



Identifiably Irish
Ireland's Domain Registry

dot ie

Digital Health Index



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Foreword



Welcome to the IE Domain Registry's (IEDR) second dot ie Digital Health Index. The dot ie Digital Health Index seeks to provide a comprehensive analysis of the quantity and quality of digital assets owned by Irish SMEs.

To date IEDR has undertaken four waves of research, each with the objective of exploring, examining and analysing how Irish SMEs are engaging and interacting with e-commerce and online activity. 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.

Our research investigates digital health in key areas such as; the capability of SME websites; use of social media by SMEs; SMEs' attitudes to online advertising and digital marketing, and, the ongoing issue of offline SMEs.

Our research reveals an offliner conundrum (explored in Chapter 4):

- ▶ 17% of SMEs still have no online presence at all – at a time when 90% of consumers choose to go online to find information about companies and their products and services.
- ▶ There is a contradiction between behaviours and actions, as many SMEs recognise the importance of being online, yet fail to put online digital assets in place.

A disconnect continues to exist between Irish consumers' online buying behaviours and SME behaviours in being online to serve their Irish consumers. This customer expectation gap is widening.

For online SMEs, those with digital assets, our research reveals increased ownership of multiple digital assets (up to an average of 2.62 assets), but low levels of e-commerce sales ability:

- ▶ 72% have a website (and 55% of these also have a Facebook page)
- ▶ Only 25% can process payments online and only 32% provide the ability to book online/make an online reservation.

The disconnect continues to exist between SMEs' ongoing refusal to put digital assets or e-commerce capability in place and consumers who have wholeheartedly embraced buying online.

The Irish share of the e-commerce and online marketplace is worth over €6.5 billion and growing. It represents a huge, and often untapped, opportunity for Irish SMEs. If SMEs continue to ignore their online offerings they run the risk of being left behind by their competitors. Irish SMEs cannot afford to stay removed from this marketplace and critically important online revenue streams, not to mention missed productivity improvements from digitisation of manual processes.

This said, the latest wave of research shows some positive trends in the Irish SME's online journey. These include a fall in the number of SMEs with no online presence whatsoever – from 25% in September 2015 to 17% in April 2016 – and increasing numbers of SMEs with a website up to 72% from 65% in September 2015.

Each of the four waves of research has a minimum sample size requirement of 500 Irish SMEs and/or micro-enterprises in order to allow us to accurately reflect the current state of Irish businesses online presence and activity. Carrying out this research twice a year allows us to identify and track the trends in, as well as the barriers to, online engagement by SMEs.

We understand that it's easy to highlight a problem but it can often be difficult to fix it, so in Chapter 9, we make a number of key recommendations that we believe can enhance the knowledge, experience and participation of SMEs in various online activities which will help their businesses.

Overall, the picture that emerges from our research is a growing appreciation of the importance of an online presence to overall business development and growth, and a slow, but increasing willingness to invest in digital assets and digital advertising. It also shows an awareness of the barriers that SMEs face in developing these assets – challenges such as time constraints, know-how or poor internet connections.

There are very few circumstances in which a business has no need for an online presence. It is important that all stakeholders and policymakers acknowledge the barriers to their growth online and seek to prioritise assistance for SMEs in overcoming these barriers. Particularly so, for those SMEs with less than five employees.

David Curtin.

David Curtin Chief Executive

June 2016

Executive summary

The Good, the Bad and the Ugly

The Good

- ▶ The overall dot.ie Digital Health Index has increased to 45.5 from 43.4 in September 2015 (and from 37.4 in May 2014). The increase to 45.5 can be attributed to an increase in the number of digital assets owned.
- ▶ The main driver in the growth of digital assets is an increase in the number of SMEs with a website (up to 72% from 65%), as well as an increase in the number of SMEs that can process sales online and run analytics – both up 11 percentage points, from 8% to 19%; and 5% to 16%, respectively.
- ▶ The number of SMEs without an online presence is decreasing. 1 in 6, or 17%, of Irish SMEs are offline, down from 1 in 4, or 25% in September 2015.
- ▶ There is a significant decline in the proportion of SMEs who do not intend to build a website in the future – down to 55% from 74% in September 2015.
- ▶ The number of SMEs citing “no finances” as a barrier to having a website has decreased to only 7% (from 20% in September 2015).
- ▶ 4 in 5 SMEs, or 77%, that use social media say that it has had a positive impact on their business growth.
- ▶ Most SMEs (70%) see themselves as better than or equal to their competitors when it comes to their websites.
- ▶ 3 in 4 consumers, or 75%, say that they are more likely to purchase from a business that has an online presence.
- ▶ Digital advertising as a percentage of total advertising spend has increased by 4 percentage points from September 2015, rising from 16% to 20%.

The Bad

- ▶ The number of offliners – that is, SMEs without an online presence – is 17%, of Irish SMEs.
- ▶ Of the SMEs without a website, 27% cite the absence of a good internet connection as their main barrier to having one.
- ▶ Among SMEs with a website, there has been a significant decrease in the number that have a responsive design (mobile optimised) compared to the last wave of research (40% versus 63%, respectively).
- ▶ There is a customer expectation gap emerging; the majority of consumers say that a business that does not have a website or an online presence at all is frustrating or extremely frustrating – 79% and 71% respectively.
- ▶ 1 in 3 SMEs don't advertise their services at all, a significant difference from last wave (31% versus 46%, respectively).
- ▶ The EC DESI study shows that Irish firms (>20 staff) are out-performing European competitors on important e-commerce metrics. However, our research shows a strong digital divide, with very low e-commerce capability in the ‘small’ business (<10 staff) category.
- ▶ The quality of digital assets sub index has plateaued at 66.8.

The Ugly

- ▶ 74% of SMEs surveyed say that 100% of their revenues are B2C, but just 3% of SMEs typically generate all of their business revenues online.
- ▶ In terms of revenue generation 74% of SMEs state that 100% of their revenue is generated completely offline.

Why is this 'ugly'? Because¹:

- ▼ One quarter of consumers shop online at least weekly (26%)
 - ▼ Almost 2 in 5 of people, or 38%, make payments online at least weekly
 - ▼ Three-quarters of consumers, or 75%, bank online, at least weekly.
- ▶ Among those without a website, just over half, or 55%, do not intend to build a website in the future with the majority saying that there is no need within their industry. 21% say they will, but have no timeframe.

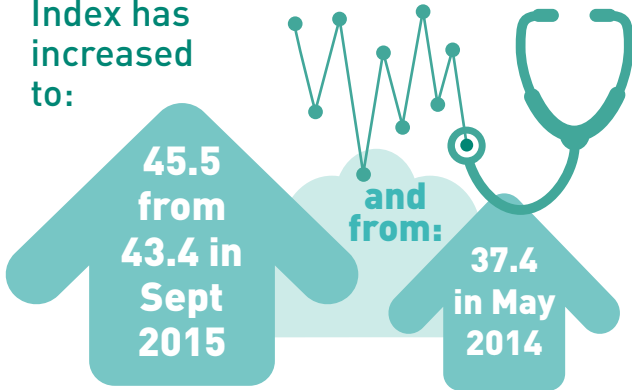
Why is this 'ugly'? Because:

- ▼ 90% of consumers check a website or search the internet when they are looking for information about a business.
- ▼ Our research suggests a level of comfort among SMEs, with many believing they are performing better than their competitors online.

¹ Source: Ignite Research conducted on behalf of IEDR among 1,000 Irish adults, April 2016.

dot ie Digital Health Index

The dot ie Digital Health Index has increased to:




The number of SMEs without an online presence is decreasing.



1 in 6 Irish SMEs (**17%**)
are now offline, down from
1 in 4 (**25%**)



27% of SMEs without a website say it is because they don't have a good internet connection.



The number of SMEs with a website is up (from **65%** to **72%**), as well as the number of SMEs that can process sales (**8%** to **19%**) and run analytics (**5%** to **16%**).



4 in 5 (or 77%) of SMEs that use social media say that it has had a positive impact on their business growth.



SMEs are positive about their businesses; almost half expect revenues to increase over the next 12 months.



The EC DESI study shows that Irish firms (>20 staff) are out-performing European competitors on important e-commerce metrics. However, our research shows a strong Digital Divide, with very low e-commerce capability in the 'small' business (<10 staff) category.



55% of SMEs without a website say they don't intend to build a website in the future.

3 in 4 consumers say that they are more likely to purchase from a business that has an online presence.



Irish consumers spend over €6.5 billion¹ online but only **29%** of SME websites can take sales orders online and only **25%** can process payments online.

¹ Source: Visa Europe Irish Consumer Spending Index, Feb 2016.

Chapter one

What is the dot ie Digital Health Index?

1.1 Construction of 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.

Just as the Daft.ie property index measures aspects of the property market, our dot ie index seeks to measure the e-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:

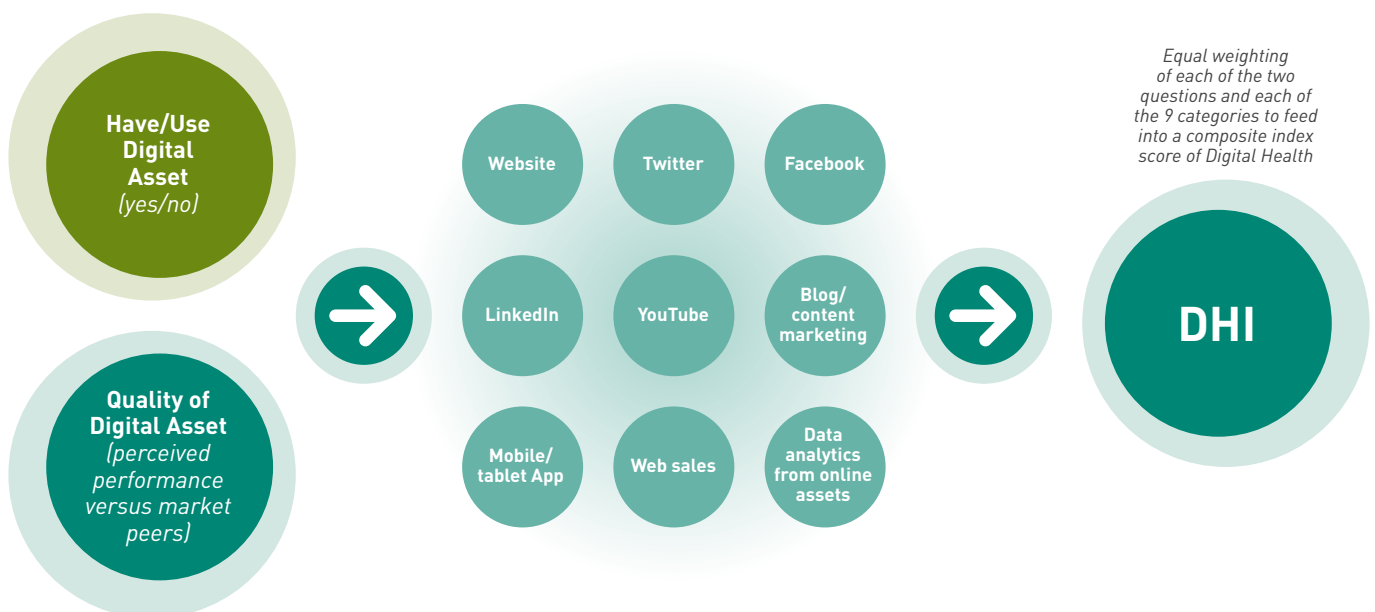
- ▶ Website
- ▶ Twitter
- ▶ YouTube
- ▶ Mobile or tablet app
- ▶ Data analytics from online assets
- ▶ Facebook
- ▶ LinkedIn
- ▶ Blog or content marketing software
- ▶ Web sales

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

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



1.2 dot ie Digital Health Index Score, April 2016

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

As of April 2016, the dot ie Digital Health Index stands at 45.5. This is up from 43.4 in September 2015, and up from the initial score of 37.4 in May 2014.

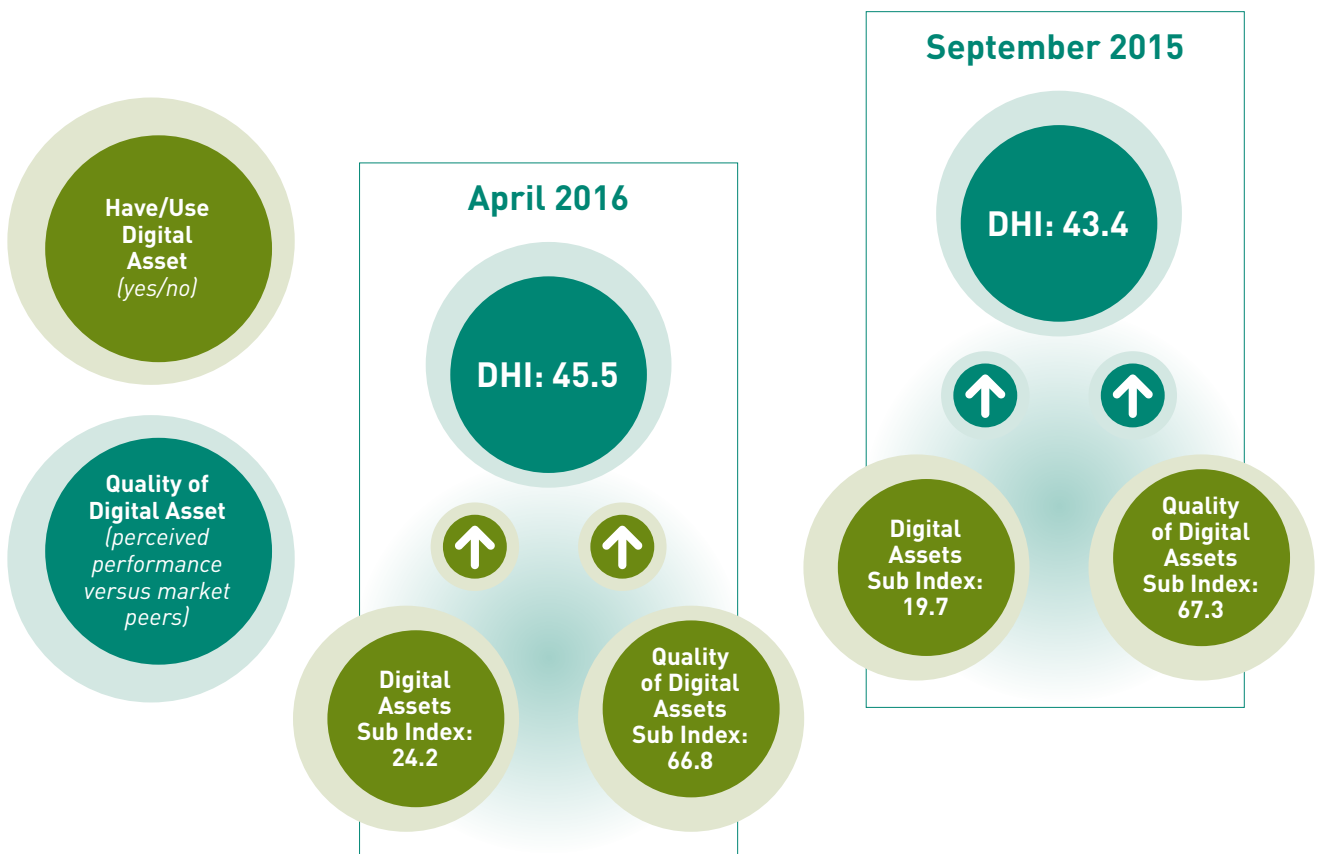
This means that the overall number of Irish SMEs who have and use digital assets has risen alongside an increase in the perceived quality of the performance of these assets, in a direct comparison with those of their market peers.

The overall increase is primarily driven by the number of digital assets owned by SMEs. In particular our research found that there was sizeable growth in the number of SMEs with a website (72% compared to 65% in September 2015). The research indicates that other factors contributing to the increase included:

- ▶ Web sales ability (19% compared to 8%)
- ▶ The ability to run analytics (16% compared to 5%)
- ▶ The proportion without any of the eight digital assets (17% compared to 25%)
- ▶ The proportion who said that their asset quality was stronger than competitors: stronger websites 70% (compared to 48%), stronger LinkedIn presence 67% (compared to 40%).

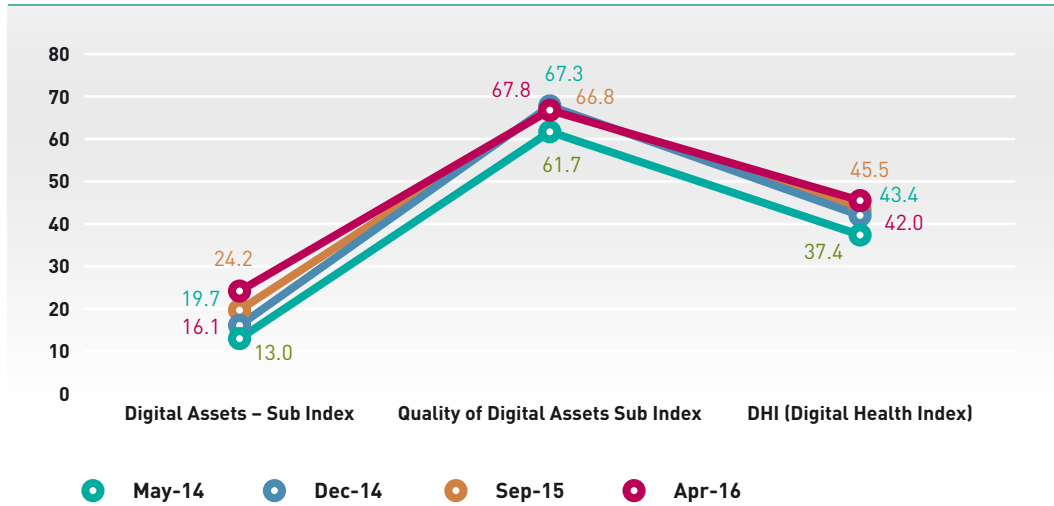
The research data also shows the factors that represent a drag on the index in this latest wave, that is:

- ▶ the proportion who said their asset was stronger than their competitors' in terms of their:
 - ▼ Web sales ability (44% compared to 59%)
 - ▼ Twitter presence (68% compared to 71%).



