Chambers of Commerce of Ireland
IN BUSINESS FOR BUSINESS

SME E-Business Survey **2003**

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Supported by

Department of Enterprise, Trade and Employment

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SME E-Business Survey **2003**

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This survey was conducted by MORI MRC on behalf of CCI

THE BUSINESS POSITION

The Chambers of Commerce of Ireland (CCI) Annual e-Business Survey continues to be one of the largest independent pieces of research on e-business use among small and medium-sized enterprises (SMEs) in Ireland. It builds on previous surveys, providing an important means of benchmarking the development of Irelands e-business capabilities and the effectiveness of government policy. The survey highlights the real concerns of SMEs in Ireland and the barriers to achieving a more knowledge-led and innovative society.

Looking at the key findings of the 2003 survey it is encouraging to note that many businesses have expanded their use of e-business applications from information provision to more commercially relevant activities such as receiving orders online. Nonetheless we are disappointed at the relatively slow rate of progress in this regard.

One of the most startling findings of this year's survey is the high number of companies that set out to upgrade their Internet connection but failed to do so. It was hoped that this survey would yield evidence that the agenda had at last moved beyond the issue of accessibility to the actual use and benefits of e-business. Unfortunately, it is clear that, for too many Irish SMEs, e-business is still an issue of access.

While broadband connections have increased over the last 12 months we are concerned that Internet access continues to be dominated by ISDN and standard telephone connections. Given that it has been estimated that more than 60,000 businesses would save money by switching to DSL this is a remarkable finding. We attribute it mainly to a record of over-promising and under-delivering in many areas of new technology including telecommunications.

We believe that this problem has been compounded by the late rollout of DSL largely as a result of resistance to deregulation and the relative lack of powers of the regulator. We suggest that SMEs in particular need to be given a voice within a genuine consumer forum in regard to telecommunications issues and that this forum should be given formal recognition by Government and the Commission for Communications Regulations in their deliberations going forward.

The fact that use of broadband is greater among larger businesses is also worrying since it presents the spectre of a technological divide between smaller and larger businesses which mirrors and accentuates the existing regional divide identified in this, and previous, surveys.

One of the difficulties cited in the provision of improved Internet connections is the lack of demand for such services. The findings of this survey show that such a demand exists among SMEs. We believe that the Government must be much more proacative in aggregating its demand at local level to help achieve the demand viability thresholds now being developed by service providers.

SME E-BUSINESS SURVEY **2003**

We would also commend to the Government greater use of alternative technologies, such as satellite and wireless connections, along the lines of a number of extremely encouraging pilot projects in rural areas. In a climate of constricting resources we believe that investment in such projects is likely to yield far better return than the Metropolitan Area Network initiative.

Leaving aside the access challenge, cost remains a key concern for SMEs, although this year's findings show a marked improvement over previous survey findings. Other concerns raised by participating SMEs relate to virus infection and poor customer support. This suggests that for many SMEs the installation of e-business capabilities is only the first step in a process that requires constant investment in order to maintain and expand the use of e-business.

Given this prospect of continuous investment needs it is all the more vital to be able to show tangible and real-cost benefits of improved Internet access. In this regard the decision to delay rollout of e-public procurement is very disappointing.

The Government must ensure its e-business strategy is not simply a mechanism for improving internal operations. This is another area in which the government's record is, frankly, disappointing. Indeed we note that more than 50 e-government projects are currently behind schedule. Meanwhile, Ireland continues to fall further behind our global competitors – Singapore recently saved its internationally trading business community in excess of €100m per year by introducing a comprehensive data-warehousing system for all aspects of international trade documentation.

It is essential that the Government provides SMEs with the e-business capabilities that are necessary to operate in an increasingly competitive global environment. The Government must ensure that businesses are not only made aware of the benefits of e-business, but are provided the necessary access and support to underpin the business case for investment.

Finally, I would like to acknowledge the support of the Department of Enterprise, Trade and Employment in undertaking this survey.

John Dunne
Chief Executive, CCI
October 2003

EXECUTIVE SUMMARY

- 92% of all respondents currently have access to the Internet. This represents an 9% increase since 2002. Micro enterprises (those with less than 10 employees) have a lower rate of Internet penetration at 87%. Of those SMEs who do not have access to the Internet, 55% are very unlikely and 11% are rather unlikely to connect to the Internet within the next 12 months.

- Internet connection rates in seven of the eight regions have reached over 90%. A technological divide identified in previous surveys continues to exist, with Internet access at just 75% among SMEs in the West. This represents an increase of just 1% over 2002 findings.

- While an ISDN line is still the most common way for SMEs to connect to the Internet its share of the market has fallen by three percentage points to 44%, in contrast with a 9% increase in 2002. Connection via a standard phone line has shown a marginal reduction of 3% to 37%, while the dedicated leased-line market has diminished to just 3%. The recent introduction of broadband has resulted in the uptake in the broadband/DSL services, rising from a base of zero in 2002 to 13%.

- The majority of SMEs connected to the Internet in both the West (55%) and South-East (51%) regions still do so through the standard telephone line. While connection rates via broadband are relatively high in the Mid West (23%) and Mid East (20%), broadband connection rates fall to 7% in the Midlands and Border and to just 1% in the South East.

- 28% of SMEs surveyed expressed dissatisfaction with the cost of their Internet connection, with a further one quarter of all SMEs expressing dissatisfaction with the speed of their Internet service. Those SMEs using a connection via a standard telephone line have the highest levels of dissatisfaction with the speed of their connection (33%) compared to just 9% of those SMEs with broadband access.

- Just over half of all SMEs expressed satisfaction with the level of customer support they receive from their Internet connection provider. Those SMEs connected to the Internet through broadband expressed the highest level of dissatisfaction (24%) with customer support.

- Over half (55%) of SMEs have attempted to carry out a technical upgrade of their Internet connection, with 53% of those that tried to upgrade did so in the last six months.

- Nearly two in every five (38%) attempts to upgrade an Internet connection were unsuccessful. Over half (53%) of all attempts to upgrade by micro businesses failed, while the failure rate among larger SMEs was 24%.

- The main reason for failure to upgrade given by SMEs that attempted to upgrade their Internet connection but were unsuccessful was the lack of services available in their area. Almost 40% of attempts to upgrade an Internet connection failed due simply to the unavailability of any such an upgrade.

- Cost was the second main reason cited by SMEs that failed to upgrade their Internet connection. Overall, almost one in five (19%) of all SMEs failed to upgrade due to the excessive cost of such an upgrade.

- The majority of those SMEs connected to the Internet use it for the most basic of applications, namely email (97%) and to source information (91%). The use of online banking has increased marginally (4%) from its 2002 figure of 55%. The growing popularity of the Revenue On-Line Service is evident from the usage rate of 32% among SMEs. While almost half of SMEs receive orders online (47%), the level of actual payments online remains considerably low, with only around one third (35%) of SMEs using the Internet to make and receive payments.

- Among those SMEs with a higher standard of Internet connection, their use of the various e-business applications is generally higher. Only 32% of those SMEs using a standard telephone connection use their connection for online receipt of orders from customers. This figure increases to 54% for those with an ISDN line and 63% for those with a broadband connection.

- 37% of SMEs do not believe they will expand their use of e-business applications over the next 12 months using their current Internet application.

- Of those SMEs that tried but failed to upgrade their Internet connection, if an upgrade was possible, Revenue Online is the most likely additional application which would be used (23%), followed by online payments to suppliers (21%), electronic market places (18%) and computer-based training/e-learning (17%).

- The infection of IT systems from computer viruses was a major problem for over half of SMEs (54%), with a further 29% of SMEs indicating that infection was a minor problem. Similary, security and confidentiality is a problem for two thirds of SMEs surveyed.

- Two thirds (66%) of SMEs surveyed stated that the cost of hardware and software was a problem for their business. A lack of internal advanced technical skills was a problem for over half (55%) of SMEs surveyed. Just over half of SMEs stated that customers and suppliers without Internet access/e-business capabilities was a problem for their business.

- Almost 50% of SMEs stated that a lack of technical skills available from IT/ e-business specialist companies was a problem. For over one third of SMEs the cost of these specialist technical skills was not perceived as a problem, representing an increase of 12% from the 2002 figure.

