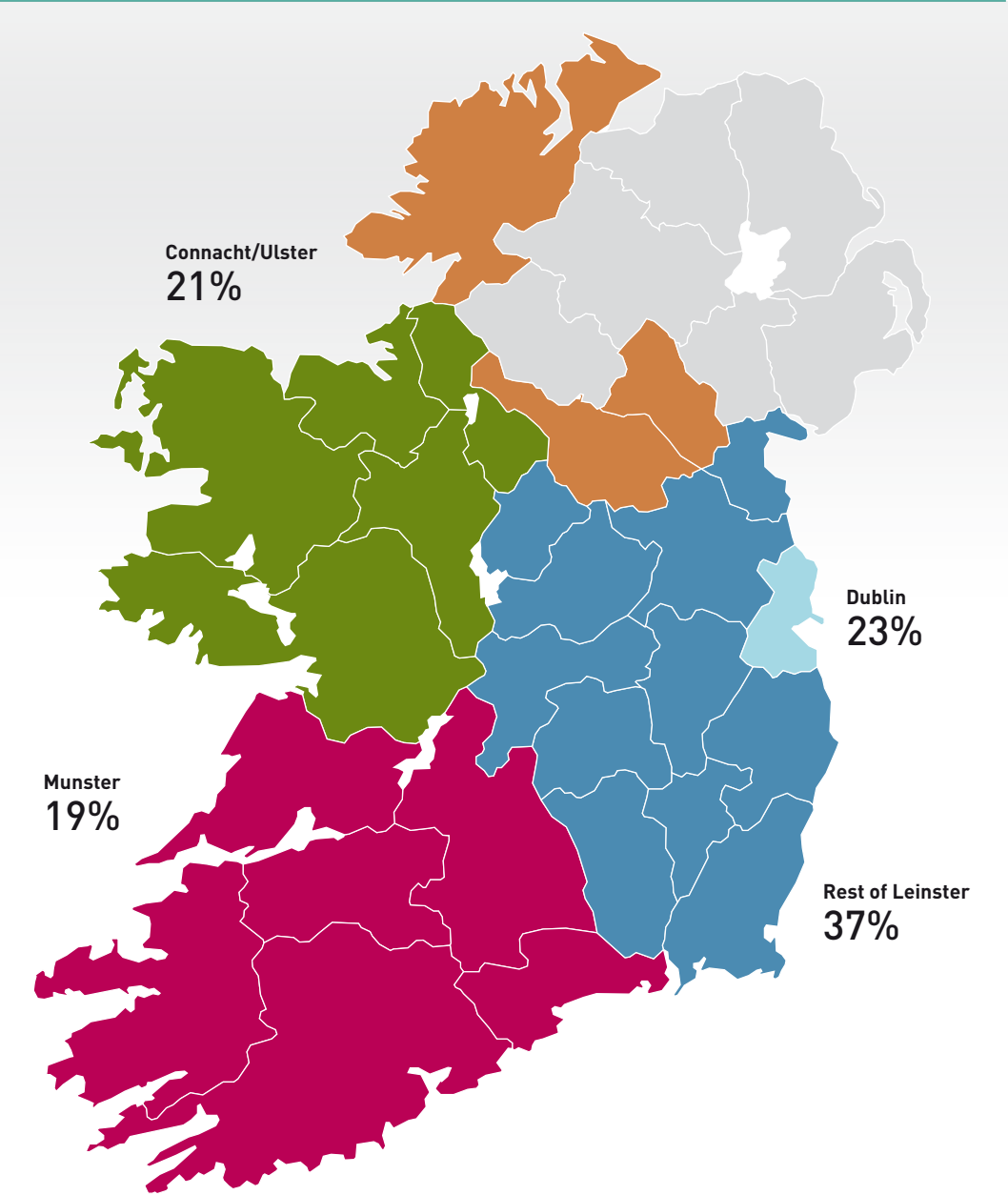
Breakdown of SME sample by sector



⁶ Source: CSO Business Demography 2014. Fig. 8: Distribution of Enterprises and Persons Engaged by Size Class 2014: <http://www.cso.ie/en/releasesandpublications/er/bd/businessdemography2014/>

10.3 Demographics by geography

Breakdown of SME sample by location



10.4 Construction of the dot ie Digital Health Index

The dot ie Digital Health Index provides a unique insight into the health of Ireland’s digital economy through in-depth analysis of the digital assets owned by Irish SMEs and their perceived quality.