1.3 dot ie Digital Health Index: all waves

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

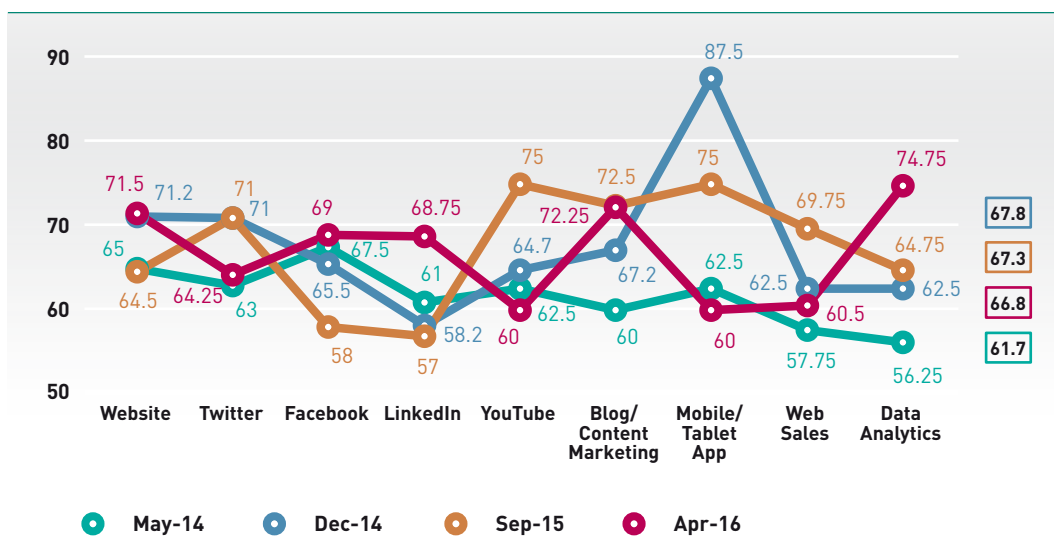


There has been a significant and consistent increase in the dot ie Digital Health Index score since the first wave of research was conducted in May 2014. This can be attributed primarily to the consistent growth in the number of digital assets owned by Irish SMEs.

However, it must be noted that this increase is offset somewhat by the improvement in the quality of those assets (as measured by how well or poorly SMEs feel their business performs compared to direct competitors), which showed an initial improvement between May 2014 and December 2014, but has plateaued since then.

This reflects slow adoption and provision of e-commerce capabilities, in particular, the ability to process payments online or even take sales orders online. This is reflected graphically as follows:

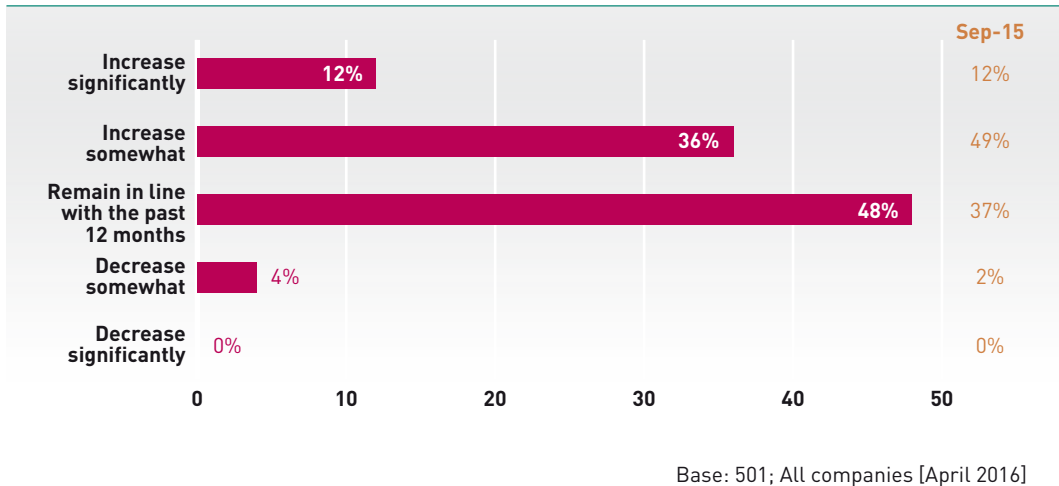
Quality of Digital Assets Sub Index



1.4 General industry sentiment

SME sentiment regarding expected revenue generation over the next 12 months

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



Overall, Irish SMEs are quite positive about their businesses with 48% stating that they expect their revenues to increase over the next 12 months. This is a decrease in overall sentiment (48%, compared to 61% in September 2015) which could be attributed to service industry-specific issues², in addition to macro-economic factors such as the ongoing Brexit debate or even potential political instability following the recent general elections and the subsequent delay in government formation.

² The recently published Investec Purchasing Managers Index (PMI) showed that growth in new business was at a 26-month low in the services sector due to delays in contracts being finalised.

Chapter two

What digital assets do SMEs own and use?

- ▶ No digital assets at all (17%)
- ▶ SMEs with websites (72%)
- ▶ Ability to run analytics (16%)

Digital assets such as websites, social media accounts and blogs are essential for Irish SMEs to promote their brand, products and services online.

2.1 Improving digital health

According to the latest research for the dot ie Digital Health Index the overall digital health of Irish SMEs has continued to improve, which is timely given the increased levels of time and money being spent by Irish consumers online³.

Since September 2015, the number of SMEs with a website has risen by 11%, from 65% to 72%. The underlying data shows that the improvement is reflected across every SME size cohort, with significant increases in SMEs with less than 5 employees (up by nine percentage points).

Encouragingly, the most positive boosts have come in the form of e-commerce ability. The number of SMEs with web sales ability has increased significantly (up to 19% from 8% in September 2015), as has the number of SMEs with the ability to run data analytics that provide insight into the trends and behaviour of their customers (up from 5% to 16%).

Emerging social media trends include:

- ▶ The number of companies with a Facebook page decreased by 6% from 51% to 48%.
- ▶ The number of companies with a Twitter account has decreased by 5% from 22% to 21%.
- ▶ Those companies with a LinkedIn profile grew by 44% from 16% to 23%.
- ▶ The number of companies with a YouTube channel or account grew by 133%, from 3% to 7%.

2.2 The offliner challenge

We continue to be surprised by the number of SMEs that have no digital assets whatsoever, despite Irish consumers spending billions online⁴ – see Chapter 4, The Offliner Conundrum.

In a positive move, however, only 1 in 6, or 17%, of Irish SMEs have no digital assets, which represents a major improvement from 1 in 4, or 25%, in September 2015.

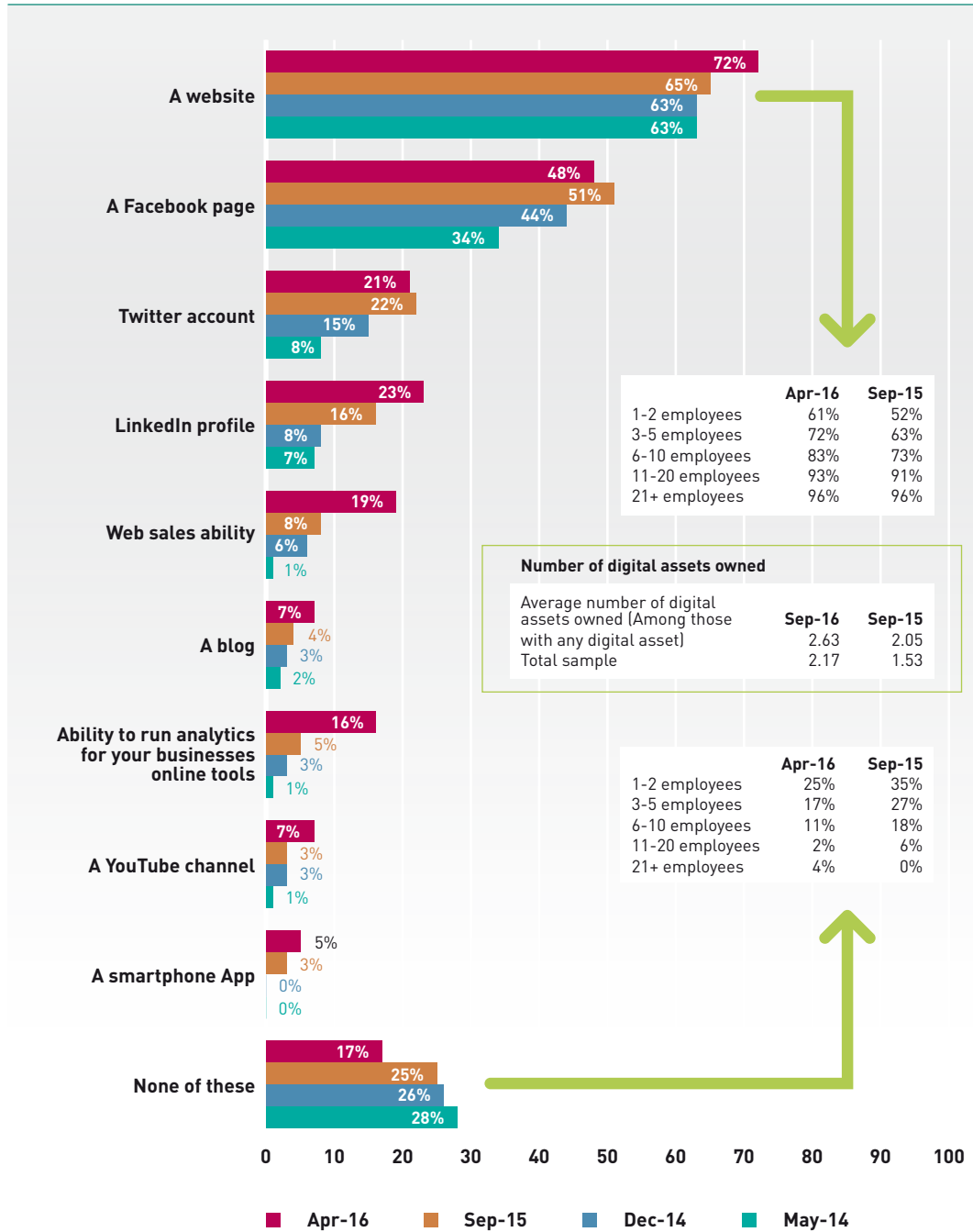
The data shows that the improvement has been particularly dramatic in smaller companies, with a 10 percentage point improvement in SMEs with 1-2 employees and those with 3-5 employees.

³ Source: Behaviour and Attitude's Sign of the Times survey, published in February 2016, shows that 75% of the Irish population now access the internet once a day or more often. However not only are people going online, consumers in Ireland and abroad are now spending more than ever on the internet.

⁴ Source: Visa Europe Irish Consumer Spending Index, Feb 2016. Irish consumers spent €6.5 billion online in 2015, up 17% on the previous year. This figure is forecast to hit €21 billion by 2020 as new technologies give businesses the power to expand their reach. E-commerce spending increased 18.7% year on year while face-to-face spending only rose by 5.7% in the same period.

2.3 Digital assets owned – SMEs with a website

Breakdown of the digital assets owned by Irish SMEs



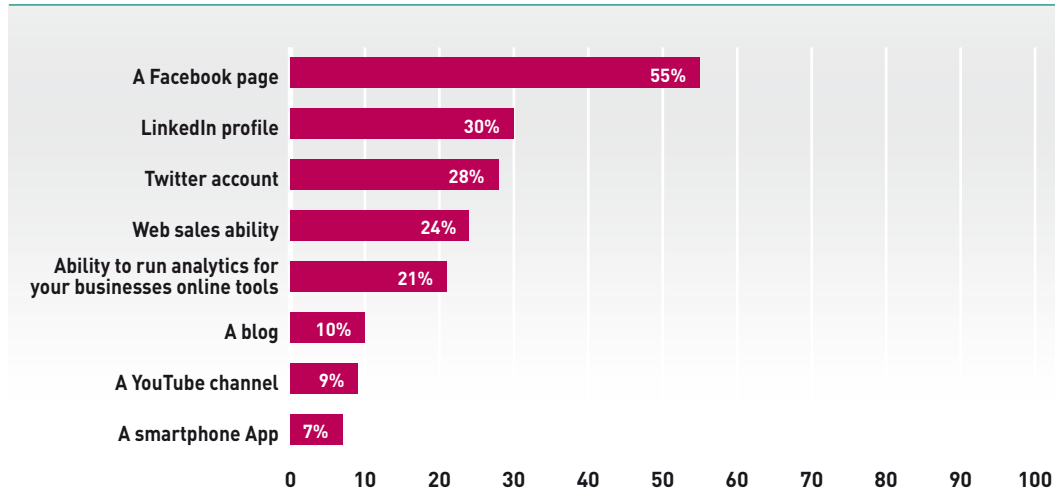
Base: 501; All companies [April 2016]

2.4 Digital assets owned – SMEs with multiple digital assets

Our research indicates the extent to which digitisation is becoming “deeper” across SMEs, as the trend towards ownership of multiple digital assets improves. For instance, of those SMEs with a website, 55% also had a Facebook presence and 24% have web sales ability.

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

Which of the following does your business have?



Base: 360: All companies with a website [April 2016]

Overall, Irish SMEs are continuing to increase the number of digital assets owned and used by their business. In this latest research, SMEs owned 2.63 assets each, up from 2.05 assets owned (an increase of 28%, as illustrated in table 2.3). As Irish consumers increase their online purchasing levels along with their time spent online in general, we would expect to see these numbers continue to trend upwards in future surveys.

Interestingly, the number of businesses with the ability to run data analytics for their business has increased by 1500% in the two years since we started this research. Admittedly this increase was from a very small initial number of 1% but it does point to the fact that Irish SMEs are becoming more business-savvy about measuring and tracking their online activities.

It seems that there is a growing acceptance amongst SMEs that owning a digital asset can help to promote and grow a business. It may be premature to speculate that this awareness is being translated into action by SME business owners.

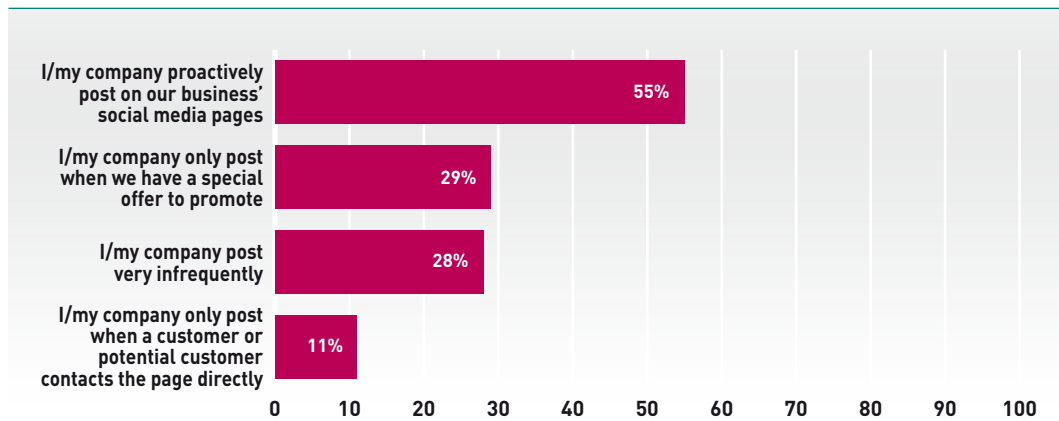
2.5 Social media assets and usage

Breakdown of how often and under what conditions SMEs post to social media

While Irish SMEs' presence on social media is broadly reflective of the overall population⁵, it is interesting to note that of all respondents who had a social media account, 55% proactively posted on their business' pages. 11% of respondents stated that they only post when a customer or potential customer engages directly with them on their account.

Social media posting frequency of Irish SMEs

Which of the following statements apply most to your company's social media behaviour?



Base: 279: All companies that use social media [April 2016]

In terms of social media assets owned and used, Table 2.3 on page 10 shows that:

- ▶ The number of SMEs with a Facebook page and Twitter account decreased slightly, by 6% (from 51% to 48%) and 5% (from 22% to 21%) respectively
- ▶ Those with a LinkedIn profile and YouTube account increased, by 44% (from 16% to 23%) and 133% (3% to 7%) respectively.

Further details on how Irish SMEs use social media are discussed in Chapter 7.

Chapter summary

- ▶ Since September 2015, the number of SMEs with a website has risen by 11%, from 65% to 72%.
- ▶ The number of SMEs with web sales ability has increased significantly (up to 19% from 8% in September 2015), as has the number able to run data analytics (up from 5% to 16%).
- ▶ Amazingly, 17% of Irish SMEs have no digital assets whatsoever, albeit a major improvement from 1 in 4, or 25%, in September 2015.

⁵ Source: Ipsos MRBI's Social Networking Tracker, April 2016. 64% of Irish people have a Facebook account, 29% of people have a Twitter account and 25% of people have a LinkedIn account. Of those that have an account, 72% access Facebook daily while 39% and 14% access Twitter and LinkedIn respectively on a daily basis.