- On average, SMEs predict that they will spend just over 5% of their turnover on IT (including hardware, software, telecommunications and IT support) in this financial year. Larger SMEs will spend marginally less (3.5%), as a percentage of their turnover on IT, compared to an average spend of 4.4% in firms with less than 50 employees.

- Over two fifths (42%) of SMEs predict that their IT expenditure as a percentage of turnover will have increased during 2003 compared to 2002. Less than half stated that IT expenditure would stay the same, with less than one in ten SMEs expecting their IT expenditure to have decreased over the same period.

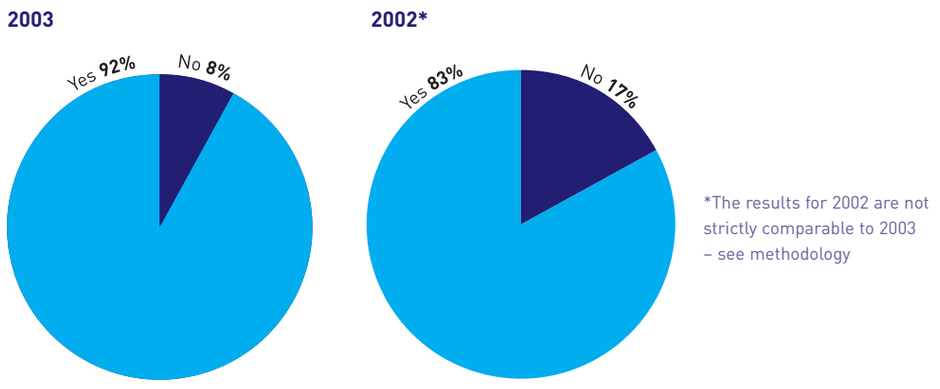
- Two thirds (66%) of SMEs with Internet access expected their company's use of the Internet and e-business to increase over the next 12 months, while a third (34%) expected their usage to remain stable at its current levels.

- The number of SMEs with their own websites in 2003 stands at 64%, representing a 9% increase on the 2002 figure (a similar increase was recorded between 2001 and 2002).

- The benefits to a company of a website were largely related to sales and marketing, with respondents stating that it enabled them to market to a larger audience (61%) or allowed them to market in a more cost effective manner (9%). In terms of actual returns from websites, close to half of all firms (46%) said their website generated more sales (27%) and inquiries (19%) for the company.

1 telecommunications

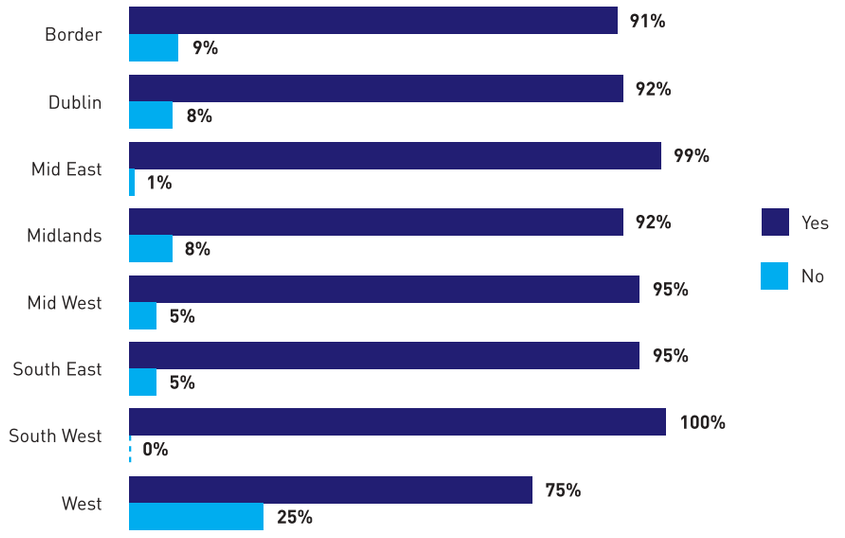
PERCENTAGE OF BUSINESS WITH INTERNET ACCESS
BASE 2003 – 601 ALL RESPONDENTS
BASE 2002 – 600 ALL RESPONDENTS



*The results for 2002 are not strictly comparable to 2003 – see methodology

92% of all respondents currently have access to the Internet. This represents a 9% increase since 2002. Micro enterprises (less than 10 employees) have a lower rate of Internet penetration at 87%.

INTERNET CONNECTION – BY REGION
BASE 601 – ALL RESPONDENTS



Once again there is some difference in penetration rates across the regions, which is further evidence of a technological divide identified in previous surveys. In the West, 75% of small to medium-sized enterprises (SMEs) have an Internet connection, representing an increase of just 1% in connection rates over 2002 findings. There has, however, been considerable improvement in connection rates in other regions, with all other regions achieving connection rates of above 90%.

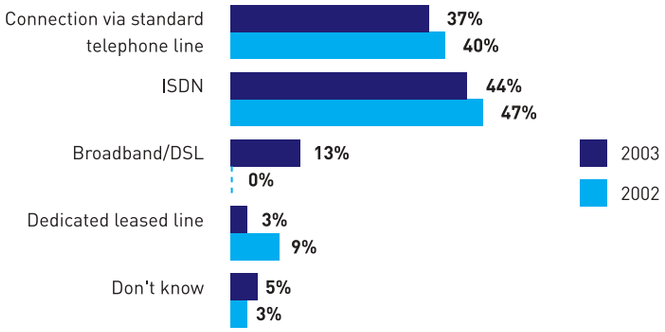
Agricultural-based industries (74%) are the least likely to have Internet capability. Slightly lower than average connection rates are also found among Wholesale/Retail SMEs (88%) and within the Hotels/Restaurants (90%).

The results of the 2003 survey are similar to those of 2002, with the finding that those SMEs whose primary customers are individual consumers are less likely to have access to the Internet, with 89% online, compared to those SMEs serving other businesses (96%) and the state sector (95%).

Almost two thirds of SMEs who do not have access to the Internet said they are very unlikely (55%) or rather unlikely (11%) to connect to the Internet within the next 12 months.