The nine digital assets scored are:

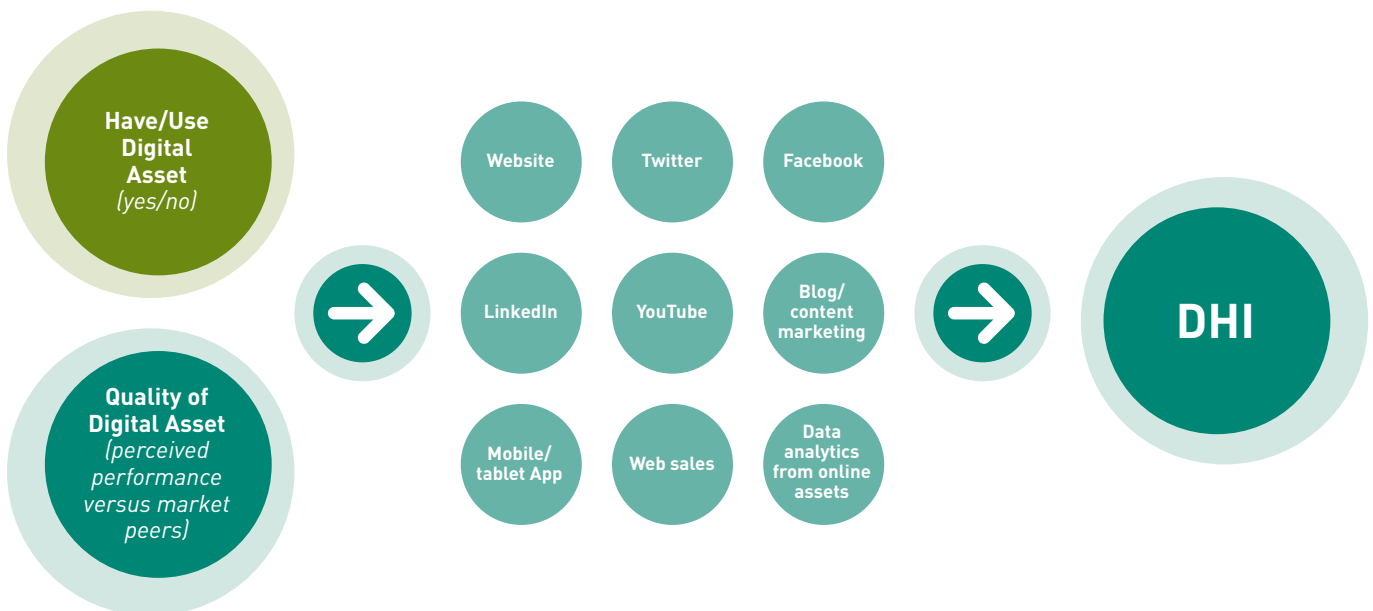
- ▶ Website
- ▶ Facebook
- ▶ Twitter
- ▶ LinkedIn
- ▶ YouTube
- ▶ Blog or content marketing
- ▶ Mobile or tablet app
- ▶ Web sales ability
- ▶ Data analytics from online assets

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

1. From the range of nine digital retail assets and activities, have you or do you use the digital asset?
2. 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.

Creating the dot ie Digital Health Index – the methodology



Chapter eleven

About IE Domain Registry

The IE Domain Registry (IEDR) is the official registry for .ie domain names, and maintains the database of registered .ie domain names. The IEDR originated as a spinout from University College Dublin, becoming an independent, separate limited company in July 2000.

The IEDR 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 a dispute resolution service with WIPO and operates a public Whois lookup service for .ie domains.

IEDR's mission is to provide unique, identifiably Irish domain names, along with registry and related services to the local and international internet community.