Chapter three

How SMEs use their websites

- ▶ *Not e-commerce enabled (only 25% can process payments online)*
- ▶ *Not sales focussed (only 29% can take sales orders online)*
- ▶ *Not mobile responsive (only 40%)*
- ▶ *Not updated regularly (30% update their website less than once a quarter)*

Websites play an essential role in developing SMEs' businesses, allowing them to reach out to more customers, in more markets, and make sales 24 hours a day, 365 days a year.

To achieve this, SMEs need to think beyond a landing page and a list of opening hours. Our research shows that in order to meet consumer expectations, SMEs need a fully functional, regularly updated website with e-commerce capability, such as sales ordering and payment processing.

3.1 Website functionality

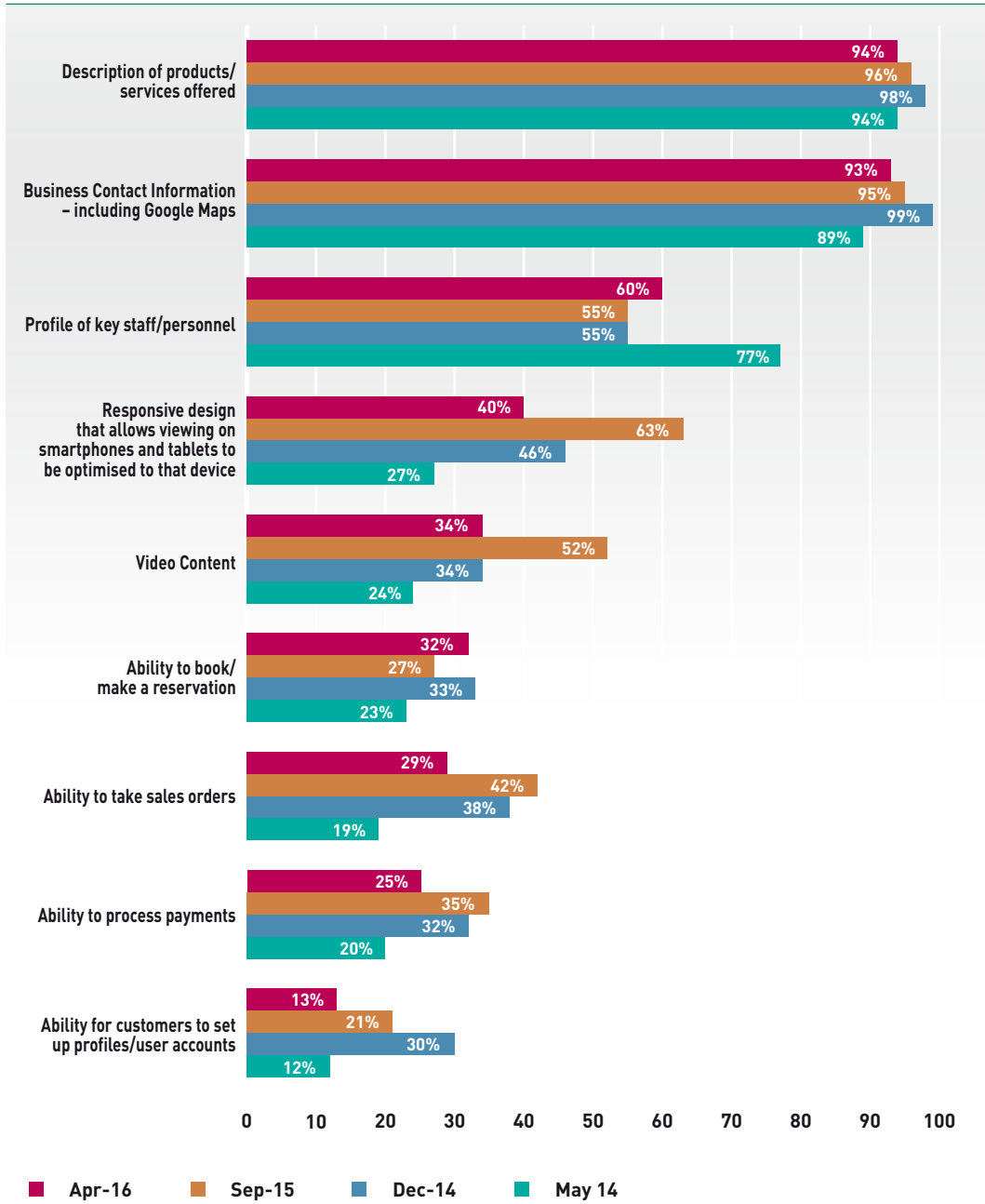
Breakdown of the functionality of SME websites

Our surveys included question sets designed to assess the content provided by, and the functionality of, SME websites. We asked SMEs about their websites:

- ▶ E-commerce capability (see 3.2)
- ▶ Design, promotion and multimedia capability (see 3.3)
- ▶ Basic website functionality (see 3.4).

Website functionality

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



Base: 360; All companies with a website [April 2016]

3.2 E-commerce enabled websites

Despite SMEs increasingly integrating some form of e-commerce into their business (like selling on Etsy or Amazon), only a minority actually have dedicated e-commerce tools or functionality on their websites. E-commerce can be a relatively catch-all term but for the purpose of this research we are referring specifically to the ability to take a reservation or process payments through their own business' website.

The latest dot ie Digital Health Index shows that the numbers of SMEs who undertake and manage dedicated e-commerce offerings on their own websites are generally in decline:

- ▶ SMEs with the ability to take sales orders on their website has dropped from 42% to 29%
- ▶ SMEs with the ability to process payments on their website has dropped from 35% to 25%
- ▶ SMEs with the ability to take bookings and reservations on their website has increased from 27% to 32%.

3.3 SME attitudes to website design and promotion

The design, promotion and multimedia capability of SME websites has dropped dramatically, overturning our optimism expressed following the apparent increases in the September 2015 wave.

SMEs with mobile responsive websites dropped from 63% to 40%, as did the number using video content for marketing purposes, from 52% to 34%.

The reduction in video content is particularly disappointing, given the recent improvement in ease-of-use and functionality⁶ of widely used tools.

3.4 The basic website functionality

As we found in our previous waves of research, the problem of Irish SMEs using their websites exclusively as static "postcards" still remains.

94% of respondents' websites include a "description of products/services offered" and 93% include "business contact information", findings which have been consistent across all four waves of research. These postcard style websites often just include basic contact information along with a brief description of products and services, but little else of value to a potential online customer.

3.5 Importance of awareness versus action

Why are SMEs so reluctant to embrace e-commerce on their websites?

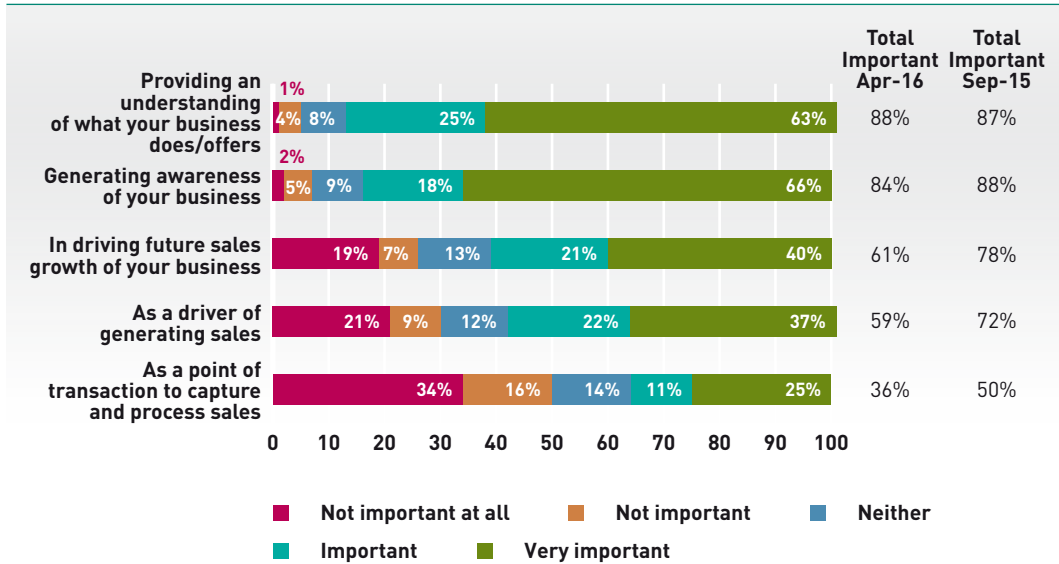
We explored the potential reasons for the absence of e-commerce capabilities on SME websites. The common supposition is that it may be due to lack of awareness of the importance of website capability.

However, lack of awareness may not be the explanation. Our research indicates that SMEs are very aware of the importance of their website in "providing an understanding of what your business does/offers" (80%) and in "generating awareness of the business" (84%). This response is consistent with SMEs behaviour and actions taken – given the findings described in 3.2 above.

⁶ In terms of video content, advances in technology or cameras and video software in smartphones has put a lot of power in the hands of the user. Now any SME business owner with a smartphone is capable of producing short videos to demonstrate their products or services to their customers. Not embracing this could be a missed opportunity, as Google CEO Sundar Pichai stated during Alphabet's first quarterly earnings call on the 22nd October 2015: "People turn to YouTube and they want to research, buy or fix a product...mobile watch time for apparel videos has doubled this year and videos about toys have also doubled." Google believes so strongly in the power of video that they recently added shopping ads to YouTube that allow people to make purchases directly within a video. Source: <http://www.wired.com/2015/10/sorry-search-youtube-is-more-important-to-google-than-ever/>

The importance of websites

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



Base: 360; All companies with a website [April 2016]

Our research also indicates that SMEs are very aware of the importance of the website in “driving future sales growth of your business” and “as a driver of generating sales” where 61% and 59% responded it was either important or very important.

This is where the contradiction emerges. If SMEs believe it is important, then why is it that the research findings in 3.1 above illustrate that:

- ▶ only 32% of their websites have the ability to book/make a reservation
- ▶ only 29% have the ability to take sales orders online
- ▶ only 25% have the ability to process payments online?

Clearly, further research is required in this area to explain the apparent contradiction.

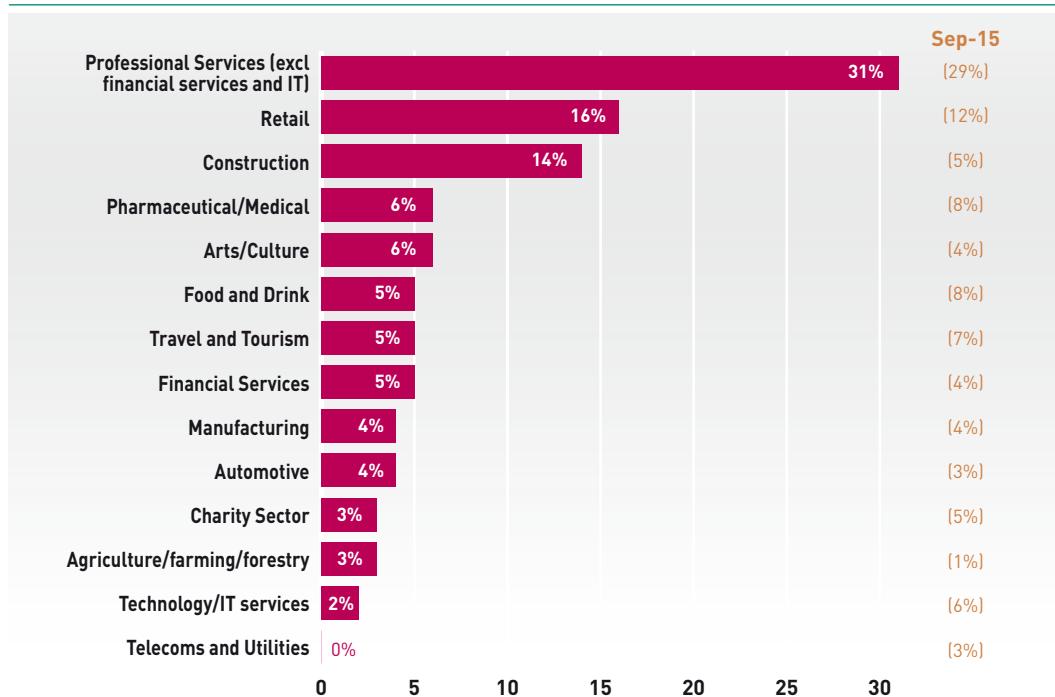
Table 3.5 shows that only 36% of respondents (down from 50% in September 2015) believe that a website is important “as a point of transaction to capture and process sales”. In fact, 50% said this was either not important or not important at all. This response is at least consistent with the finding (in 3.1 above) that 19% of websites have “web sales ability”. If SME business owners do not believe it is important, then of course they will not provide that functionality on their websites.

While e-commerce platform providers and merchant/payments service providers may be surprised that this 36% remains stubbornly high, anecdotal evidence suggests that such surprise may be unwarranted and may be explained by CSO Business Demography statistics⁷. The CSO data from 2012 (albeit somewhat outdated) illustrates the fact that of the 185,049 Active Enterprises (SMEs with less than 250 employees) there were 90,053 in the sector "Services". Of these, 82,608 Active Enterprises were classed as size "Micro" (with less than 10 employees).

Our survey profile mirrors the CSO Business Demography and the percentage of businesses in the Professional Services sector may explain the low percentage of respondents with no ability to take sales orders or process payments online.

Survey Demographics

In what industry/sector does your business operate and generate the majority of its revenue from?



Base: 501; All companies April 2016

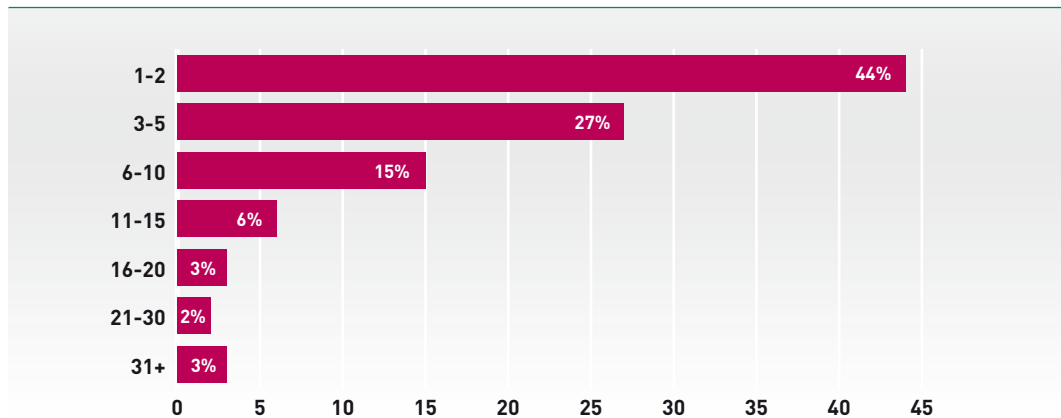
The extent to which company size is a factor in SMEs' decisions relating to e-commerce is worthy of further investigation and research.

⁷ Source: CSO Business Demography. Table 3.2, number of active enterprises and persons engaged by sector and size class, 2012.

One would expect that a digital asset such as an e-commerce-enabled website would allow a small enterprise to scale its sales disproportionately to its employee numbers.

Our research, however, indicates that SME business owners believe otherwise.

How many full-time employees are presently employed in your company?



Base: 501; All companies April 2016

Chapter summary

- ▶ Only a minority of SMEs have websites that are e-commerce enabled, and these numbers are generally in decline.
- ▶ SMEs with the ability to take sales orders on their website has dropped from 42% to 29%.
- ▶ SMEs with the ability to process payments on their website has dropped from 35% to 25%.
- ▶ SMEs with the ability to allow bookings and reservations on their website has increased from 27% to 32%.
- ▶ Although 61% of SMEs said that websites are important or very important for driving future sales growth, and 59% as a driver of generating sales, only 36% thought the same about using their website as a point of transaction to capture and process sales. 50% said this was either not important or not important at all.

Chapter four

The offliner conundrum

"The emperor has no clothes" – by their behaviours, micro business owners indicate they are unimpressed by the potential of e-commerce.

Our research, set out in section 2.1, indicates that 1 in 6 Irish SMEs, or 17%, still have no digital assets, effectively no digital presence whatsoever. This means that they do not have a website, an app or a social media account. While this figure has dropped from 1 in 4 (25%) in September 2015, it is still surprisingly high. When examining this in the context of the Irish consumers' behaviour shown in Chapter 6 it becomes alarming.