TYPE OF TELECOMMUNICATIONS CONNECTIONS TO THE INTERNET

BASE 2003 – 554 ALL WITH INTERNET CONNECTION
BASE 2002 – 501 ALL WITH INTERNET CONNECTION

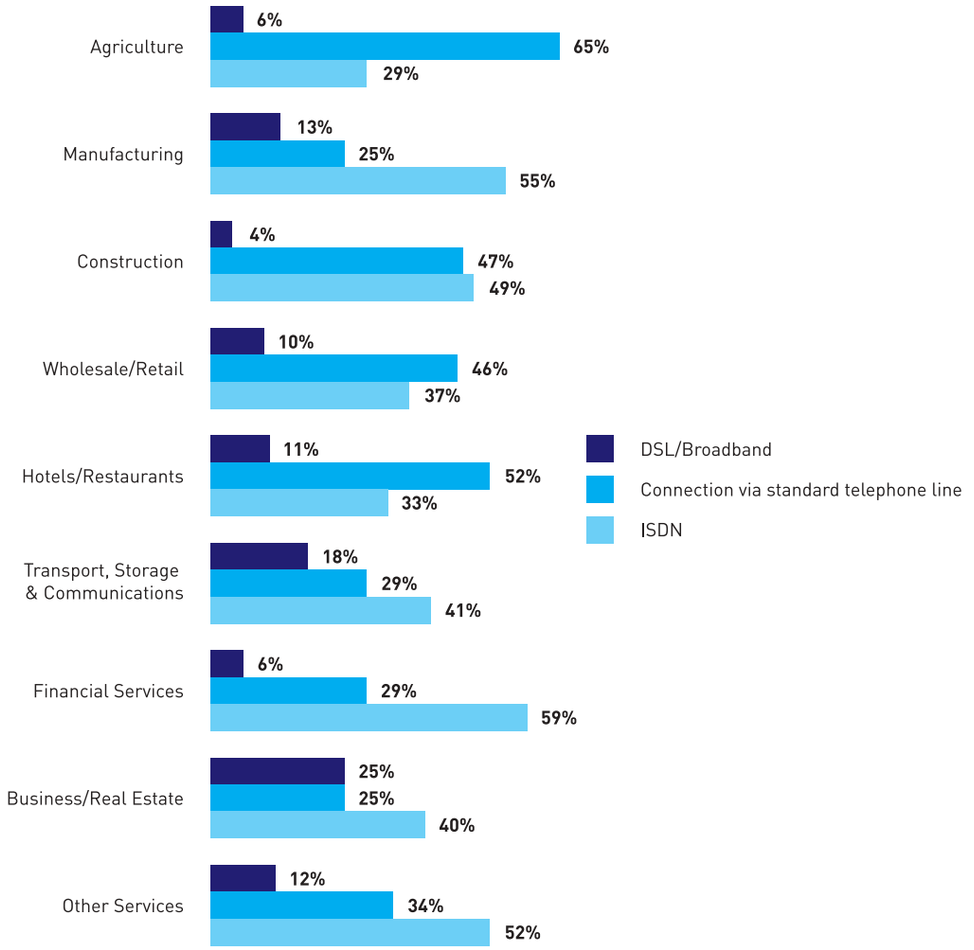


Whilst an ISDN line is still the most common way for SMEs to connect to the Internet its share of the market has fallen by three percentage points to 44%, in contrast to a 9% increase in 2002. Connection via a standard phone line has shown a marginal reduction of 3% to 37%, whilst the dedicated leased line market has diminished to 3%, a 6% decrease on 2002 figures. These decreases have resulted in a significant increase in the uptake in Broadband/DSL services, rising from a base of zero in 2002 to 13%. At the time of the 2002 survey Broadband/DSL was only becoming available on the market

The majority (52%) of micro businesses are connected to the Internet via a standard telephone. This compared to only 19% of larger SMEs (50-249 employees). ISDN is the main type of Internet connection among business with 10-49 employees (49%) and businesses with 50-249 employees (53%).

INTERNET CONNECTION TYPE – NUMBER OF EMPLOYEES

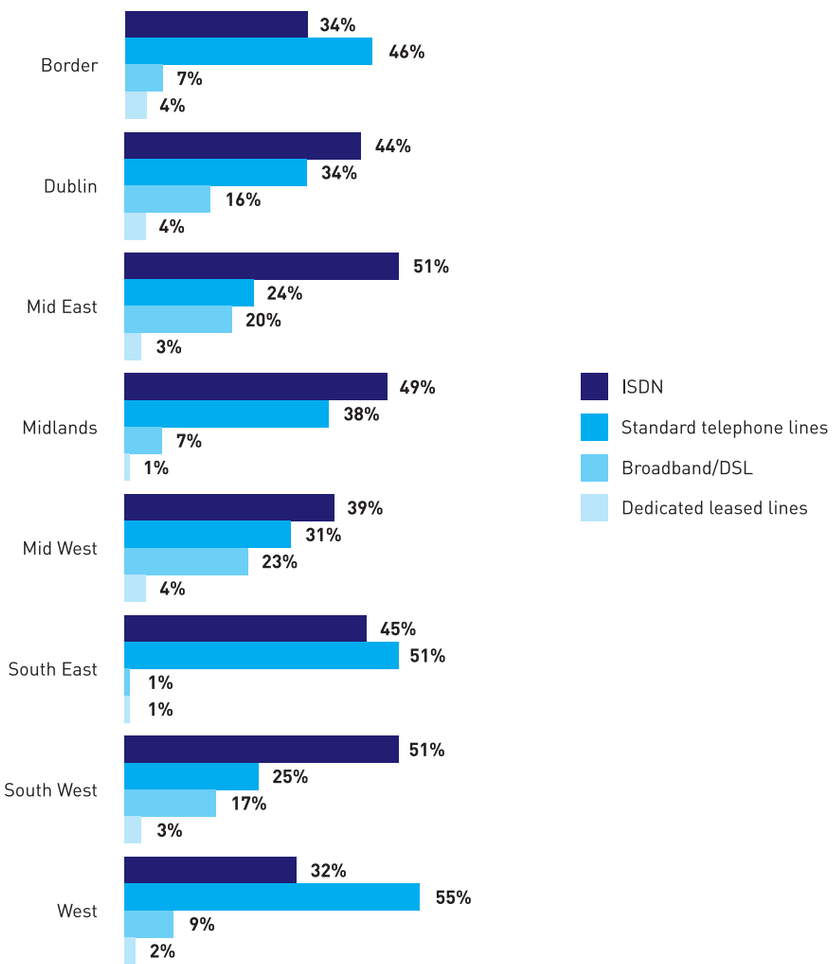
BASE 601 – ALL RESPONDENTS



Access to the Internet via broadband was highest among SMEs in the Business Services/Real Estate sector (25%). The lowest levels of access to the Internet via broadband was in Agricultural (6%), Financial Services (6%) and Construction (4%) based industries. Again, those businesses servicing other business or the state sector are more likely to be connected to the Internet via broadband (16% each) relative to those businesses servicing consumers (10%).

INTERNET CONNECTION – BY REGION

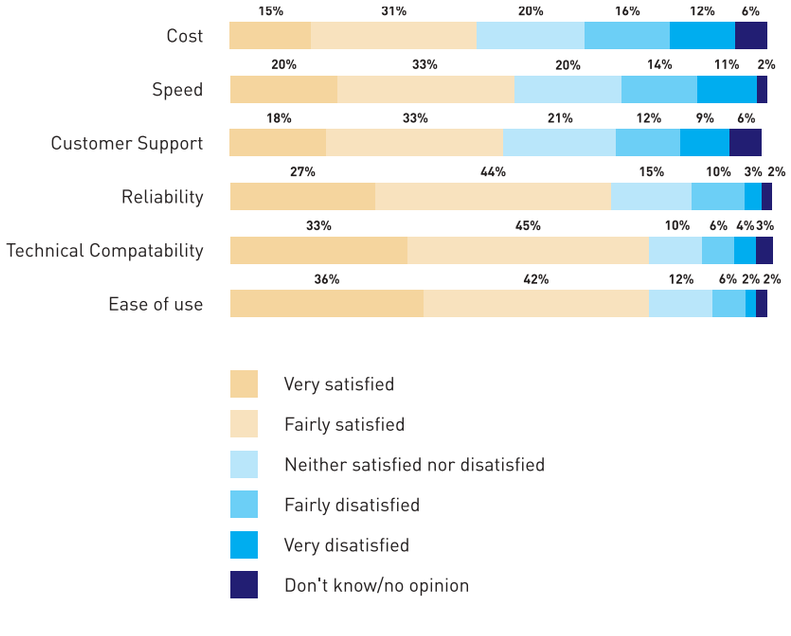
BASE 554 – ALL WITH INTERNET CONNECTION



As noted previously, there is a noticeable technological divide across the regions in terms of type of Internet connection. The majority of SMEs connected to the Internet in both the West (55%) and South East (51%) regions still do so through the standard telephone line. While connection rates via broadband are relatively high in the Mid West (23%) and Mid East (20%), these connection rates fall to 7% in the Midlands and Border and just 1% in the South East.

SATISFACTION WITH CURRENT INTERNET CONNECTION

BASE 554 – ALL WITH ACCESS TO THE INTERNET



Cost

28% of SMEs surveyed expressed dissatisfaction with the cost of their Internet connection. Micro enterprises expressed greater dissatisfaction (31%) compared to 21% of larger SMEs (50-249 employees) who expressed dissatisfaction. In addition, cost was a particular concern for SMEs in the Midlands (35%) and the South East (33%), with the lowest, but still significant, levels of dissatisfaction in the Mid West (20%) and West (20%).

In relation to the type of Internet connection, broadband has the highest level of satisfaction with regard to cost, with one fifth of SMEs stating that they are "very satisfied". 15% of companies with a standard telephone connection and 13% of companies connected through ISDN stated that they are "very satisfied".

Speed

Similar to the responses in relation to cost, one quarter of all SMEs expressed dissatisfaction with the speed of their Internet service. However, dissatisfaction with the speed of service varies according to the size of the SME. In terms of numbers of employees, one third of micro enterprises expressed dissatisfaction with the speed of their service, compared to just 7% of larger SMEs.

Dissatisfaction with speed of Internet connection varies significantly across the regions, with those SMEs in the West (34%) and Border (33%) particularly dissatisfied.