The IEDR is a managed registry, which means that there are policies and procedures governing the registration of .ie domain names. New applications are reviewed to ensure compliance with the terms and conditions of registration. This contrasts with .com and .eu, where there is no manual review and the domain applied for will be automatically registered once the name is available.

Only the IEDR can administer and manage the .ie namespace. These roles and responsibilities are undertaken as a public service. The IEDR liaises with Government departments, governing bodies, trade associations, and abides by internet best-practice principles while still operating as an independent public company.

Why choose a .ie domain name?

A .ie domain name has a number of distinct advantages when compared against alternatives:

- ▶ A .ie web address tells the global community you are Irish and tells the Irish community you are local.
- ▶ It gives consumers a great sense of security particularly when buying online from a known, local business.
- ▶ There is more choice of domain names, as a .ie is more likely to be available than a similar .com.
- ▶ .ie is the only domain name reserved for anyone with a connection to Ireland and helps to connect Irish businesses to local and global markets online.

Visit www.iedr.ie to register your .ie domain name.

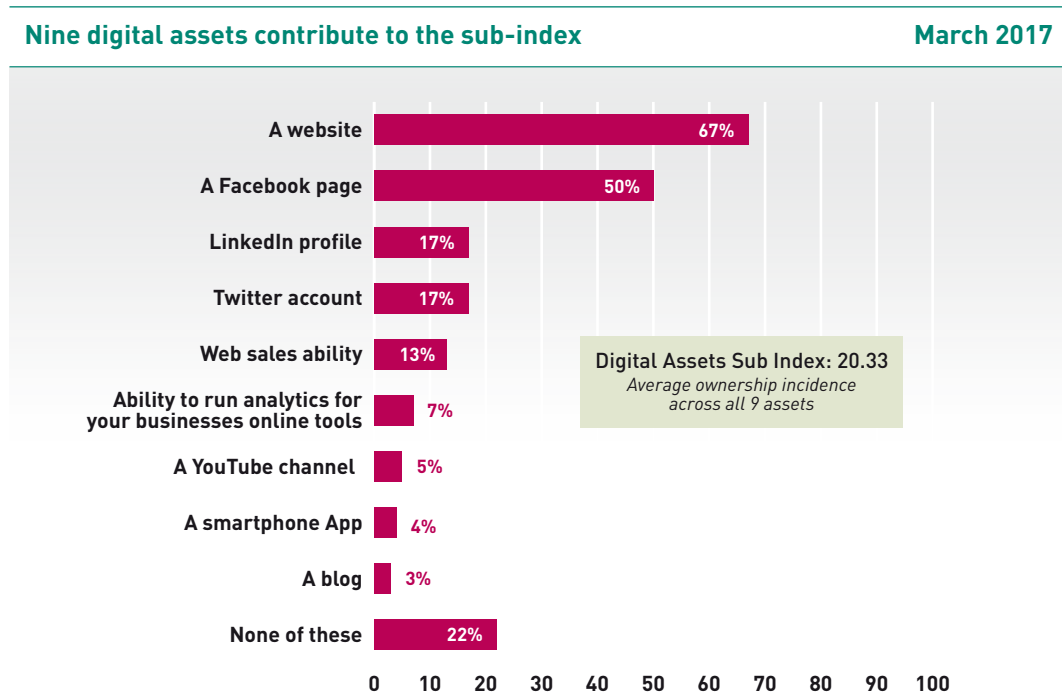
About Ignite Research

Ignite Research has been operating in Ireland since 2005. We are a team of researchers, analysts, and strategists who are focused on delivering best-in-class solutions to our clients. Ignite is a forward-thinking and tech-adopting research agency with many examples of innovative tech tools combined with creative and commercial thinking in our repertoire, all of which delivers impactful research for our clients.