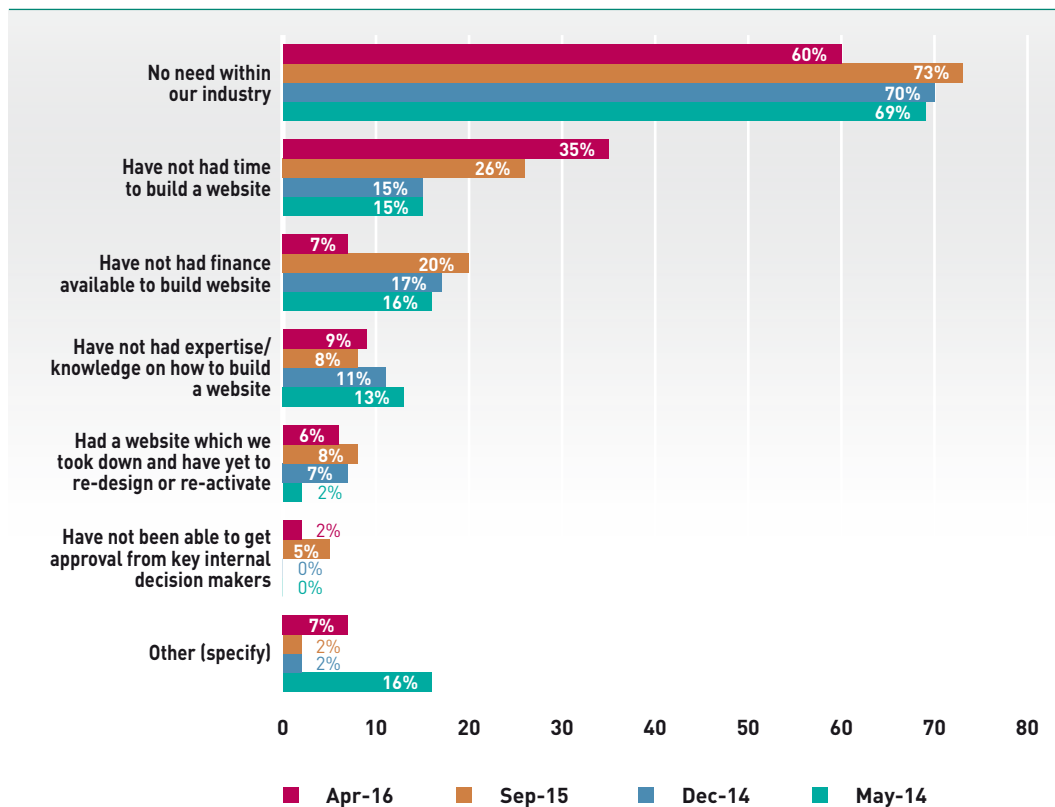
4.1 Rationale for SMEs not having a website

The three main reasons for not having a website are cited as:

- ▶ "no need within our industry" (60%)
- ▶ "not enough time" (35%)
- ▶ "lack of know-how" (9%).

The primary reasons why SMEs do not have active websites

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



Base: 141; All companies without a website

Since September 2015, the percentage of SMEs who believe that there is “no need within our industry” has fallen by 13 percentage points (from 73% to 60%) – we discuss this further in section 4.4. Those citing a lack of time as a reason for not having a website has increased by 9 percentage points (from 26% to 35%), which may be attributable to a general improvement in the Irish economy.

Interestingly, and perhaps a further sign of economic recovery, a lack of finance being cited as a barrier to having a website has fallen from 20% in September 2015 to just 7% in April 2016. If budgets have become less of a barrier then perhaps SMEs could afford to outsource their website development to free up their own time?

Whatever the reasons, the fact remains that 1 in 6 SMEs are still without a website. This ought to be a major issue of concern for policy makers interested in developing Ireland’s e-commerce marketplace.

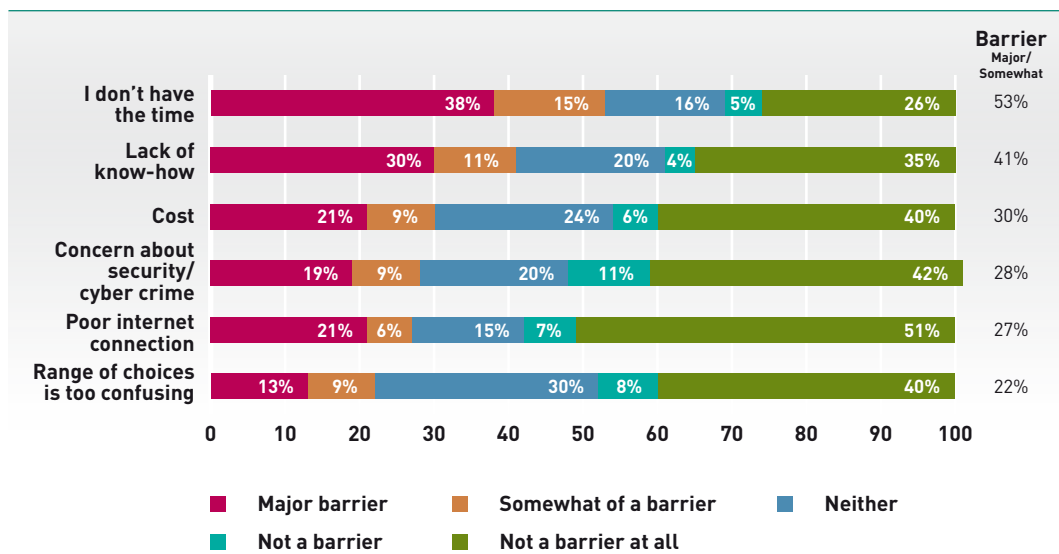
There also remains evidence of a “herd” mentality among a cohort of Irish SMEs, who view the absence of a website among their competitors as a valid reason not to have one themselves. Policy makers would no doubt challenge them to strive to steal a march on competitors and gain first-mover advantage over their competitors by building a website.

4.2 Barriers preventing businesses going online

When we look in detail at the perceived barriers to going online for SMEs currently without a website, 53% say that not having enough time is a barrier to developing an online presence. 41% cite a “lack of know-how” and 30% state that cost is a barrier. 28% have concerns about “security or cybercrime”, and 22% find the ranges of choices are “too confusing”.

The main barriers that prevent SMEs getting online

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: 141; All companies without a website

Significantly, 27% of SMEs say that a poor internet connection is still a barrier to going online. Given that the commencement of the Government’s €275 million National Broadband Plan was recently delayed by a year to 2017, this barrier is likely to remain for the foreseeable future. When announcing the delay, it came with the caveat that it could be 2022 by the time all homes in Ireland have high-speed broadband. While access to broadband may not be a magic pill that would immediately cure all of the digital challenges of Irish SMEs, it needs to be removed as a barrier to going online. This would narrow the perceived digital divide in terms of connectivity and accessibility throughout all regions of the country.

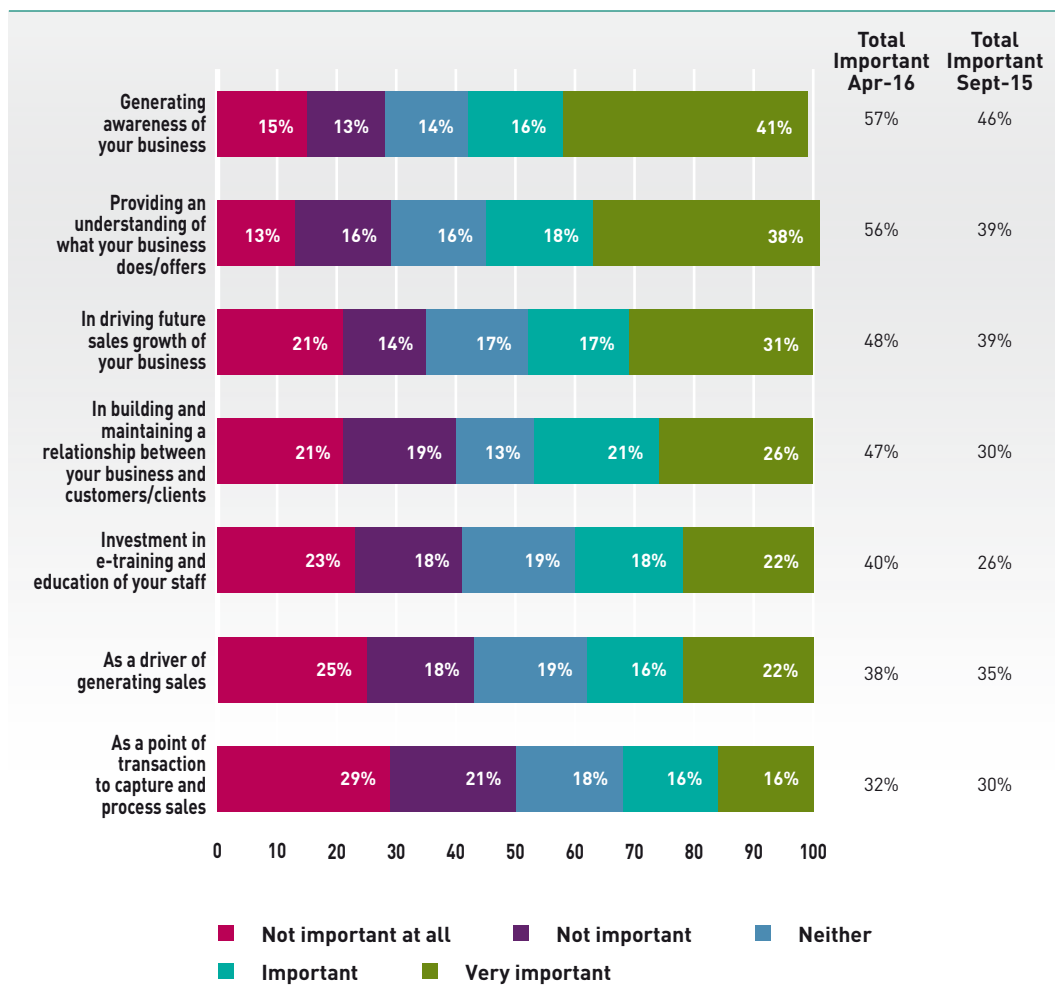
4.3 Is awareness an issue for offliners?

Despite the majority of SMEs without a website saying that their industry does not require one, the latest dot ie Digital Health Index suggests that there is an increasing appreciation of the importance of an online presence for SMEs.

This is a finding of major importance for policymakers, for whom a significant effort is (still) expended on encouraging SMEs to go online. Our research clearly indicates that SMEs appreciate the importance of having a website. This means that there are other significant barriers to going online. Policymakers may have to adjust their messaging and policy responses to address these barriers.

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: 141; All companies without a website

57% of offliner SMEs believe that a website is important for generating awareness of their business, up 11 percentage points from September 2015.

Equally, 56% of offliner SMEs believe that a website is important in providing an understanding of what a business does or offers (up from 39% in September 2015), while a further 47% (up from 30% in September 2015) acknowledge the importance of a website in building and maintaining customer relationships.

However, if SMEs can see the benefits of having a website, why are they still not using a website for their business?

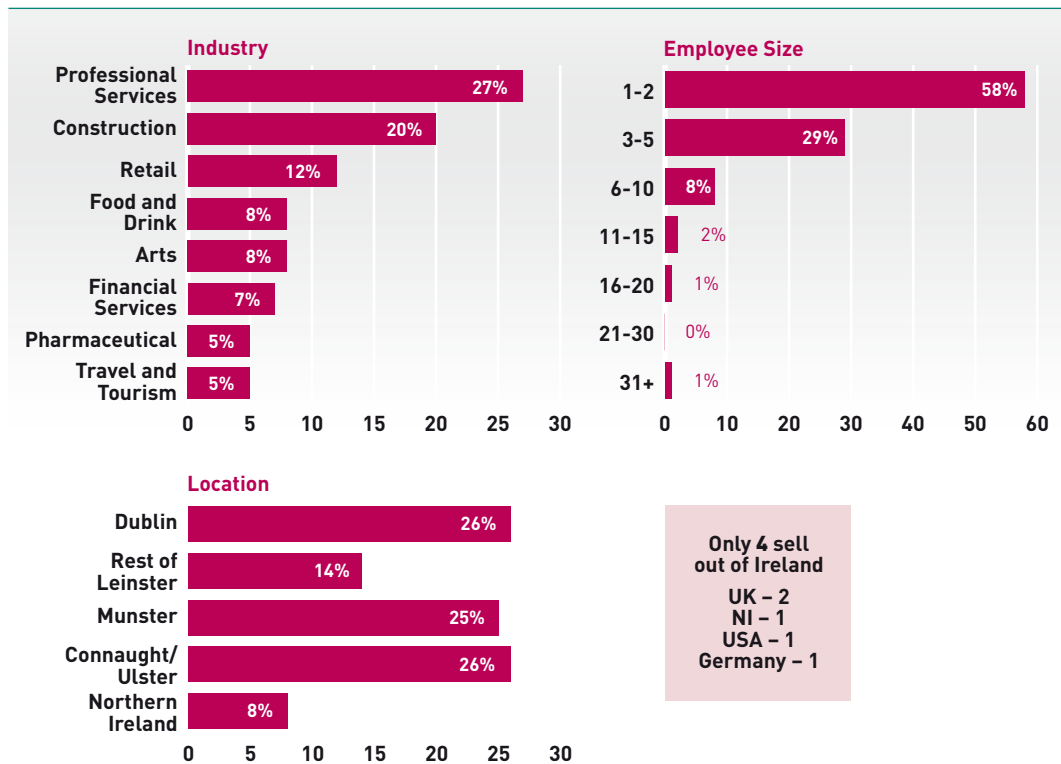
Disappointingly, only 38% of SMEs see websites as important in driving sales, which suggests that Irish SMEs are yet to embrace, or tap into, the lucrative e-commerce market that is on offer to them.

4.4 “No need within my industry” – really?

Industry insiders will no doubt be amazed that 60% of companies without a website (73% at September 2015) believe that there is “no need within our industry.”

Our research provides additional information on the industry sector and company size of these respondents. The majority are 1-2 employees (58%) and over a quarter are operating in the Professional Services sector (27%).

Profile of SMEs who state their reason for not having a website is “no need within our industry”



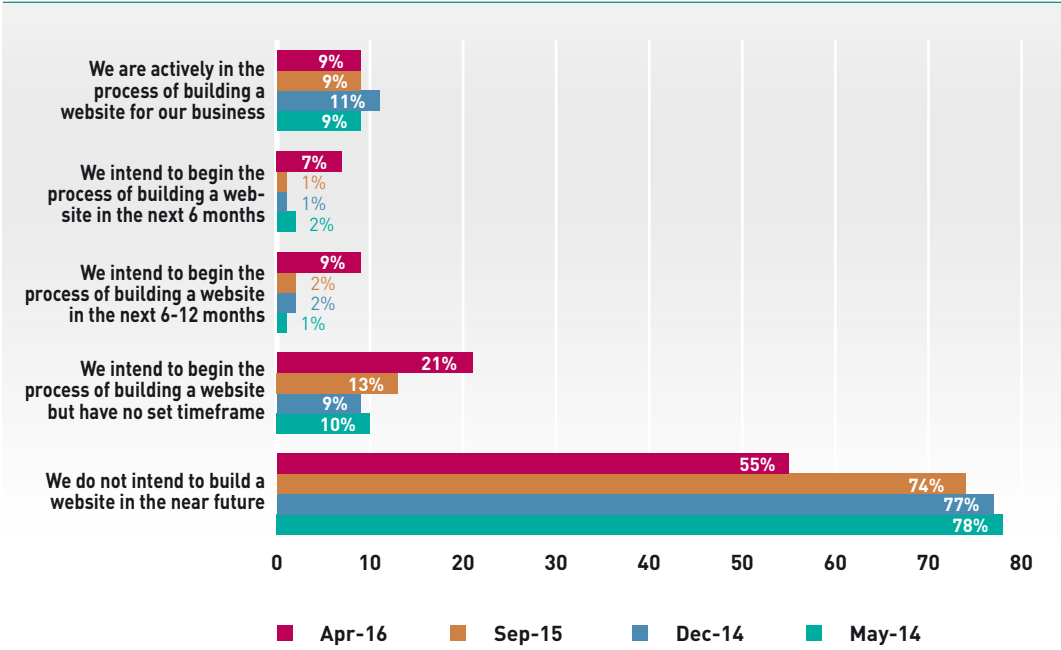
Base 84: All companies that mention there is no need within their industry for a website

4.5 “No time” – if not now, then when?

25% of those SMEs who are currently without a website intend to build one within the next 12 months. This implies that 1 in 4 SMEs who are not online recognise that they need to be. However, worryingly, there is still a large cohort of SMEs, 55%, who say that they do not intend to build a website in the near future.

Analysis of SMEs attitude and/or intention to having a website

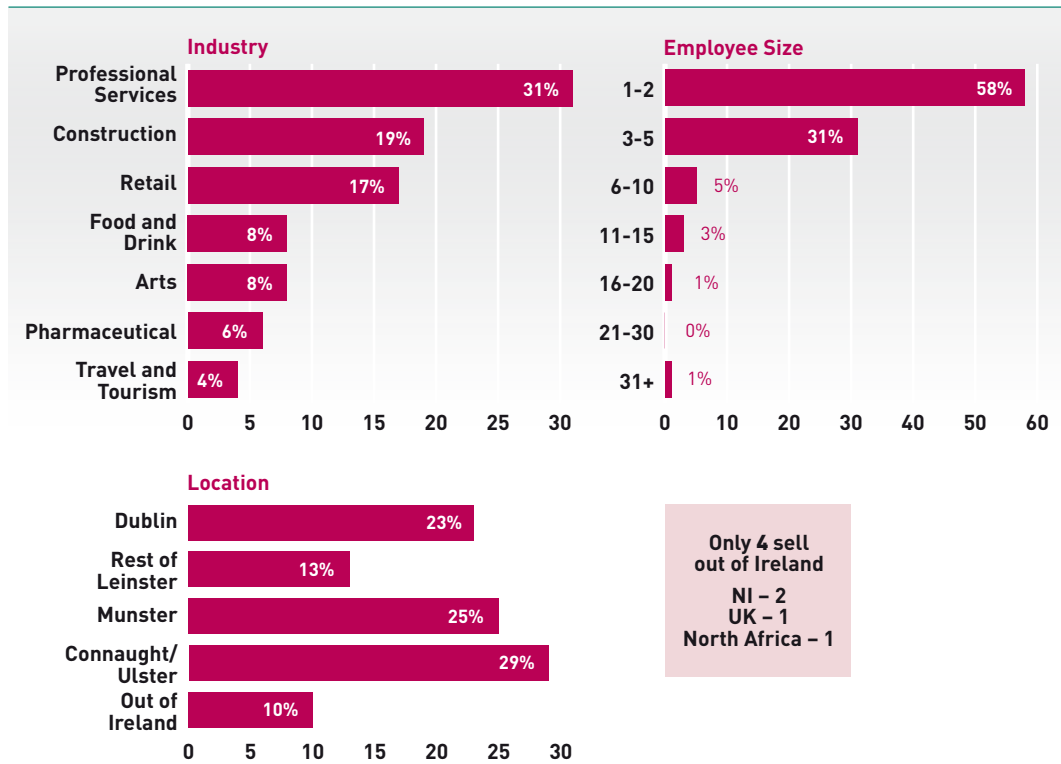
Which of the following best describes your business' current attitude/intentions towards having a website?