As speed is directly related to the type of Internet connection, it is not surprising those SMEs using a connection via a standard telephone line have the highest levels of dissatisfaction (33%) compared to just 9% of those SMEs with broadband access.

Customer support
Just over half (51%) of all SMEs expressed satisfaction with the level of customer support they receive from their Internet connection provider. Micro enterprises are much more likely to be dissatisfied (24%) than SMEs with 50-249 employees (13%).

Those SMEs connected to the Internet through broadband expressed the highest level of dissatisfaction (24%) with customer support.

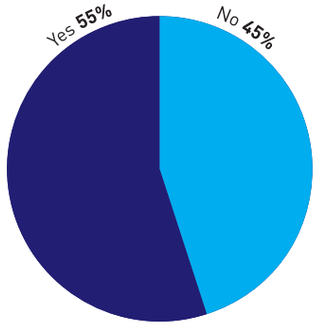
Reliability
Of those surveyed, one in eight SMEs (13%) expressed dissatisfaction with the reliability of their service. Once again dissatisfaction is higher among micro enterprises (10%) relative to larger SMEs (6%).

Surprisingly satisfaction rates are lower among those customers that are connected via broadband (69%) relative to those connected via a standard telephone line (71%) and ISDN (73%).

Technical compatibility
One in 10 SMEs expressed dissatisfaction with the technical compatibility of the Internet connection and their computer system.

Ease of use
Across all SMEs, 78% are very or fairly satisfied with ease of use of their Internet connection. The highest levels of dissatisfaction among SMEs with the ease of use of their Internet connection are found in the Border (15%) and West (12%).

TRIED TO CARRY OUT A TECHNICAL UPGRADE OF INTERNET CONNECTION
BASE 2003 – 554 ALL WITH INTERNET ACCESS

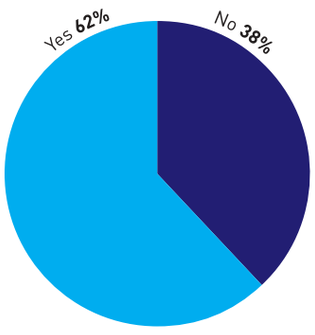


Over half (55%) of SMEs said they have attempted to carry out a technical upgrade of their Internet connection.

LAST TIME ATTEMPTED TO CARRY OUT A TECHNICAL UPGRADE OF INTERNET CONNECTION
BASE 306 – HAVE TRIED TO CARRY OUT TECHNICAL UPGRADE

53% of those that tried to upgrade their internet connection did so in the last six months. Micro enterprises were the least likely to have attempted an upgrade (51%), compared to those businesses with 50-249 employees (65%). Of those SMEs that tried to upgrade their Internet connection, the Transport, Storage and Telecommunications sector has led the way, with 71% of SMEs in this sector attempting to upgrade.

SUCCESS RATES
BASE 306 – HAVE TRIED TO CARRY OUT TECHNICAL UPGRADE

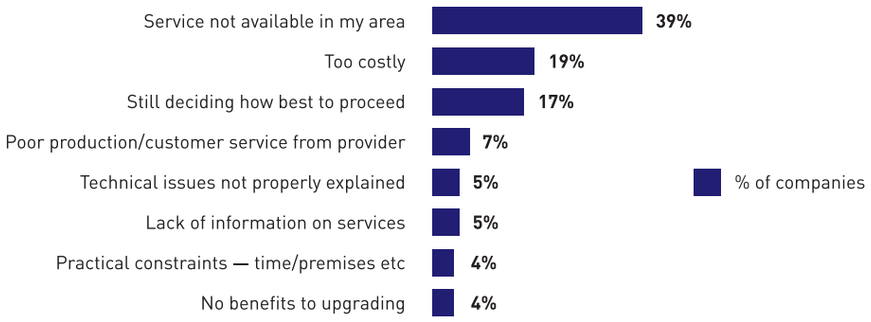


Significantly, nearly two in every five (38%) attempts to upgrade an Internet connection was unsuccessful. Over half (53%) of all attempts to upgrade by micro enterprises failed, while the failure rate among larger SMEs was 24%.

The highest success rates for upgrading are in the South West (73%) and Mid East (70%), the poorest success rates are in the South East (50%) and Dublin (49%). In respect of other regions, the success rates in the West and Mid West were both 66% followed by the Midlands (61%) and Border region (59%).

REASONS FOR FAILURE TO UPGRADE

BASE 115 – DID NOT SUCCESSFULLY CARRY OUT AN UPGRADE



The main reason given by SMEs who attempted to upgrade their Internet connection but were unsuccessful was the lack of services available in their area. Almost four out of ten (39%) attempts to upgrade an Internet connection failed due simply to the unavailability of any such possible upgrade.

The issue of lack of availability of Internet service upgrade was the main cause of failure to upgrade in the South East (67%), Mid West (62%) and South West (57%). In addition, nearly three quarters (74%) of those SMEs involved in Manufacturing failed to upgrade because an upgrade option was not available to them in their area.

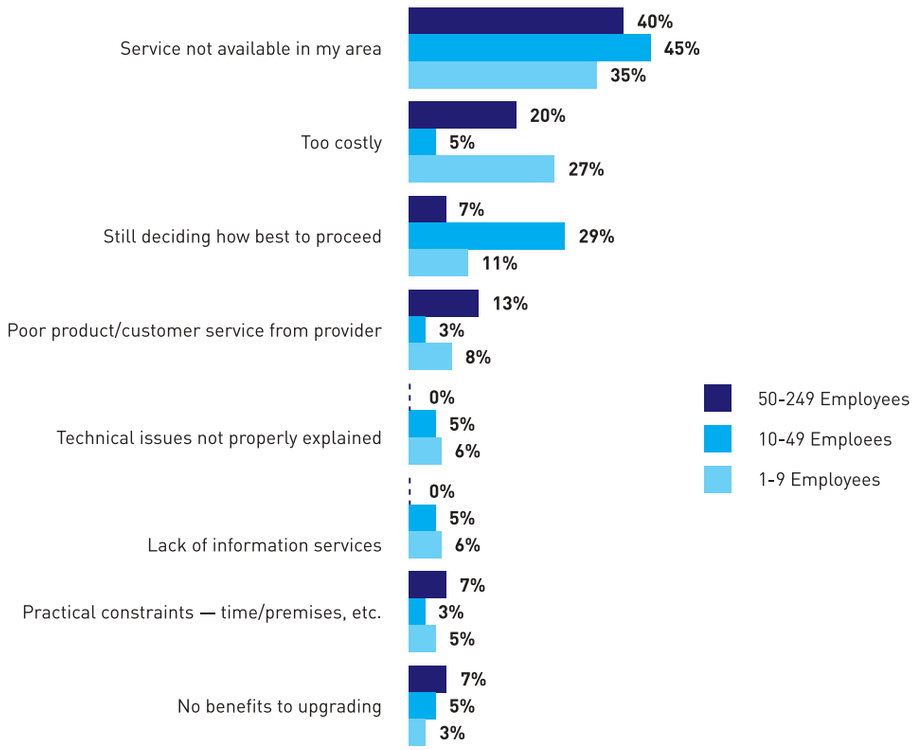
After availability, cost was the second main cause of the failure of a company to upgrade their Internet connection. Overall, 19% of all SMEs failed to upgrade due to the excessive cost of such an upgrade. The issue of cost was particularly important for micro enterprises, with 27% of these failing to upgrade because of the excess cost involved.

In some regions the issue of cost was particularly important, with 40% of the SMEs in the Midlands and 30% of SMEs in the West failing to upgrade because of the excessive cost.

Of those respondents, a total of 17% are still deciding how best to proceed. This is particularly noticeable in the Border region where one third of SMEs are still deciding what to do in relation to their Internet connection.