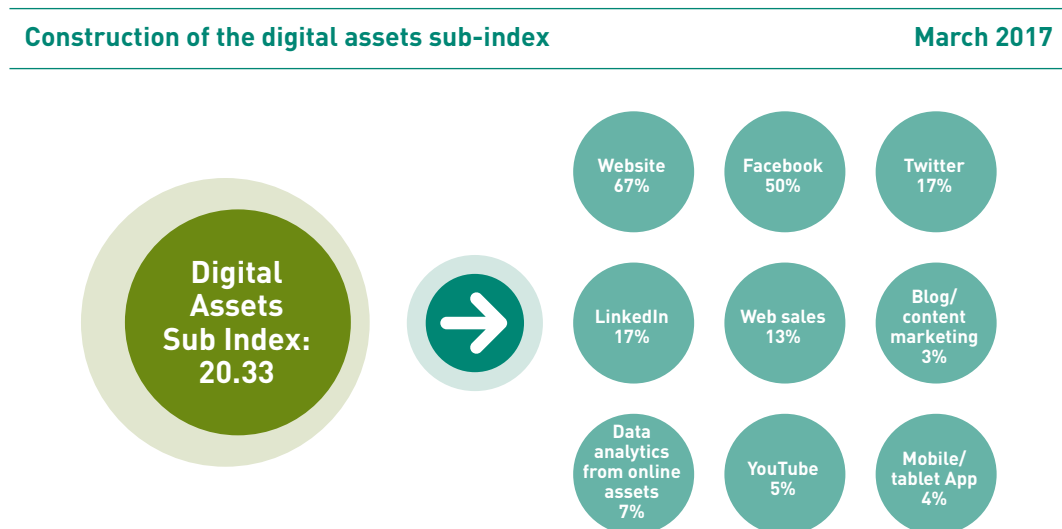
Appendix

dot ie Digital Health Index: sub-index construction

A.1 Digital assets owned



A.2 Digital assets owned

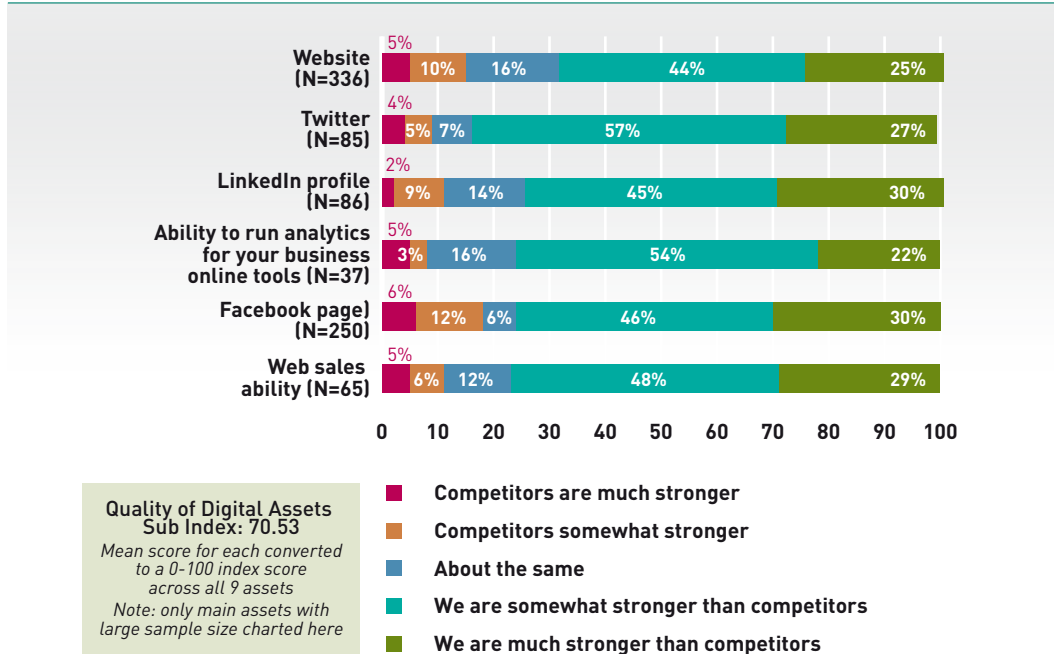


The digital assets sub-index is calculated from the average ownership incidence across all 9 digital assets.