Base: 141; All companies without a website

Our research provides additional information on the industry sector and company size of these respondents.

Profile of SMEs who say they have “no intention of building a website”



Base 77: All companies with no intention to build a website

Encouragingly, we can see that the figure for those who have no intention of building a website has fallen by 26% from 74% to 55% from our last research wave (September 2015). Despite this, more than half of Irish SMEs without a website are not planning to build one. As a consequence, they run the risk of losing out on online business and revenue.

Chapter summary

Findings April 2016

- ▶ 1 in 6 Irish SMEs, or 17%, still have no digital assets, therefore no digital presence.
- ▶ More than half of offline SMEs, or 55%, still do not intend on building a website in the near future.
- ▶ The biggest barriers for SMEs getting online are lack of time (53%), lack of know-how (41%), cost (30%) and cyber security concerns (28%). Poor internet connection remains a barrier for more than 1 in 4 Irish SMEs, or 27%.
- ▶ More than half of SMEs without a website, or 57%, believe that having a website is “important in generating awareness of your business”.
- ▶ Over one third of SMEs without a website, or 38%, see having a website as being important as a driver of generating their sales.

Trends

- ▶ The proportion of SMEs with no digital assets, the offliners, has dropped from 1 in 4, or 25%, in September 2015 to 17% in April 2016.
- ▶ The primary reason given for not having a website has not changed from previous research waves. It remains, “no need within our industry.”

Outlook

The outlook has improved somewhat among this cohort of SME Offliners:

- ▶ One-quarter of SMEs, or 25%, say that they intend on building a website in the next 12 months (vs 12% in September 2015).
- ▶ A further 21% of SMEs stated that they intend to build a website but have no set timeline (vs 13% in September 2015).

Chapter five

Keeping up with the digital Joneses

The majority of SMEs see themselves as stronger than their competitors in terms of: website (70%), Twitter (68%), LinkedIn (67%), online analytics (66%) and Facebook (63%) but weaker in terms of web sales ability (56%).

There is still evidence of a “herd” mentality among some Irish SMEs, in terms of not keeping up with the digital Joneses. The latest dot ie Digital Health Index shows an improved sense of confidence in terms of the proportion of SMEs who believe that they rank favourably when comparing their business’ digital assets with their direct competitors. Yet we have illustrated in Chapter 3 that the quality of SMEs’ websites, measured in terms of nine metrics of functionality, indicate very low levels of e-commerce capability along with low levels of video content and mobile responsive websites. SMEs appear to be comfortable with just basic website functionality.

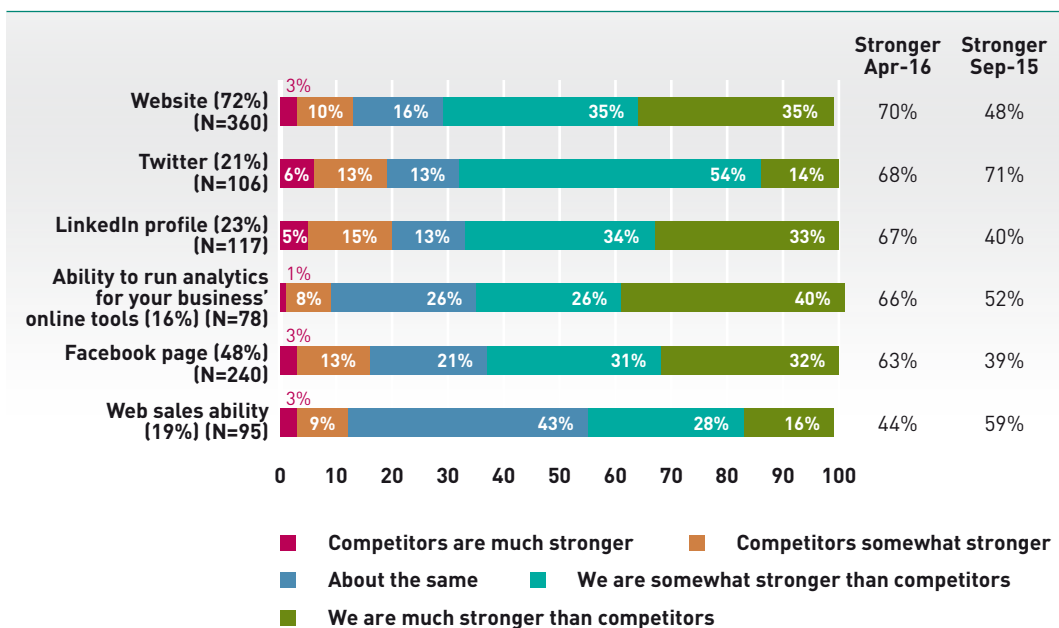
Where previous research indicated that the majority of SMEs see themselves as better than or equal to their competitors when it comes to their digital assets, this figure has grown considerably in April 2016. Today, 70% of SMEs believe that their website is stronger than their competitors, compared to just 48% in September 2015.

Similarly, 63% of SMEs believe that their Facebook page is stronger than their competitors, compared to 39% in September 2015. Overall, the majority of SMEs see themselves as stronger in terms of website (70%), Twitter (68%), LinkedIn (67%), online analytics (66%) and Facebook (63%). However, they are less positive in terms of their e-commerce capabilities with 43% believing that they are at the same level as their competitors in this space and only 44% viewing themselves as being stronger than their competitors’ performance.

5.1 Competitor analysis

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

5.2 Competitor perceptions

The latest dot ie Digital Health Index suggests that SMEs are still uncertain of how active their competitors are on social and digital media. Indeed, where SMEs overestimated their competitors' activity in the last research wave (September 2015), in this latest Index, SMEs have underestimated how active their competitors are.

Despite the fact that the number of SMEs with websites has grown – almost three-quarters of SMEs, or 72%, now have a website – only 57% of SMEs on average believe that their competitors have a website. This is a drop of 17% from 69% of SMEs in September 2015.

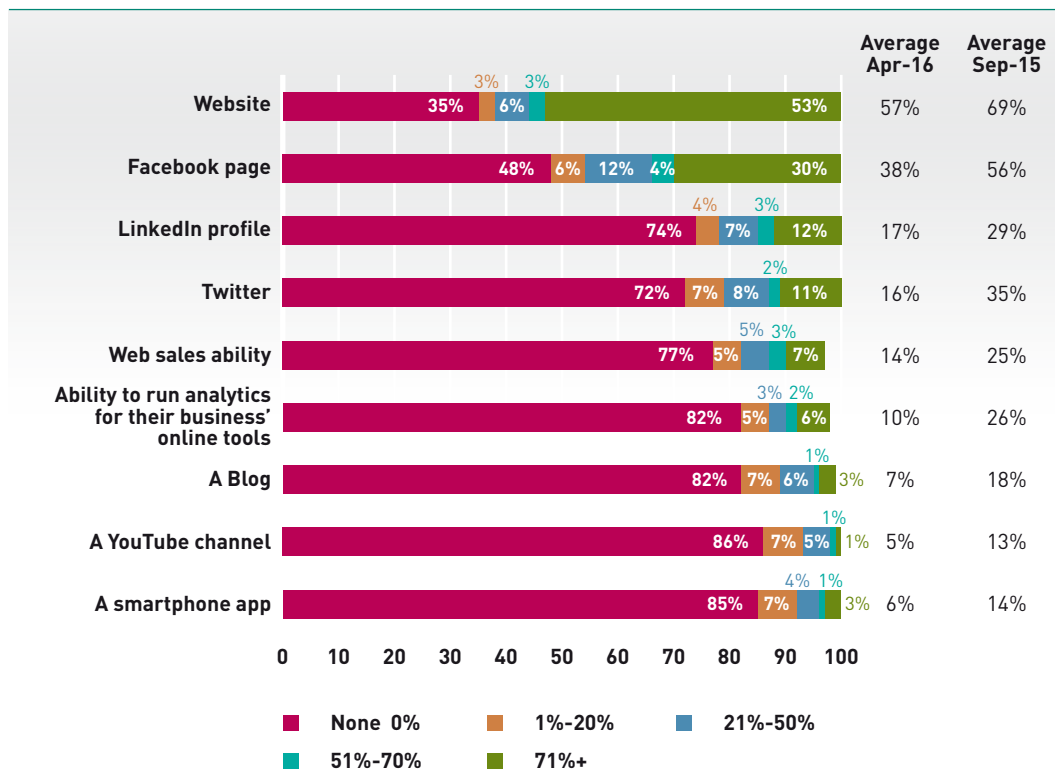
Interestingly, 35% of respondents said that their competitors do not have a website. This is likely to be accurate as SMEs will have a higher awareness of their direct competitors.

Moreover, while SMEs correctly estimated that the next most popular digital assets after a website are Facebook, Twitter and LinkedIn, SMEs have again underestimated how active their competitors are on these channels:

- ▶ SMEs believe that only 38% of their competitors have a Facebook page, when the reality is that almost half, or 48%, of SMEs do
- ▶ More than 1 in 5 SMEs, or 23%, now have a LinkedIn page, yet SMEs estimate that only 17% of their competitors do
- ▶ SMEs also underestimated how active their competitors are on Twitter believing that only 16% of SMEs are on this platform, compared to the actual figure of 21%.

SMEs' perceptions of direct competitors with digital assets

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



Base: 501; All participants

Survey respondents from the construction sector proved to be most accurate in assessing how many of their competitors had a given asset. They were correct in their assessments across all assets to a margin of 5%, even stating, to the exact percentage point, the percentage of their competitors who had; a LinkedIn page; web sales ability; the ability to run analytics; a blog and a smartphone app.

5.3 Competitor perceptions compared to actual results by sector

The percentage of digital assets actually owned per industry sector compared with the perceived levels of ownership amongst competitors in each sector

Sector	Professional Services		Retail		Construction		Arts		Pharma		Travel and Tourism	
	Sample Size (n=153)		(n=79)		(n=68)		(n=29)		(n=28)		(n=25)	
	Actually have	Estimate of Competitors	Actually have	Estimate of Competitors	Actually have	Estimate of Competitors	Actually have	Estimate of Competitors	Actually have	Estimate of Competitors	Actually have	Estimate of Competitors
Digital asset												
Website	75%	63%	73%	61%	62%	57%	66%	69%	79%	54%	76%	60%
Facebook	41%	33%	65%	46%	24%	29%	66%	66%	54%	46%	48%	47%
Twitter	21%	17%	20%	12%	13%	14%	41%	36%	14%	11%	28%	23%
LinkedIn	25%	20%	18%	11%	21%	21%	21%	15%	25%	18%	24%	19%
Web sales ability	16%	10%	22%	20%	9%	9%	21%	27%	14%	11%	28%	31%
A blog	8%	9%	6%	4%	4%	4%	10%	17%	7%	5%	4%	9%
Run analytics	15%	11%	15%	9%	9%	9%	14%	14%	14%	10%	20%	12%
YouTube	7%	5%	6%	6%	1%	4%	10%	4%	4%	4%	10%	3%
Smartphone app	7%	5%	1%	6%	4%	4%	3%	7%	11%	9%	4%	10%

Chapter summary

There is an improved sense of confidence among SMEs in terms of how they perceive the quality of their digital assets against their competitors. The majority of SMEs see themselves as better than or equal to their competitors.

- ▶ 70% of SMEs believe that their website is stronger than their competitors, compared to just 48% in September 2015
- ▶ 63% of SMEs believe that their Facebook page is stronger than their competitors, compared to 39% in September 2015
- ▶ Overall, SMEs are uncertain as to how active their competitors are on social and digital media, underestimating their activity in the main.

Chapter six

What Irish consumers say

After the last wave of research in September 2015 we wondered if offliner SMEs were right to remain offline. So we commissioned an additional research exercise⁸, asking 1,000 consumers about their behaviours and preferences.

There remains a large cohort of businesses that are still not online in any shape or form. This number is reducing gradually, but it stands at 1 in 6, and, worryingly, our research found that a significant number of these SMEs don't necessarily have any plans to get online in the future.

17% of SMEs sampled for our research remain without a digital presence. 55% of these offliners do not intend to build a website in the near future, with the majority of offliners, or 60%, saying that there is "no need within our industry". The main industries making up this former cohort were Professional Services (31%), Construction (19%) and Retail (17%).

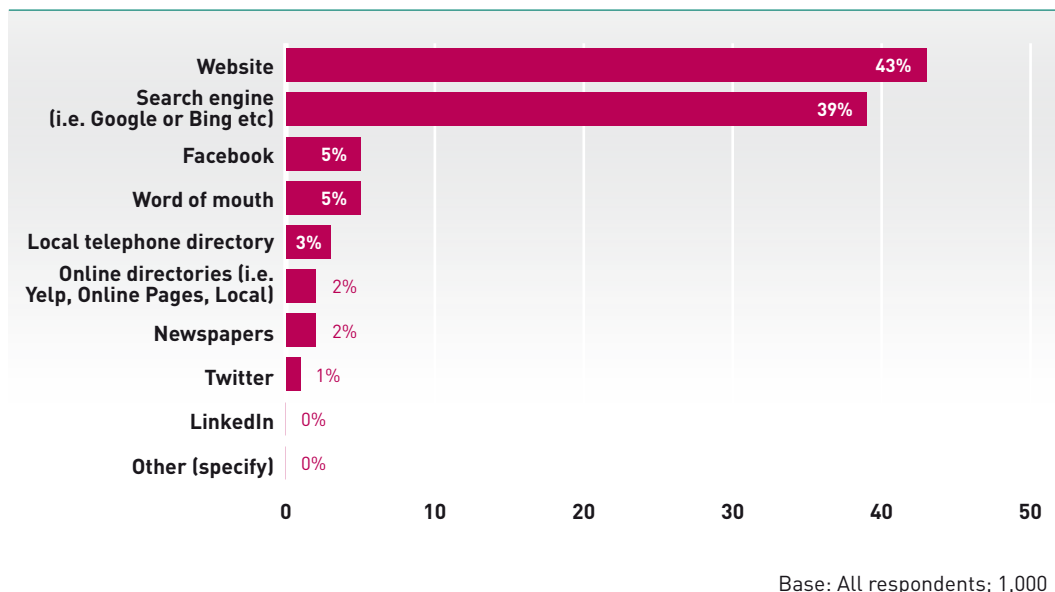
Anecdotally, a lack of time, skills and resources are often quoted as the barriers that prevent an SME from having a digital presence. While these are genuine challenges for SMEs, the online buying behaviours of customers suggests that SMEs need to find ways to overcome these barriers and get a sales presence online. If they don't, they risk missing out on potential business altogether.

Our consumer research⁸ for the dot ie Digital Health Index revealed that 90% of Irish adults go online when looking for information about a business, while a company's website is the first stop for more than 2 in 5 consumers, or 43%. If these are the habits of customers, then SMEs need to take these behavioural preferences into account.

6.1 Consumer online habits

Overview of where consumers seek out information about a business

When looking for information about a business, where is your first stop for information?



⁸ Consumer research was conducted on behalf of IEDR by Ignite Research as part of the Ignite Online Omnibus Survey – a nationally representative consumer research study involving a sample of 1,000 Irish adults.

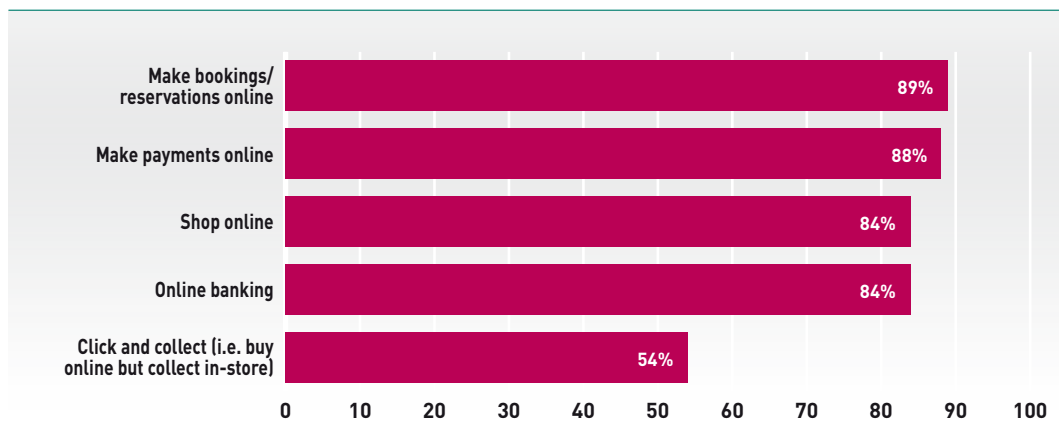
6.2 Online shopping behaviour and activity of consumers

Research also reveals that consumers are doing more business online, with e-purchases and transactions playing an increasingly important role in daily life:

- ▶ Almost 9 in 10 consumers, or 89%, make bookings or reservations online
- ▶ Almost 9 in 10 consumers, or 88%, make payments online
- ▶ More than 4 in 5 consumers, or 84%, shop online
- ▶ More than 4 in 5 consumers, or 84%, bank online
- ▶ More than half of consumers, or 54%, click and collect.