REASONS FOR FAILURE TO UPGRADE – BY NUMBER OF EMPLOYEES

BASE 115 – DID NOT SUCCESSFULLY CARRY OUT AN UPGRADE



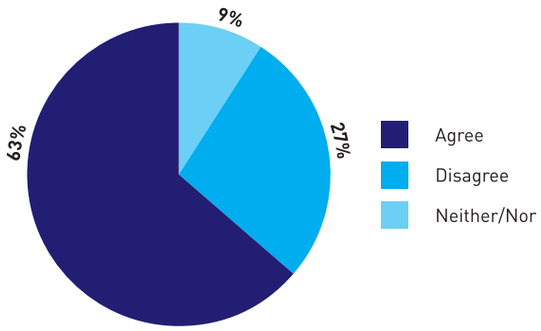
Excessive cost was the reason why 27% of micro enterprises that tried to upgrade failed. This was less of an issue for business, with 10-49 employees with 5% failing to upgrade because of cost. This compared to 20% those businesses with 50-249 employees. Almost one in three (29%) business that employ 10-49 workers are still deciding how best to proceed, with a further 45% of these businesses failing because the service was not available in their area.

Of those that tried but failed to upgrade 50% currently are connected via a standard telephone line, while 46% currently use an ISDN line. Of those that tried to upgrade from the basic standard telephone connection, 30% failed because the service was not available to them and 32% failed because an upgrade would prove too costly.

Of those that did not even try to upgrade, 60% did not do so because they are satisfied with their existing service with a further 10% not attempting an upgrade as they were aware in advance that the service was simply not available in their area.

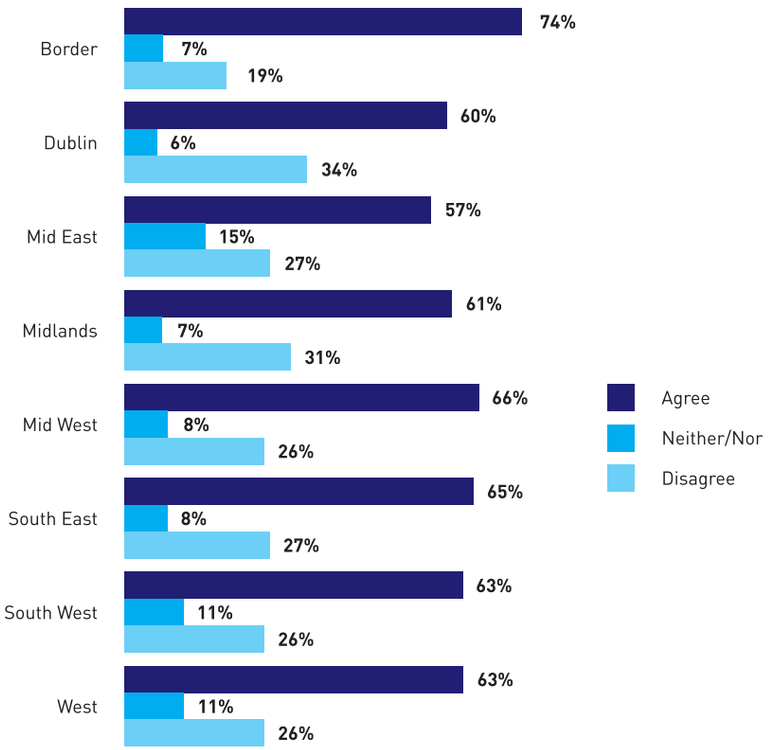
MAKING CALLS ON NATIONAL ROADS AND IN MAJOR TOWNS – BY REGION

BASE 562 – ALL WITH MOBILE PHONES



'I CAN ALWAYS MAKE CALLS ON NATIONAL ROADS AND IN MAJOR TOWNS'

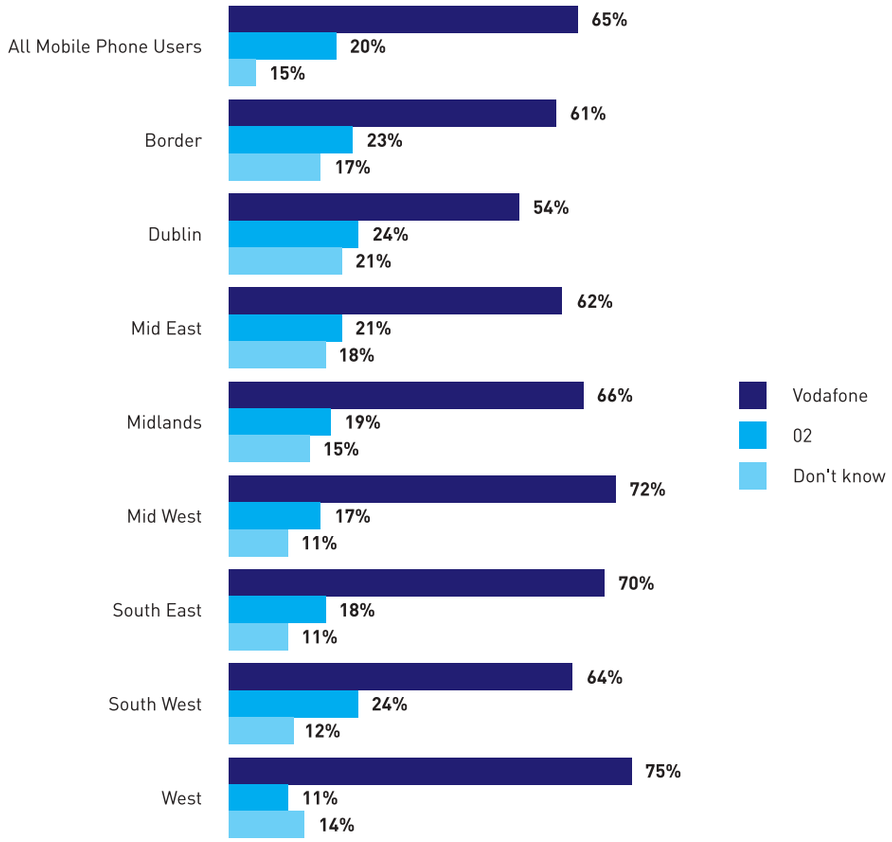
BASE 562 – ALL WITH MOBILE PHONES



Just over one quarter (27%) of respondents disagreed with the statement "I can always make calls on national roads and in major towns". Disagreement is highest in the Dublin region (34%) and lowest in the Border (19%).

BEST NETWORK COVERAGE IN IRELAND – BY REGION

BASE 562 – ALL WITH MOBILE PHONES

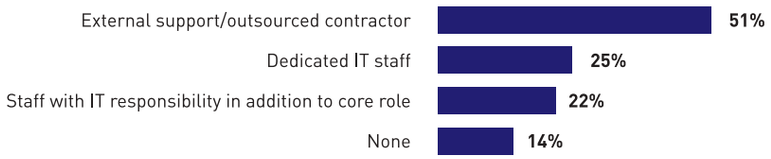


65% of all mobile phone users in this survey viewed Vodafone as the best network for coverage in Ireland. This rises to three quarters of respondents in the West.

Only four respondents use the Meteor mobile network. As this is less than 1% of the total number of respondents these customers are not included in the graph above.

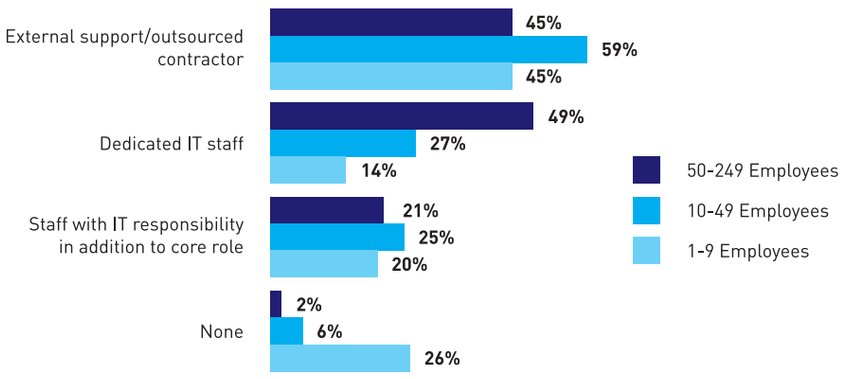
2 IT support

ACCESS TO IT TECHNICAL SUPPORT EXPERTISE
BASE 601 – ALL RESPONDENTS



The majority of SMEs outsource their IT support with almost half relying on external contractors to provide support and expertise. Only a quarter (25%) have dedicated IT staff.