A.3 Quality of digital assets owned

Quality of the nine digital assets contribute to the sub-index

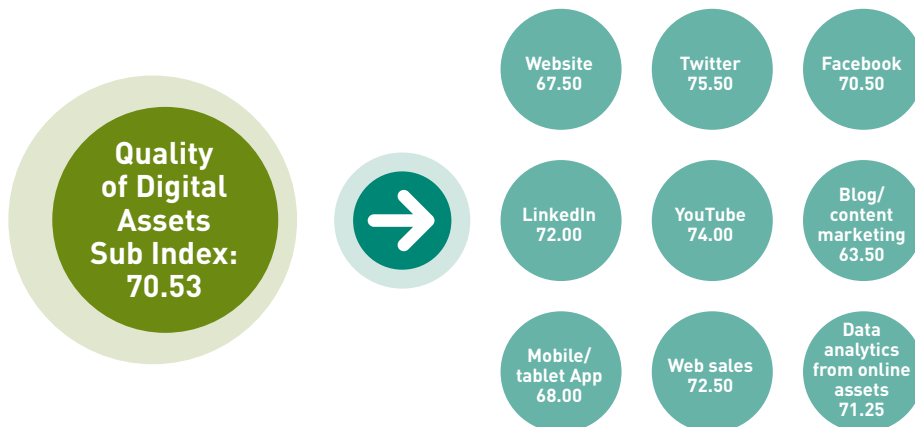
March 2017



A.4 Quality of digital assets owned

Construction of the quality of digital assets sub-index

March 2017



The quality of the digital assets owned is the mean score for the question comparing how businesses evaluate their digital assets compared to their competitors, converted to a 1-100 index score across all of the 9 digital assets.

A.5 Sub Index: Trends over six waves of research

Overview of the dot ie Digital Health Index (including sub-indexes)

	May 14	Dec 14	Sep 15	Apr 16	Oct 16	Mar 17
Digital Assets – Sub Index	13.0	16.1	19.7	24.2	22.1	20.33
Quality of Digital Assets – Sub Index	61.7	67.8	67.3	66.8	61.4	70.53
DHI (Digital Health Index)	37.4	42.0	43.4	45.5	41.8	45.4

Quality of Digital Assets – Sub Index

Respondents' perceived quality of their digital assets in direct evaluation against those of their competitors

	May 14	Dec 14	Sep 15	Apr 16	Oct 16	Mar 17
Website	65	71.2	64.5	71.5	70.5	67.5
Twitter	63	71	71	64.25	62.5	75.5
Facebook	67.5	65.5	58	69	67.25	70.5
Linkedin	61	58.2	57	68.75	66.25	72
YouTube	62.5	64.7	75	60	49.5	74
Blog/Content Marketing	60	67.2	72.5	72.25	49.5	63.5
Mobile/Tablet App	62.5	87.5	75	60	56.5	68
Web Sales	57.75	62.5	69.75	60.5	59.5	72.5
Data Analytics	56.25	62.5	64.75	74.75	71.25	71.25
Quality of Digital Assets – Sub Index	61.7	67.8	67.3	66.8	61.4	70.5

Digital Assets – Sub Index

Average ownership incidence across all nine digital assets

	May 14	Dec 14	Sep 15	Apr 16	Oct 16	Mar 17
Website	63%	63%	65%	72%	62%	67%
Twitter	8%	15%	22%	21%	18%	17%
Facebook	34%	44%	51%	48%	52%	50%
LinkedIn	7%	8%	16%	23%	19%	17%
YouTube	1%	3%	3%	7%	4%	5%
Blog/Content Marketing	2%	3%	4%	7%	6%	3%
Mobile/Tablet App	0%	0%	3%	5%	5%	4%
Web sales ability	1%	6%	8%	19%	20%	13%
Data analytics	1%	3%	5%	16%	13%	7%
None of these	28%	26%	25%	17%	22%	22%
Digital Assets – Sub Index	13.0	16.1	19.7	24.2	22.1	20.3





Identifiably Irish
Ireland's Domain Registry

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