Overview of consumers' online activity

Do you do any of the following?



Base: All respondents; 1,000; 500 Males; 500 Females

6.3 Frequency of consumers' online activity

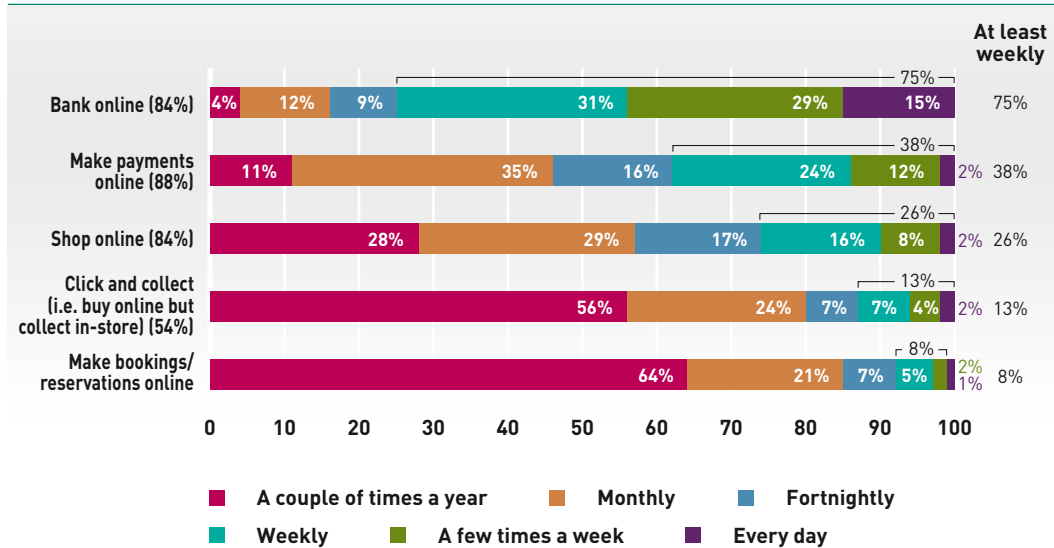
The frequency at which consumers are transacting online is also very significant:

- ▶ Three-quarters of consumers, or 75%, bank online at least weekly
- ▶ More than one third of consumers, or 38%, make payments online at least weekly
- ▶ More than one quarter of consumers, or 26%, shop online at least weekly
- ▶ More than 1 in 10 consumers, or 13%, click and collect at least weekly
- ▶ Almost 1 in 10 consumers, or 8%, make bookings or reservations online at least weekly.

This is not surprising, considering recent advertising campaigns for Irish banks, utility companies and even airlines which focus on driving their customers towards their online platforms and services. The key call-to-action is often to download their app, with the inference being that using their online services will make life easier for the consumer. There is a concerted effort to drive consumers online for purchases and transactions that need to be made regularly. Even products that are readily available in easily accessible locations are now being bought online with 1 in 4 of us now shopping online at least weekly. SMEs need to acknowledge this trend and cater to the needs of their customers, and target customers.

How frequently are consumers engaging in online activity?

How frequently do you?



Base: Respondents who use each service

6.4 So what does this mean for Irish SMEs?

The old saying of “the customer is always right” didn’t become an established phrase because it was incorrect. In the context of the dot ie Digital Health Index our SME research has shown that 17% of Irish SMEs are not online and do not have any plans to be in the future.

Our separate consumer research also indicates a total of 82% of consumers will either go straight to a business website (43%) or use an online search engine (39%) to seek out information on a business. Furthermore, Irish consumers are online regularly and happy to use it to complete transactions. Put simply, Irish SMEs are missing out on potential business by not being online in any capacity.

If the customer is always right, then the Irish SME owner needs to recognise that their customers are online, whether their business is or isn’t. If they choose to ignore this and remain offline they are missing out on potential additional business and revenue. In old world parlance, it’s like the SME has chosen to be “ex-directory” from the white pages’ telephone book!

Chapter summary

Consumers are increasingly spending more time online, which is reflected in their online behaviour and in how they interact with SMEs online:

- ▶ 90% of consumers go online when looking for information about a business
- ▶ 2 in 5 consumers, or 43%, go straight to the business’ website when looking for information
- ▶ Consumers are transacting more online – and more frequently – using the internet to make bookings or reservations (89%), make payments online (88%), shop online (84%), bank online (84%), and click and collect (54%).

Chapter seven

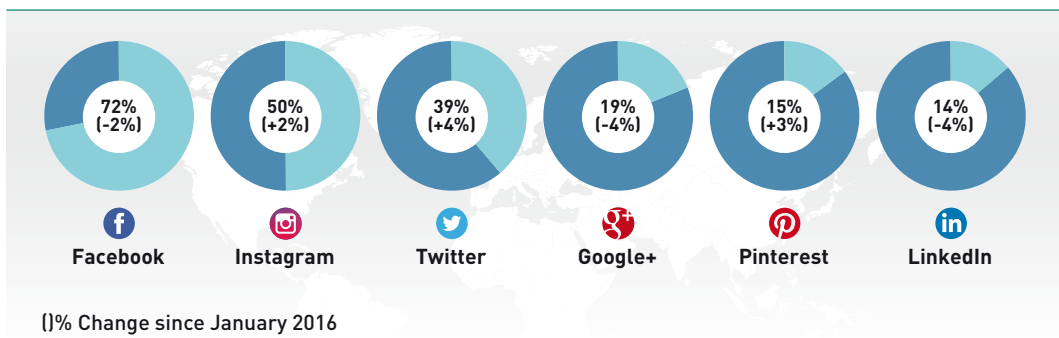
Use of social media by Irish SMEs

Social media has revolutionised the way Irish SMEs can engage with their customers online. 93% of SMEs that reported a positive impact from social media said it has led to an increased awareness of their business.

7.1 Irish society and consumers have embraced social media

According to the Ipsos MRBI Social Networking Tracker (April 2016)⁹, 64% of Irish people over the age of 15 have a Facebook account, of whom 72% log into their account daily. Around 30% of Irish people have Twitter accounts and 39% of these people access them daily. Interestingly, more people in Ireland have a Google+ account (27%) than have a LinkedIn account (25%) although this could be down to the fact that any new Gmail account that is created is automatically signed up for Google+.

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



Source: http://ipsosmrbi.com/wp-content/uploads/2016/05/SN_Apr16.pdf

Social messaging applications are also very popular with Irish people. According to the recent Ipsos MRBI Social Messaging Tracker¹⁰ of all adults over 15 years of age in Ireland:

- ▶ 51% have a Facebook Messenger account
- ▶ 49% have a WhatsApp account
- ▶ 44% have a Skype account
- ▶ 41% have a Viber account
- ▶ 27% have a Snapchat account.

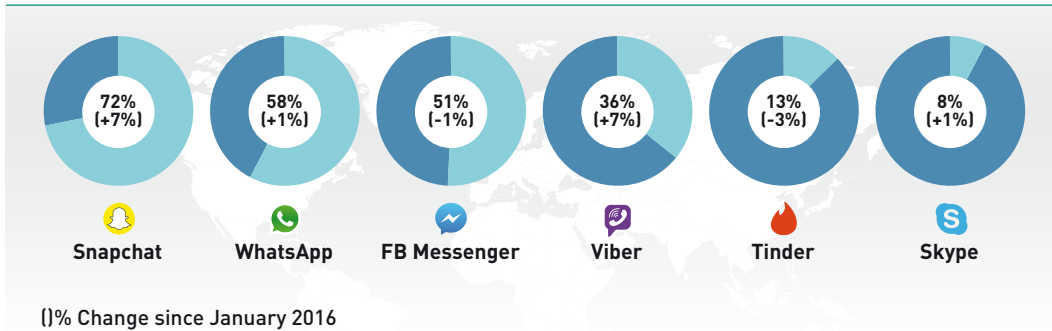
The daily usage numbers are also worth noting with 72% of Snapchat account holders using it daily, up 7% from the previous survey.

Also, 58% of WhatsApp and 51% of Facebook messenger account holders access them daily.

⁹ Source: http://ipsosmrbi.com/wp-content/uploads/2016/05/SN_Apr16.pdf

¹⁰ Source: http://ipsosmrbi.com/wp-content/uploads/2016/05/SM_Apr16.pdf

Daily Usage – Of those who have an account with the following Social Messaging platforms, what proportion use it daily



Source: http://ipsosmrbi.com/wp-content/uploads/2016/05/SM_Apr16.pdf

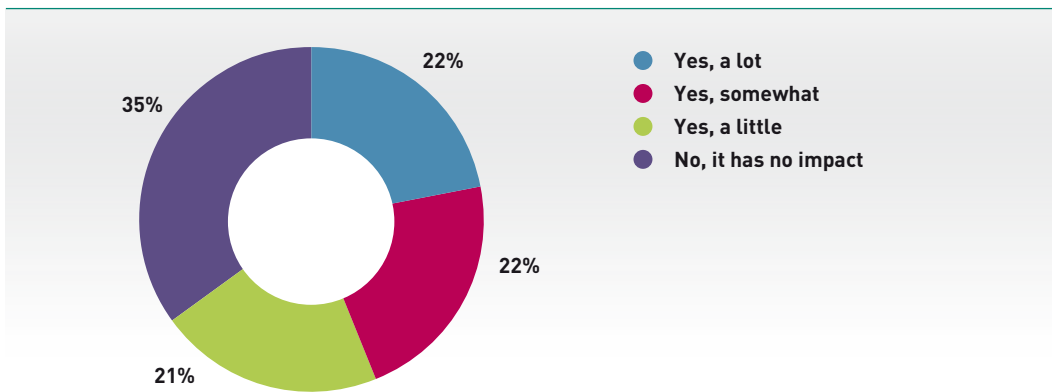
Social media and messaging services have been embraced and are being used by Irish people. Newsfeeds are prime virtual real estate, allowing SMEs to not only establish their brand in customers’ minds, but promote new products and services and nurture client relationships. Messaging apps can be used to provide customer service to people who use them regularly.

7.2 Social media and business growth

In IEDR’s recent research for the dot ie Digital Health Index, 65% of SME respondents said that social media has contributed to the growth of their business, either a lot, somewhat, or a little. 35% said it has had no impact.

Perceived value of social media to business growth

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



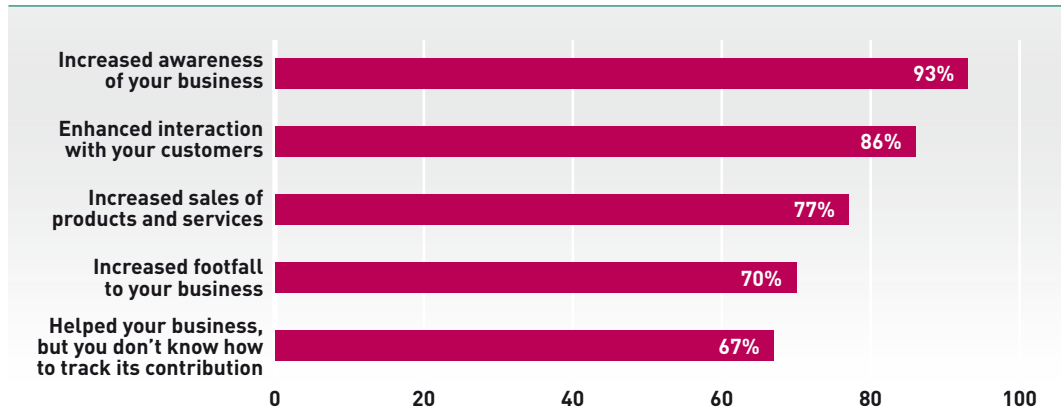
Base: 279; All companies that use Social Media [April 2016]

7.3 Social media and business benefits

93% of SMEs that reported a positive impact from social media said it has led to an increased awareness of their business, 77% reported increased sales of products and services and 70% experienced increased footfall to their business.

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

Has social media...



Base: 182; All companies that believe social media has had an impact on their business [April 2016]

However, 67% stated that while they thought social media had helped their business, they had no idea how to track its contribution. All social media channels provide detailed analytics, which, when combined with website analytic software systems, allow SMEs to accurately track how their social media activities are driving traffic to their websites. Given that only 16% of SMEs stated that they have the ability to run analytics for their business, we can see that SMEs have a lot of work to do to improve their ability to measure and track their digital assets beyond their impressions, thoughts and gut feelings.

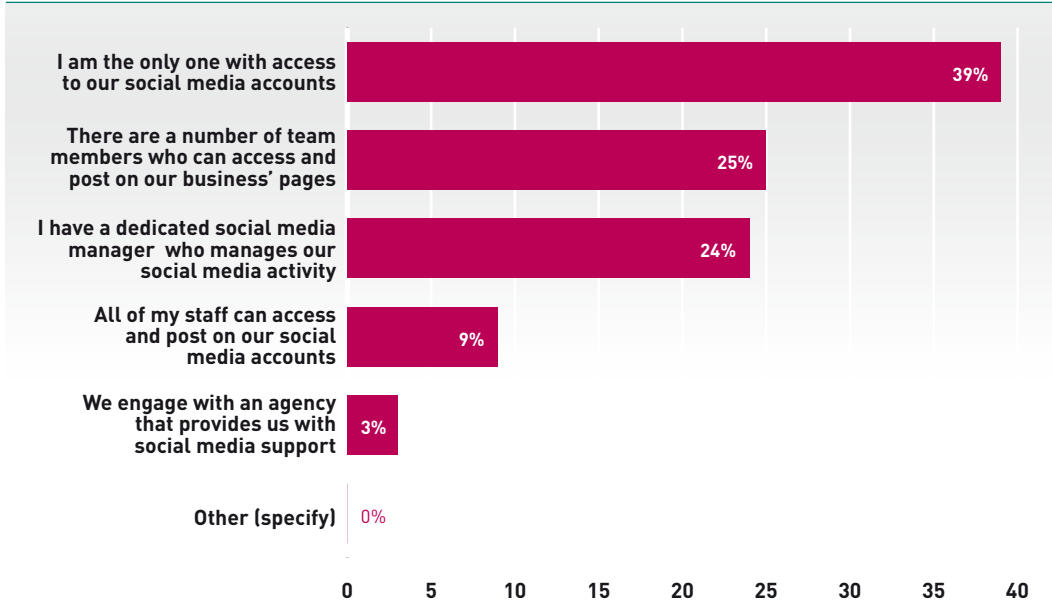
7.4 Social media management

Every SME that participated in the survey reported managing their own social media accounts, with access to them either restricted to the business owner or freely given to multiple, or all, employees. No respondents reported using an external agency to help with their social media management.

Only 24% said they have a dedicated social media manager to administer their social media accounts.

Breakdown of SME social media management roles

Who posts or interacts on behalf of your business' social media page(s)?



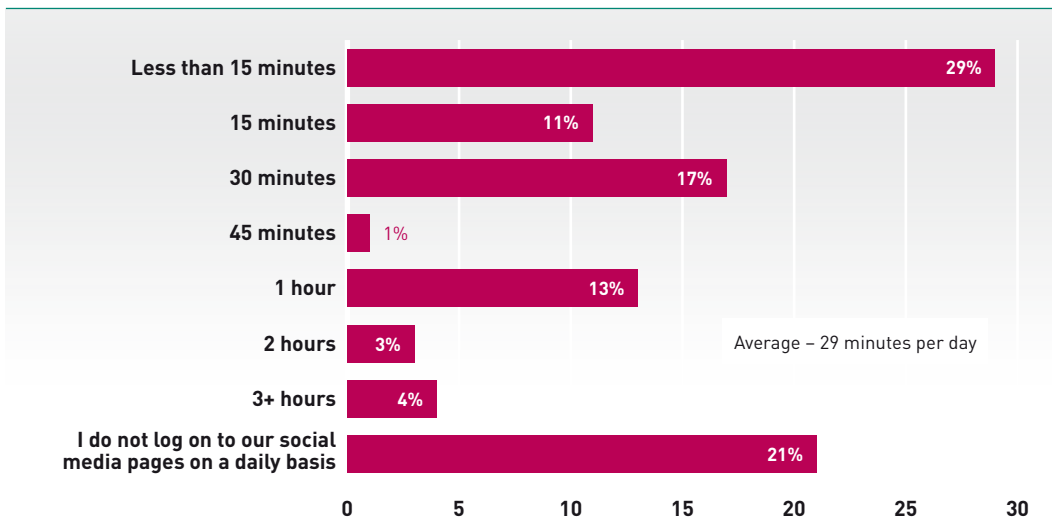
Base: 279; All companies that use Social Media [April 2016]

7.5 Social media time spend of SMEs

Among those with a social media account, the average SME spends 29 minutes each day on their business' social media pages. 29% spend less than 15 minutes a day, while 21% said that they do not log on to their social media pages on a daily basis.

Breakdown of how much time businesses spend on their social media pages per day

On average, how much time do you spend on your business' social media page(s) per day?