IT TECHNICAL SUPPORT – BY NUMBER OF EMPLOYEES
BASE 601 – ALL RESPONDENTS



45% of micro enterprises depend on external IT support, with a further 26% of business having no IT support. Almost half (49%) of those companies with 50-249 employees have their own dedicated IT staff, with 45% drawing on external IT support.

3 e-business applications

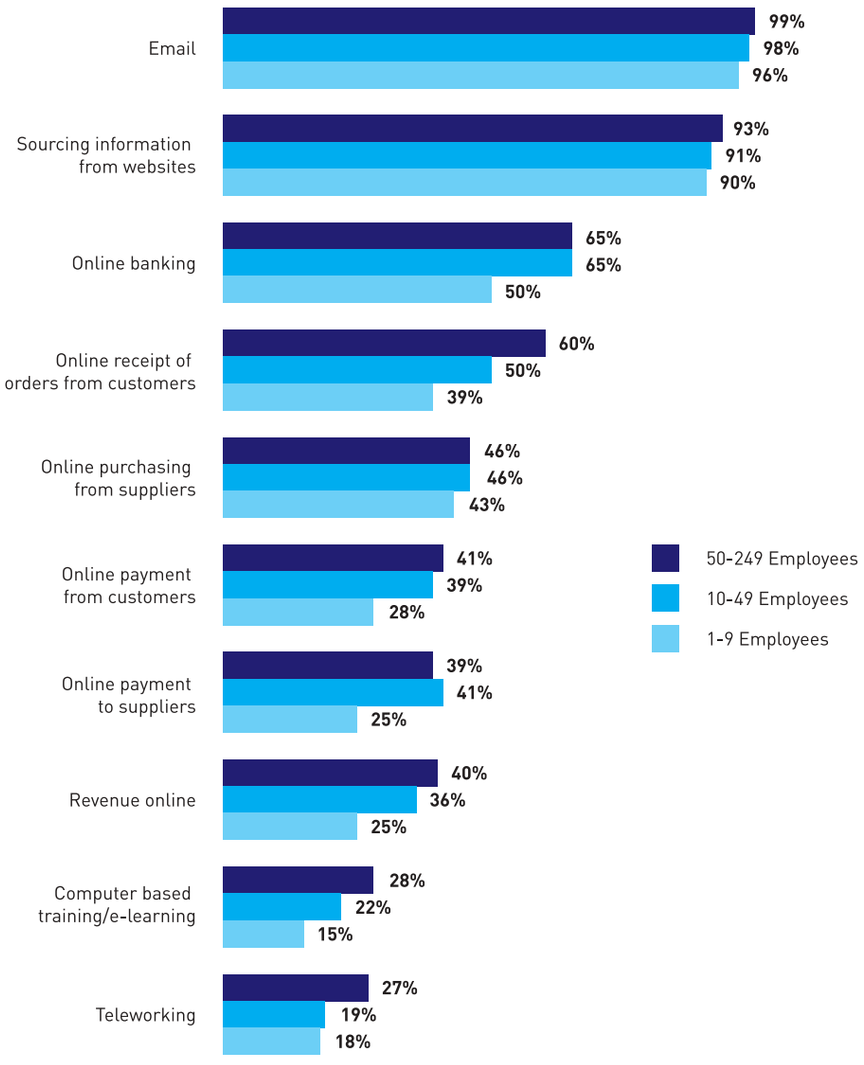
TYPES OF E-BUSINESS APPLICATIONS USED
BASE 2003 – 554 ALL WITH INTERNET ACCESS

The majority of those SMEs connected to the Internet use it for the most basic of applications, namely email (97%) and to source information (91%). After these applications, the next most common application across SMEs was online banking. The use of online banking has increased marginally (4%) from its 2002 figure of 55%. While almost half of SMEs receive orders online, the level of actual payments online remains considerably low, with only around one third of SMEs using the Internet to make and receive payments.

The growing popularity of the Revenue-Online Service is evident from the usage rates of 32% among SMEs.

E-BUSINESS APPLICATIONS – BY NUMBER OF EMPLOYEES

BASE 554 – ALL WITH ACCESS TO THE INTERNET

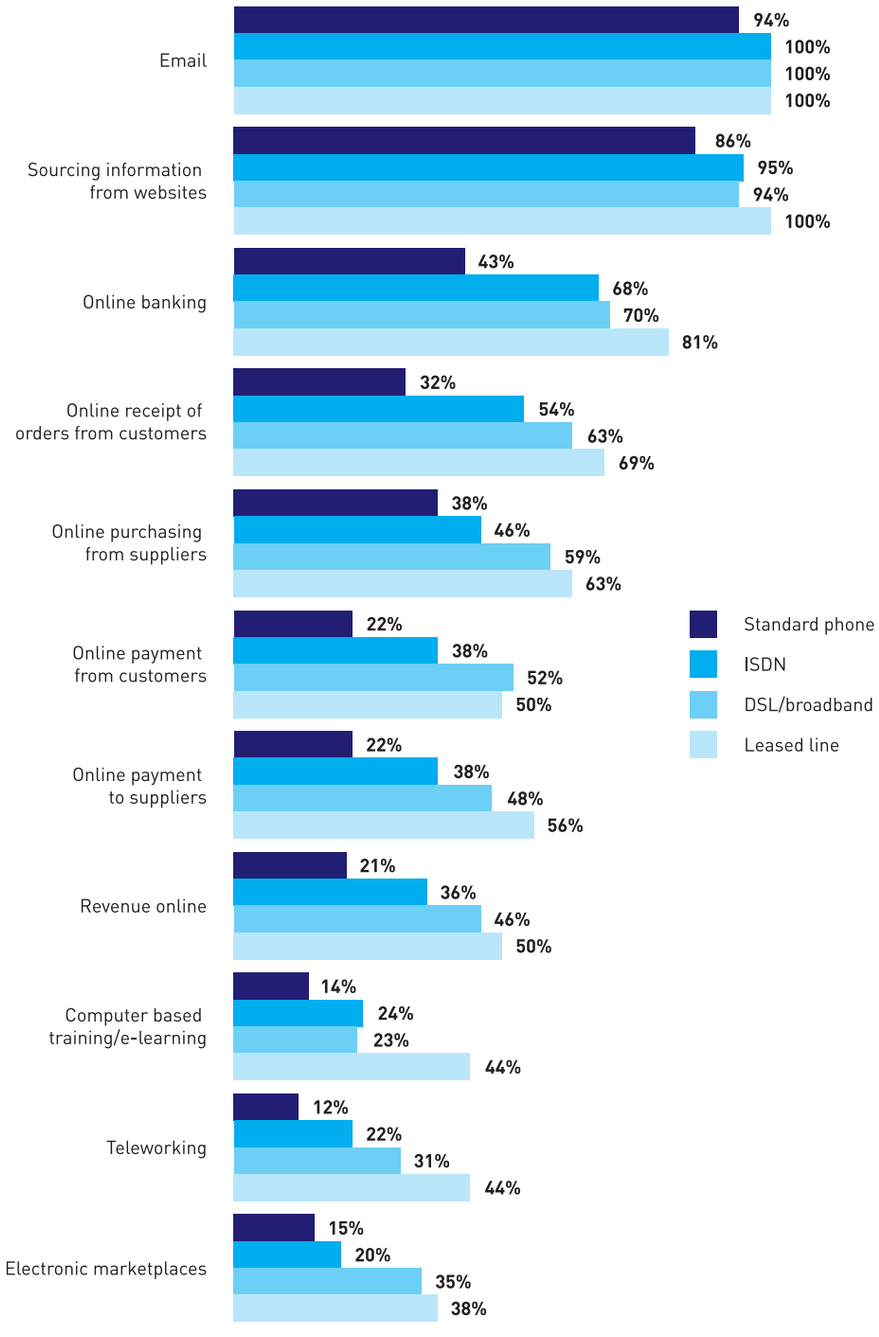


It is interesting to note that of the 11 types of e-business applications listed, micro enterprises have the lowest usage rates. In terms of the regions, the Border region has the lowest usage rates in 10 of these e-business applications. The Border region fared particularly poorly with regard to the use of computer-based/ e-learning, with only 7% of SMEs using this application. This compares to 31% of SMEs using this application in the Mid East.

Of those SMEs who service the state sector 46% receive orders online from their customers, with 45% receiving payment online from customers. For SMEs that service other businesses 52% receive orders online from their customers and 44% receive payment online from their customers.

APPLICATIONS – BY INTERNET CONNECTION TYPE

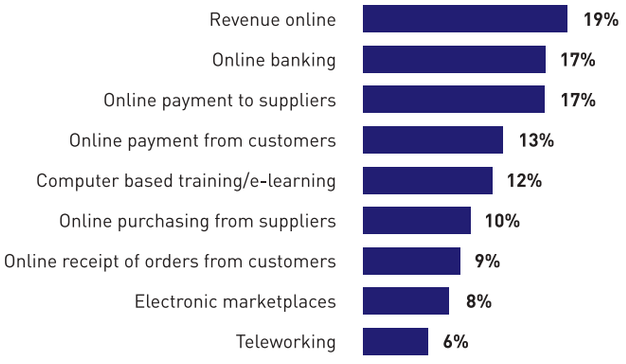
BASE 554 – ALL WITH ACCESS TO THE INTERNET



Among those SMEs with a higher standard of Internet connection the use of the various e-business applications is generally higher. For example, only 32% of those SMEs with a connection via a standard telephone connection use their connection for online receipt of orders from customers. This figure increases to 54% for those with an ISDN line and 63% for those with a broadband connection.

NEW E-BUSINESS APPLICATIONS LIKELY TO START USING IN THE NEXT 12 MONTHS

BASE 554 – ALL WITH ACCESS TO THE INTERNET



Over the next 12 months 37% of SMEs do not believe they will expand their use of e-business applications using their current Internet application. Almost half (49%) of SMEs in the Dublin region are not very likely to expand on the Internet applications they currently use. They are closely followed by the Mid West (44%) and the West (41%). In comparison, only 25% of SMEs in the Midlands believe that they will not expand their e-business applications over the next 12 months.

In the construction sector 51% of SMEs do not think it very likely that they will expand their e-business use over the next 12 months.

For those SMEs servicing the state sector, 14% expect to expand their e-business use to include online payments from customers, while 10% expect to expand their applications to allow them to receive online orders from customers.

An expected increase use of revenue online over the next 12 months should help make this service one of the most popular applications among businesses. After revenue online the next most likely application uses are online banking (17%) and online payments to suppliers (17%). In addition, 12% of SMEs expect to expand their Internet applications to include computer-based training/e-learning.

NEW E-BUSINESS APPLICATIONS OVER NEXT 12 MONTHS IF INTERNET UPGRADE POSSIBLE

BASE 115 – TRIED BUT FAILED TO CARRY OUT AN UPGRADE OF INTERNET CONNECTION

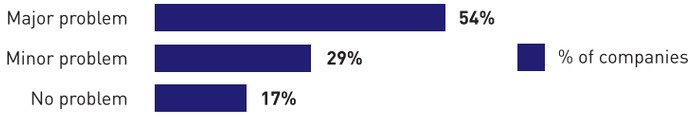
In order to better understand the impact of SMEs failure to upgrade those SMEs that tried but failed to upgrade were asked what e-business applications they would be likely to use over the next 12 months if they could upgrade.

Revenue Online is the most likely additional application which would be used (23%), followed by online payments to suppliers (21%), electronic market places (18%) and computer-based training/e-learning (17%).

OBSTACLES TO E-BUSINESS

CONCERNS REGARDING INFECTION OF IT SYSTEMS FROM COMPUTER VIRUSES

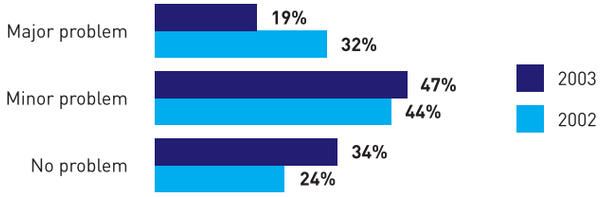
BASE – 554 ALL WITH ACCESS TO THE INTERNET



The infection of IT systems from computer viruses was the most prominent concern of respondents. Over half expressing the opinion that virus infection was a major problem with a further 29% of SMEs indicating that infection of their IT systems from computer viruses was a minor problem.

THE COST OF HARDWARE AND COMPUTER EQUIPMENT

BASE 2003 – 554 ALL WITH INTERNET ACCESS
BASE 2002 – 501 ALL WITH INTERNET ACCESS

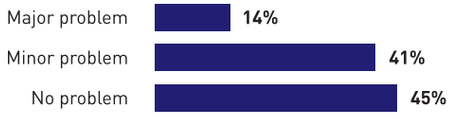


In total, two thirds (66%) of SMEs surveyed stated that the cost of hardware and software was a problem for them.

The cost of hardware and computer equipment is a problem for 73% of SMEs in Dublin and 71% of SMEs in the South West.

A LACK OF ADVANCED TECHNICAL SKILLS WITHIN YOUR BUSINESS

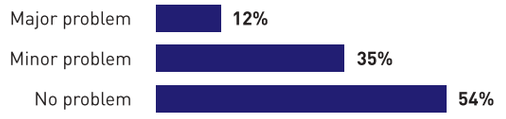
BASE 2003 – 554 ALL WITH INTERNET ACCESS



A lack of internal advanced technical skills was a problem for over half of the SMEs surveyed. In the West, just over one in five (21%) of SMEs found the lack of technical skills within their business a major problem. This lack of skills was also a major problem for a similar amount (21%) of SMEs in the Hotels/Restaurants sector.

A LACK OF SPECIALIST TECHNICAL SKILLS AVAILABLE FROM IT/E-BUSINESS SPECIALIST COMPANIES

BASE 2003 – 554 ALL WITH INTERNET ACCESS

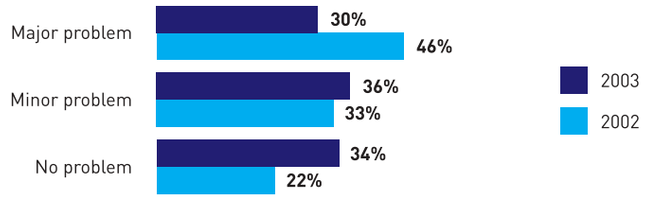


While less than 50% of SMEs stated that a lack of technical skills available from IT/e-business specialist companies was a problem, this is still significant issue as a considerable percentage of SMEs rely on these IT/e-business specialist companies for IT support. The Border region appears to be the most poorly served regions as 51% of SMEs in these regions are experiencing problems in engaging specialist skills from IT/e-business specialist companies.

The financial services sector appears to be well serviced by specialist companies, with technical skills available from IT/e-business specialist SMEs not a problem for 71% of companies.

THE COST OF SPECIALIST TECHNICAL SKILLS FROM COMPUTER/E-BUSINESS SPECIALIST COMPANIES

BASE 2003 – 554 ALL WITH INTERNET ACCESS
BASE 2002 – 501 ALL WITH INTERNET ACCESS

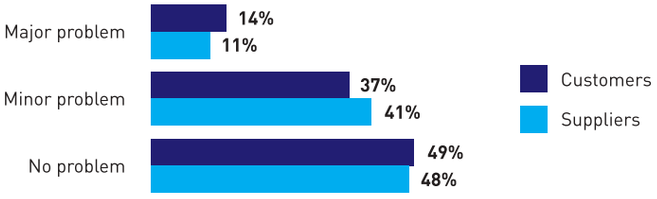


The cost of specialist technical skills is less of a problem than it was in 2002 although for 37% of SMEs in Dublin it is a "major problem". For over of a third of SMEs it was not perceived as a problem, an increase of 12% from the 2002 figure. As the majority of businesses rely on outside technical expertise the cost of such services can be a significant business cost. SMEs in the Mid East appear to be operating in a relatively competitive specialist IT support market, with cost of specialist technical skills not a problem for 27% of businesses, compared to 43% in the West.

As noted above, the financial services sector also appears to be well serviced by specialist IT companies, with the cost of these services "no problem" for 59% of SMEs in this sector.

CUSTOMER/SUPPLIERS WITHOUT INTERNET ACCESS/E-BUSINESS CAPABILITIES

BASE 2003 – 554 ALL WITH INTERNET ACCESS



Just over half of SMEs stated that customers and suppliers without Internet access/ e-business capabilities was a problem for their business.