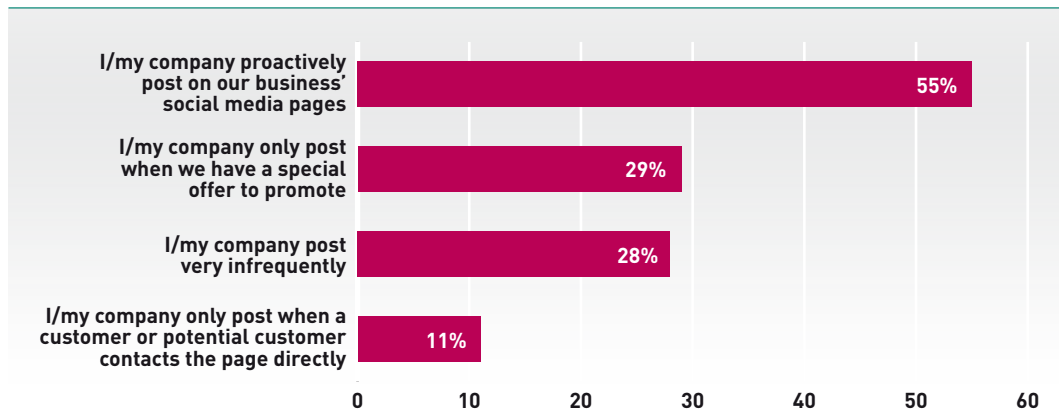
Base: 279; All companies that use Social Media [April 2016]

7.6 Social media usage – proactive or reactive usage?

55% said that they proactively post on their business’ social media pages, while 29% said they only post when they have a special offer to promote. 28% post very infrequently, while 11% only post when a customer or potential customer contacts the page directly.

Breakdown of how often and under what conditions SMEs post to social media

Which of the following statements apply most to your company’s social media behaviour?



Base: 279; All companies that use Social Media [April 2016]

Chapter summary

- ▶ The average SME spends 29 minutes each day on their social media pages.
- ▶ 29% spend less than 15 minutes a day, while 21% said that they do not log on to their social media pages on a daily basis.
- ▶ 55% said they proactively post on their business’ social media pages, while 29% said they only post when they have a special offer to promote.
- ▶ 93% of SMEs that reported a positive impact from social media said it has increased an awareness of their business.
- ▶ 77% of SMEs reported increased sales of products and services; and 70% reported increased footfall to their business.
- ▶ 65% said that social media has contributed to the growth of their business, either a lot, somewhat or a little; 35% said it has had no impact.
- ▶ Only 24% said they have a dedicated social media manager to administer their social media accounts.

Chapter eight

SME attitudes to online advertising and digital marketing

Irish people spend large amounts of time online both at work and at home. The amount spent on digital advertising in the Irish market is increasing to target these consumers, however our research found that the majority of SMEs are spending the same amount on digital advertising as before but slightly favouring it over traditional methods in terms of their total advertising mix.

The average Irish adult spends as many as 13 hours a day online, at work and at home¹¹. There are 2.3 million smartphone users in Ireland while 1.7 million Irish people have access to a tablet¹². Indeed, the number of Irish people who use only one screen (a computer, smartphone or tablet) has fallen from 43% in 2012 to just 18% in 2015, while the percentage of Irish people using three screens has risen from 6% to 37% in the same timeframe¹³. With so much attention now being focused on a phone or computer screen, businesses are channelling their advertising spend into online platforms and advertising networks to promote their products and brands. In 2015, €340 million was spent in the Irish digital advertising market by all companies and businesses¹⁴. This figure was up 29% from 2014 with mobile dedicated advertising representing 41% of the total spend.

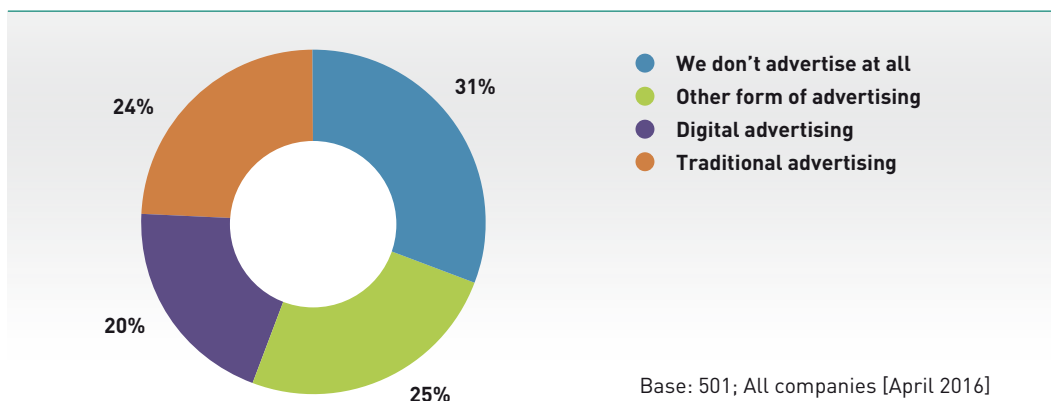
Research conducted for the dot ie Digital Health Index looked specifically at Irish SMEs and found that this trend is not only taking hold, but beginning to accelerate in this market also.

8.1 Executing online advertising

For SME respondents, digital advertising as a percentage of total advertising spend has increased by 4 percentage points from September 2015, rising from 16% to 20%. Traditional advertising spend has decreased from 26% to 24% during the same time frame. This indicates a steady transition from print advertising to online methods.

Breakdown of SME advertising budget spend by medium

When it comes to advertising for your business, what percentage of your advertising budget do you spend on each of the following advertising modes?



¹¹ Source: Switcher.ie, 'How Ireland Spends Its Time Online', Coyne Research, February 2015.

¹² Source: eir Connected Living Survey 2015.

¹³ Source: Google Consumer Barometer 2015.

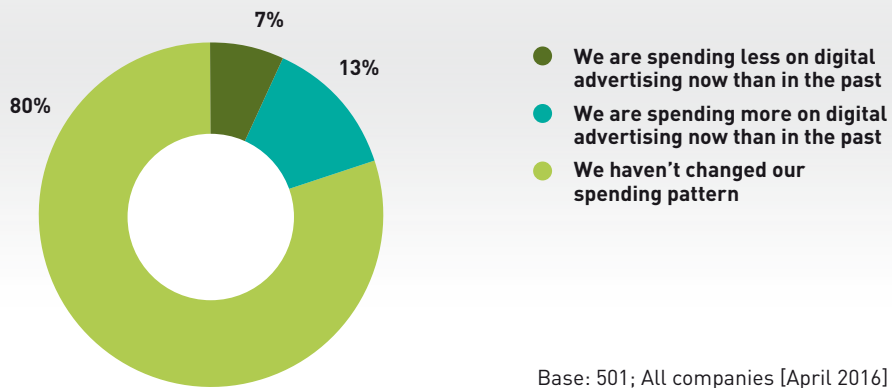
¹⁴ Source: 2015 IAB PwC Online Adspend Study.

8.2 Digital advertising budget change

While more SMEs are moving towards digital advertising, 80% are allocating the same budget to it as they were last year. Just 13% have increased their spend. Given that the value of the overall online advertising market increased by 29% in 2015, this would indicate that large companies are the driving force behind this growth, rather than SMEs.

SME digital advertising spend compared to 12 months ago

Which of the following statements apply to your business?



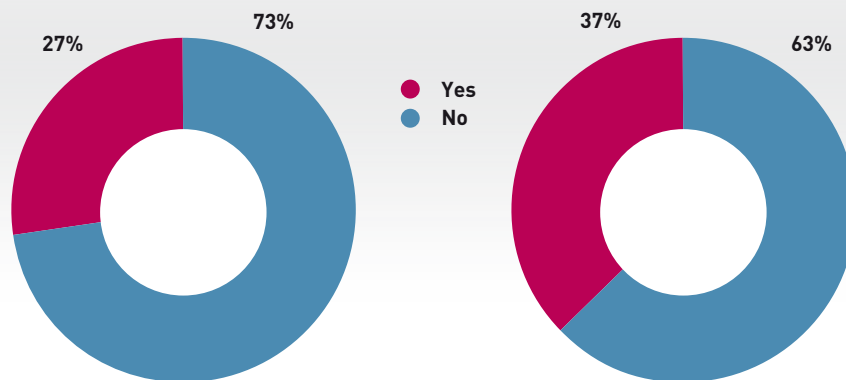
8.3 Digital asset management

Only 27% of Irish SMEs have a dedicated resource to manage their digital assets, while 37% have someone in their company whose duty is to market and promote the company online.

SMEs with dedicated digital resource management

Do you have a dedicated resource to manage your digital assets?

Is there anyone in your company whose role is to market/promote your company online?



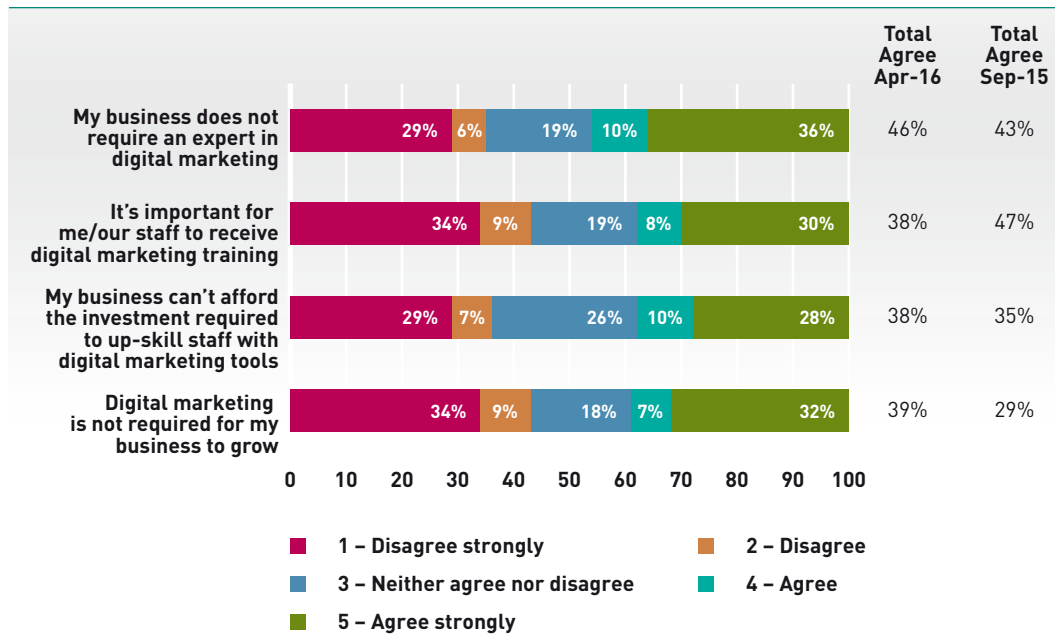
8.4 SME attitudes to online advertising

Attitudes towards digital marketing are split almost equally between those SMEs with positive and negative attitudes.

39% said that digital marketing is not required for their business to grow, while 43% disagreed. Nearly half (46%) said that their business does not need an expert in digital marketing, and 43% said that it is not important for their staff to receive digital marketing training.

Breakdown of SME opinion on digital marketing and its importance to business

Using a five point scale, please tell us how much you agree or disagree with each of the following statements?



Base: 501; All companies [April 2016]

Chapter summary

- ▶ Digital advertising as a percentage of total advertising spend has increased from September 2015, rising from 16% to 20%.
- ▶ Traditional advertising spend has decreased from 26% to 24%, indicating a steady transition from print to online.
- ▶ Only 27% of Irish SMEs have a dedicated resource to manage their digital assets, while 37% have someone in their company whose duty is to market and promote the company online.
- ▶ 39% of SMEs said that digital marketing is not required for their business to grow, while 43% disagreed.
- ▶ 46% of SMEs said that their business does not need an expert in digital marketing.
- ▶ 43% of SMEs said that it is not important for their staff to receive digital marketing training.

Chapter nine

Recommendations

This dot ie Digital Health Index has shown that a positive change is beginning to take root among Irish SMEs in their awareness and appreciation of online engagement with consumers.

In particular, the numbers of SMEs without an online presence has fallen from 1 in 4 SMEs, or 25%, to 1 in 6, or 17%, in this latest research wave.

Significantly, the largest growth in digital assets is in the number of SMEs with a website (up to 72% from 65%). Equally, the number of SMEs that can process sales and run analytics on their business has increased by 11 percentage points – from 8% to 19%; and 5% to 16%, respectively.

These increases reflect a recovering economy. Access to finance and stronger consumer spending may be encouraging SMEs to invest in more sophisticated website functionality.

While there has been some progress, we should not lose sight of the fact that significant challenges still need to be overcome. These include a lack of know-how among SMEs of how best to productively engage online; a failure to appreciate the need to continue to update websites and online content; and a lack of knowledge on how to use digital media to promote their business, like digital marketing or online advertising.

Our research clearly shows that Irish consumers, particularly in their use of online media and online shopping, are often far ahead of Irish SMEs. The failure of SMEs to keep pace with consumer trends and behaviours risks Irish consumers looking elsewhere. The loss of business and customer loyalty could become permanent and irreversible.

To ensure that no Irish SME is left behind by the digital revolution and to avoid the digital divide, a number of key reforms must happen. These are detailed below.

Increase awareness of the importance of e-commerce capabilities for SMEs: Implement a national awareness campaign targeting Irish SMEs with less than 5 employees that highlights the benefits of trading online for Irish businesses, addressing issues such as increasing the potential to take sales orders, to accept reservations and bookings on the business' website. In essence, promoting the potential of a 24-7 online salesman.

Resource relevant State agencies: Ensure that Local Enterprise Offices (LEOs) have the manpower and resources to reach out to "analogue" offline SMEs and help them to set up and grow their businesses online. In particular, LEOs should focus on older and more established SMEs who may not be as tech savvy as younger start-ups.

A fast, reliable and secure internet connection for all SMEs must be a prerequisite: Our research shows that of those without a website, 27% cite the absence of a good internet connection as a barrier to getting online.

Increase online supports to SMEs: Increase state funding for the Department of Communications' Online Trading Voucher Scheme which provides financial grants to small businesses to invest in their online sale capacity.

Peer-to-peer online mentoring for SMEs: Develop and implement a Department of Enterprise-sponsored mentoring programme for Irish SMEs that facilitates mentoring and knowledge sharing led by successful online Irish and multinational tech companies.

Chapter ten

Survey methodology

The dot ie Digital Health Index was conducted on behalf of IE Domain Registry (IEDR) by Ignite Research among 2,000 Irish SMEs across four waves of research, with 500 respondents in each wave. These waves of fieldwork were carried out in May 2014, December 2014, September 2015 and April 2016.

Of those surveyed, 86% were micro-businesses of less than 10 employees. This is in line with CSO national enterprise profiles, where SMEs account for 99.7% of the total enterprise population and 91% are micro-businesses¹⁵.

10.0 SME survey sample set up

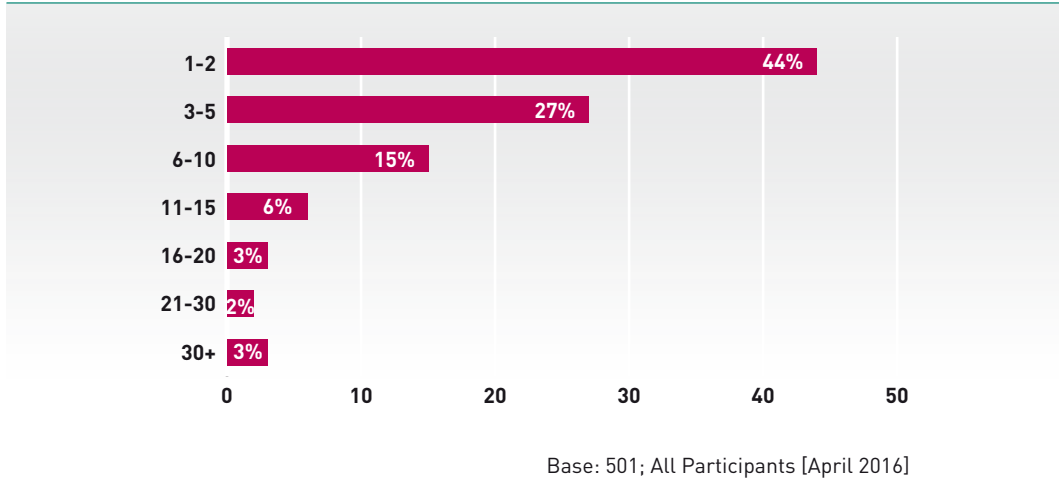
Breakdown of overall sample by employee size

Number of Employees		Number of Employees		No. of SMEs Sample Size (%)	
1-10 Employees	86% of Sample	1-2 Employees		221	(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		Total 501	(100%)

¹⁵ Source: CSO Business Demography. Table 3.2, number of active enterprises and persons engaged by sector and size class, 2012.

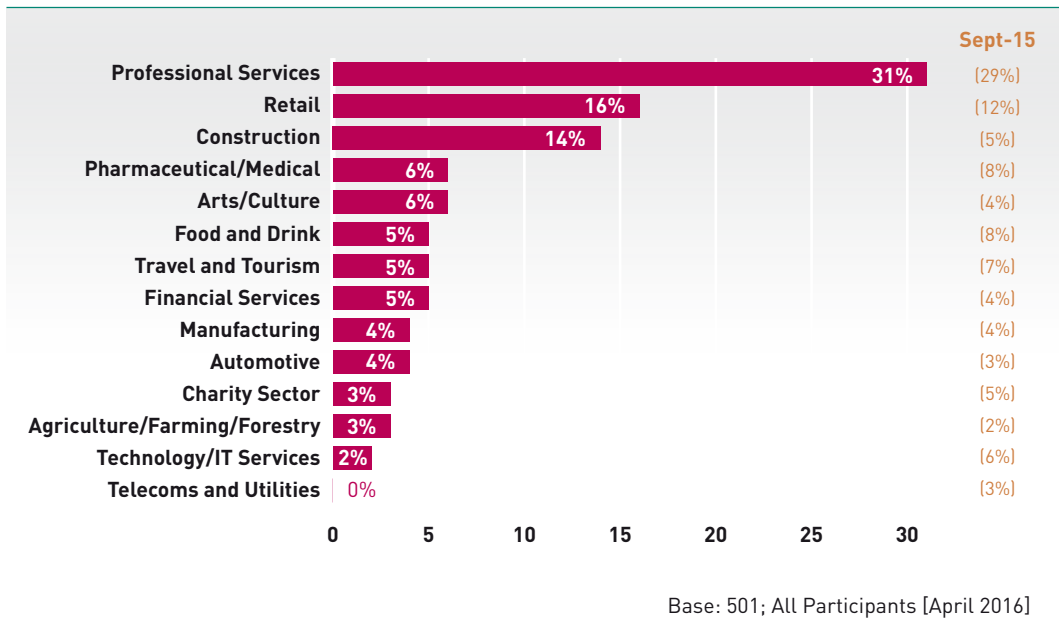
10.1 Demographics by company size

Number of full-time employees presently employed by SME sample



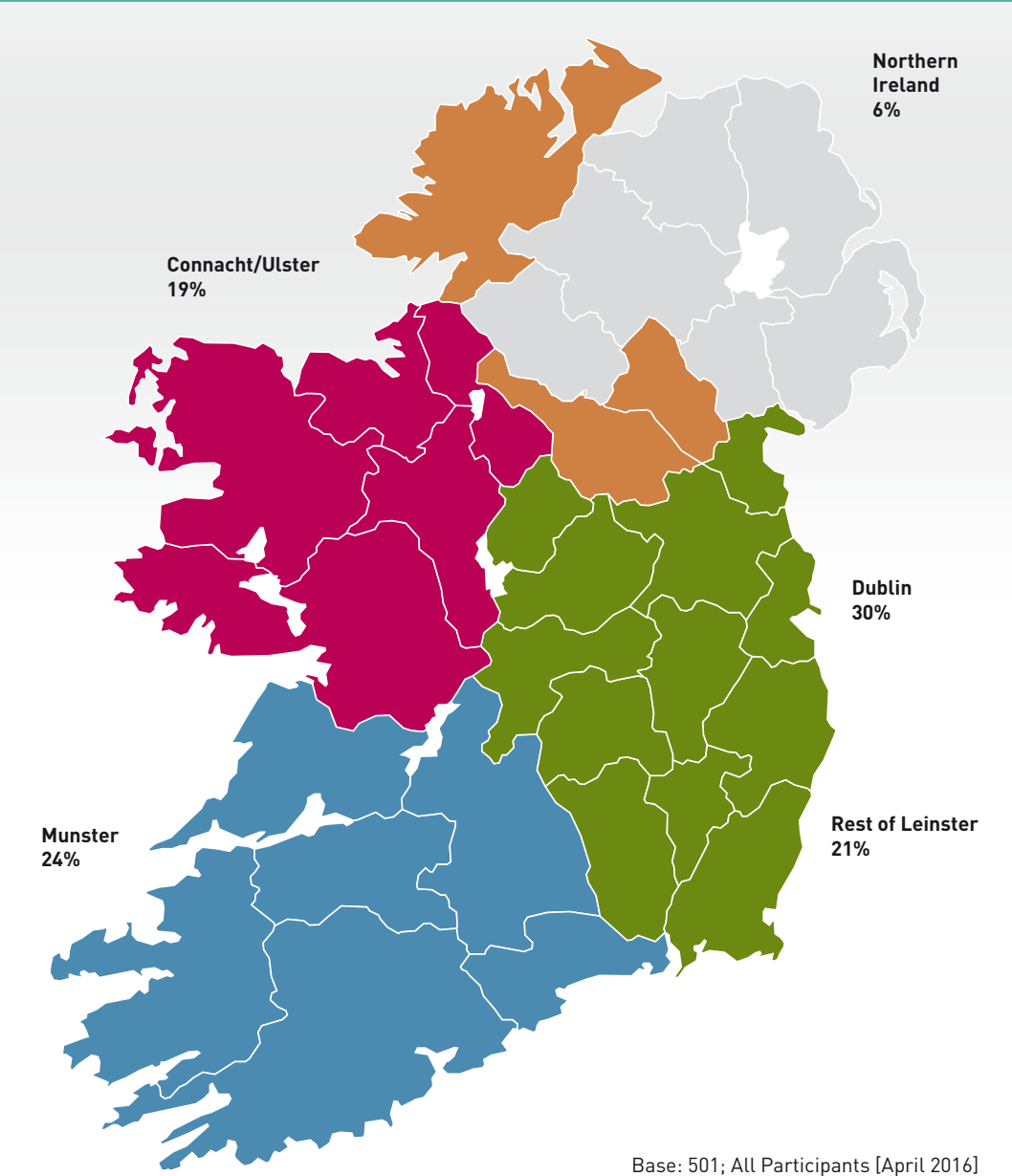
10.2 Demographics by sector

Sectoral breakdown of SME sample



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:

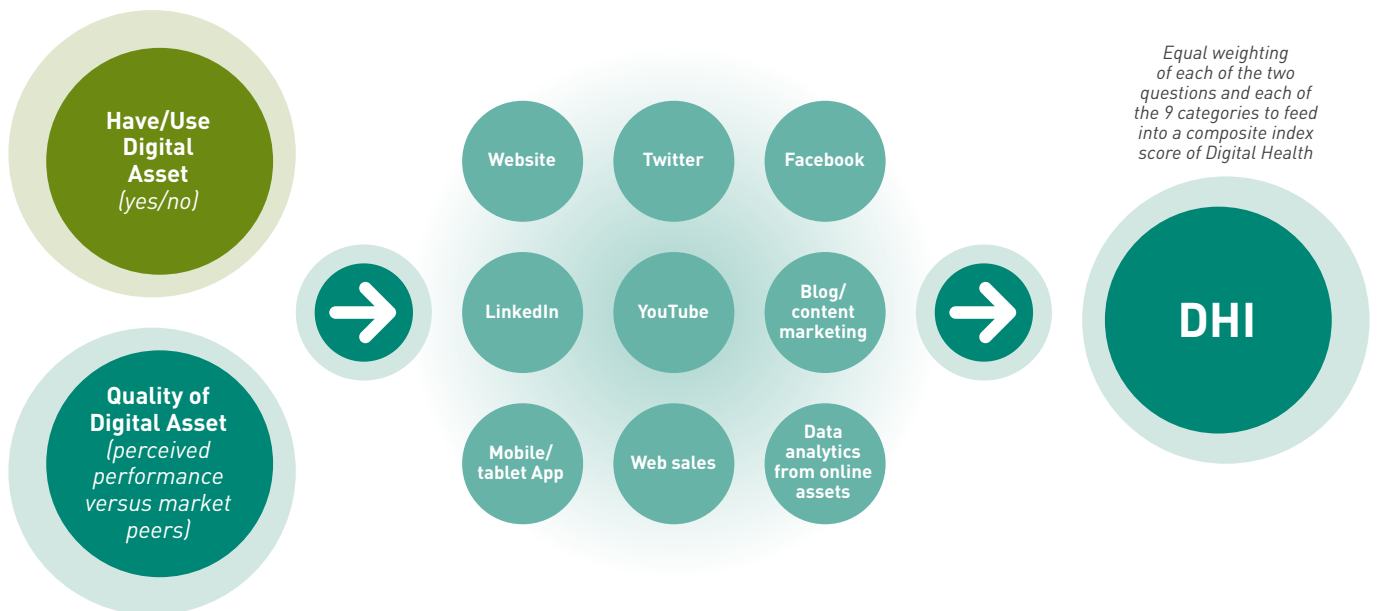
- ▶ Website
- ▶ Facebook
- ▶ Twitter
- ▶ LinkedIn
- ▶ YouTube
- ▶ Blog or content marketing
- ▶ Mobile or tablet app
- ▶ Web sales
- ▶ Data analytics from online assets

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 the 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.

Outline of 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.

The mission of the IEDR 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 requires a connection with the island of Ireland and a legitimate claim to the chosen name to register a domain.

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.

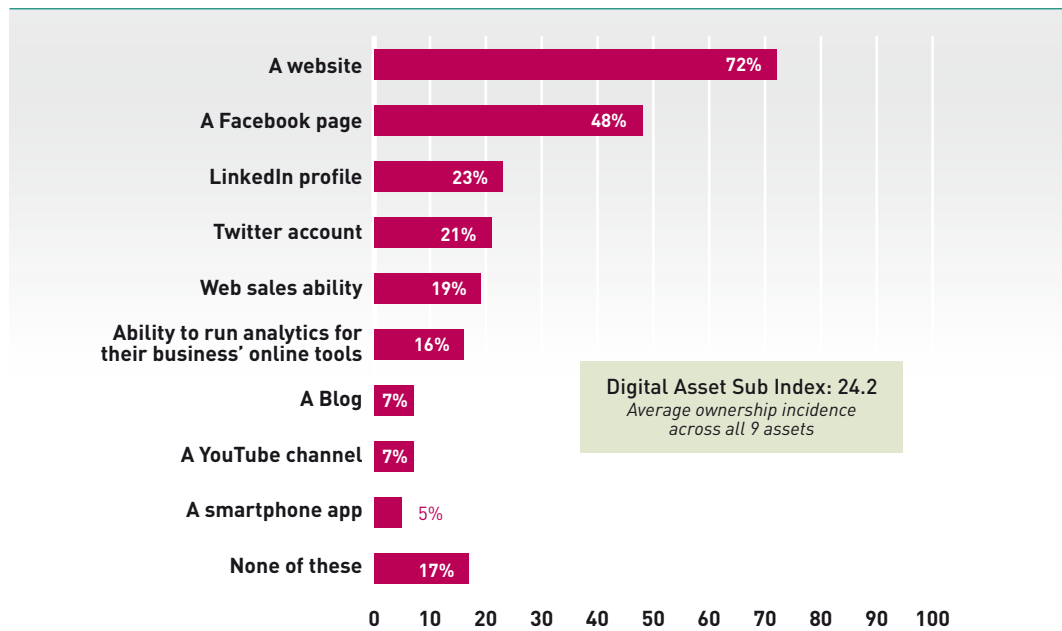
Appendix 1

dot ie Digital Health Index: sub-index construction

1.0 Digital assets owned

Nine digital assets contribute to the sub-index

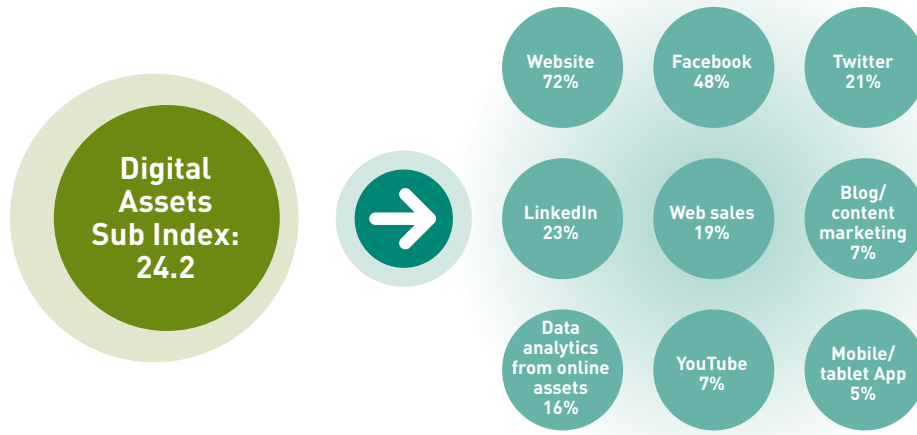
April 2016



1.1 Digital assets owned

Construction of the Digital assets sub-index

April 2016

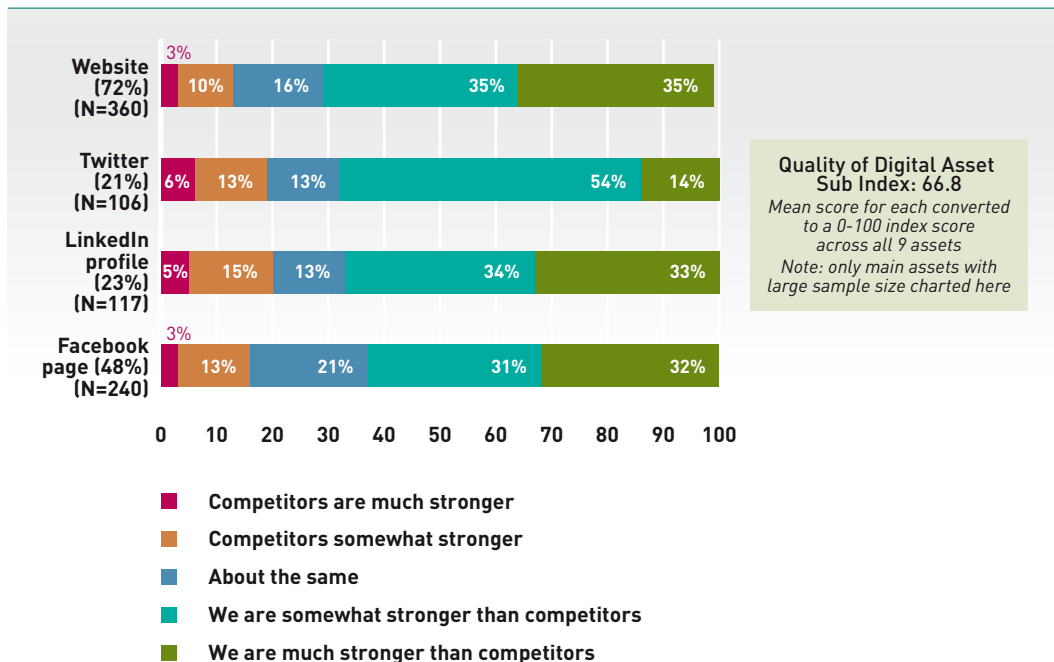


The digital assets sub-index is calculated from the average ownership incidence across all 9 digital assets.

1.2 Quality of digital assets owned

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

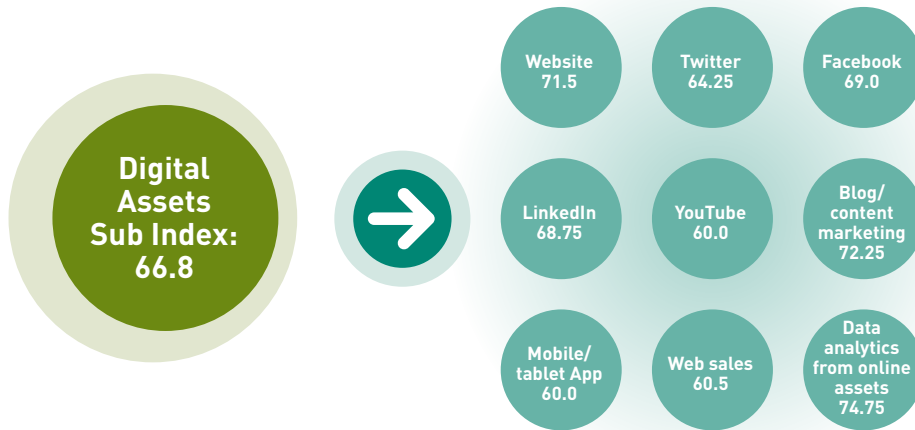
April 2016



1.3 Quality of digital assets owned

Construction of the quality of digital assets sub-index

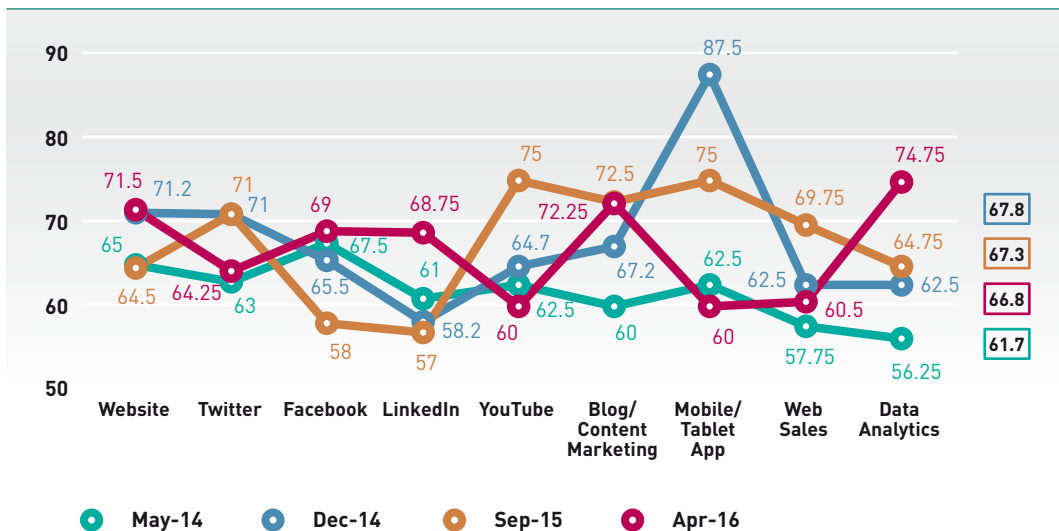
April 2016



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.

1.4 Quality of digital assets owned – all waves

Quality of digital assets sub-index from May 2014 to April 2016







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