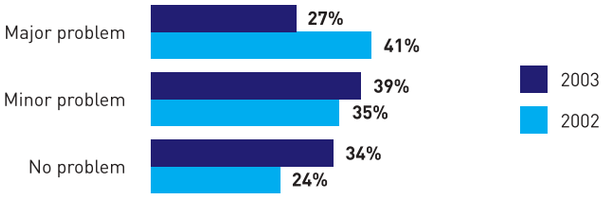
In the South West 62% of SMEs stated that customers without Internet access or e-business capabilities was a problem. In Dublin this was a problem for 56% of SMEs.

In both the Mid West and South East 55% of SMEs stated that suppliers without Internet access or e-business capabilities was a problem.

Customers without internet access or e-business capabilities was less of a problem for those SMEs servicing consumers (50%) compared to those SMEs servicing other businesses (55%) and the state sector (54%).

CONCERNS REGARDING SECURITY/CONFIDENTIALITY OF INFORMATION

BASE 2003 – 554 ALL WITH INTERNET ACCESS
BASE 2002 – 501 ALL WITH INTERNET ACCESS



Security and confidentiality is a problem for two thirds of SMEs surveyed. There has been a significant drop in the number of SMEs that perceive security as a major problem over the last 12 months, falling from 41% in 2002 to 27% in 2003. However, 75% of SMEs in the Business Services/Real Estate sector and 72% of SMEs in the Hotels/Restaurant sector stated that confidentiality was a problem for their business.

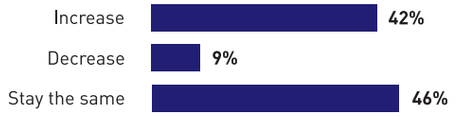
FUTURE USE OF E-BUSINESS

On average, SMEs predict that they will spend just over 5% of their turnover on IT (includes hardware, software, telecommunications and IT support) in this financial year. No doubt benefiting from economies of scale, larger (50–249 employees) SMEs will spend marginally less (3.5%), as a percentage of their turnover on IT, compared to an average spend of 4.4% from firms with less than 50 employees. Dublin-based SMEs will spend 7.4% of their turnover on IT expenditure in 2003 compared to figures of just 3% in the West and 4.5% in the Midlands.

SMEs servicing the state sector expect to spend an average of 6.2% of this years turnover on IT, compared to an average of 4.5% for SMEs servicing customers.

AS A PERCENTAGE OF TURNOVER IS EXPENDITURE ON IT LIKELY TO INCREASE, DECREASE OR STAY THE SAME – 2003 VS 2002

BASE 2003 – 601 ALL RESPONDENTS



Over two fifths (42%) of SMEs predict that their IT expenditure as a percentage of turnover will have increased during 2003 compared to 2002. Less than a half stated that IT expenditure would stay the same, with less than one in 10 SMEs expecting IT expenditure to have decreased in the same period.

Larger SMEs (over 50 employees) are more likely to have increased their IT spend in 2003 compared to 2002 (47%). While only 38% of micro enterprises are planning an increase in IT expenditure this year compared to last year, half have decided that they will simply maintain IT expenditure at their current levels.

In the Border region SMEs are considerably more pessimistic, with only 29% believing IT expenditure will have increased this year compared to 2002.

56% of those SMEs in the Construction sector and 52% in the Wholesale/Retail sector believe that their IT spending will stay the same in 2003 compared to 2002.

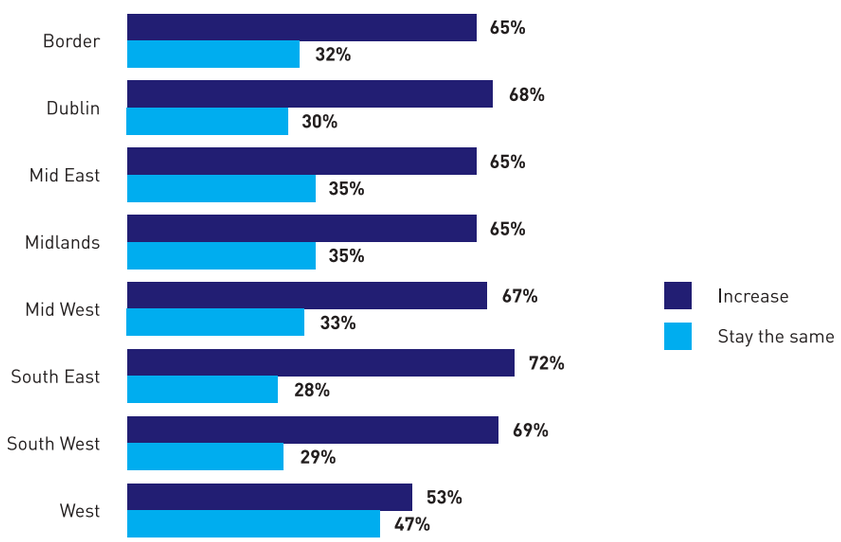
INTERNET USE OVER THE NEXT 12 MONTHS

BASE 601 – ALL RESPONDENTS

In terms of likely future Internet use, two thirds (66%) of SMEs with Internet access expected their use of the Internet and e-business to increase over the next 12 months, while a third (34%) expected their usage to remain stable at its current levels.

INTERNET USE OVER NEXT 12 MONTHS – BY REGION

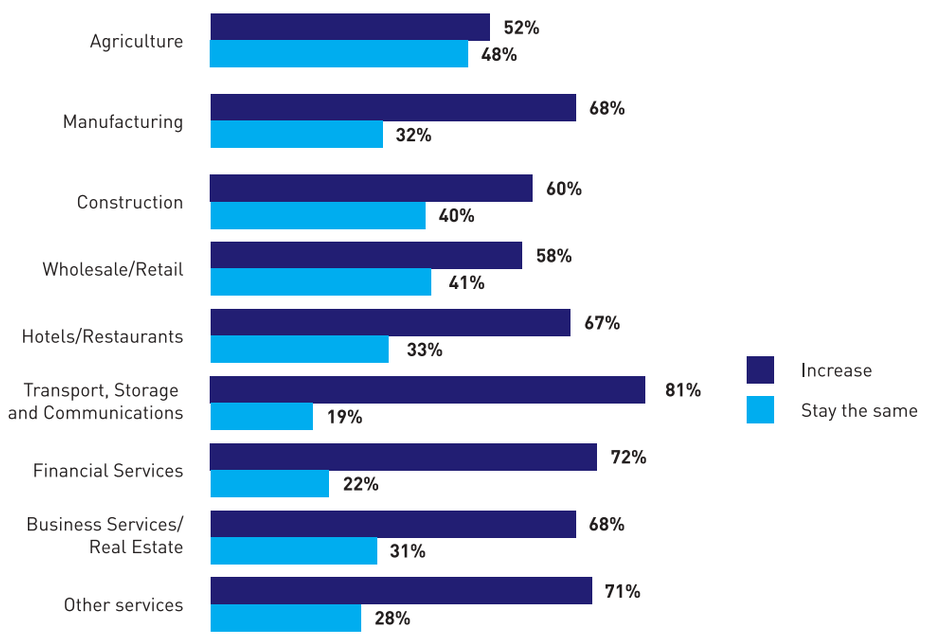
BASE 601 – ALL RESPONDENTS



In particular, 72% of SMEs in the South East expect their businesses to increase over the next 12 months.

INTERNET USE OVER NEXT 12 MONTHS – BY SECTOR

BASE 601 – ALL RESPONDENTS



Just over four in every five (81%) SMEs in the Transport, Storage and Communications sector expect their use of the Internet and e-business will increase over the next 12 months.

Of those SMEs that believe their Internet and e-business use will increase over the next 12 months, just over one fifth (21%) will do so merely to keep up with the times. SMEs in the West recognise the need to develop and expand their use of the Internet and e-business, with 35% of SMEs increasing their use of the Internet merely to "keep up with the times".

A further 25% of SMEs believe their increased Internet use will be driven by their customers and suppliers using the Internet more. In the Border region 29% of SMEs believe their increased use of the Internet and e-business will be driven by more of their customers using the internet.

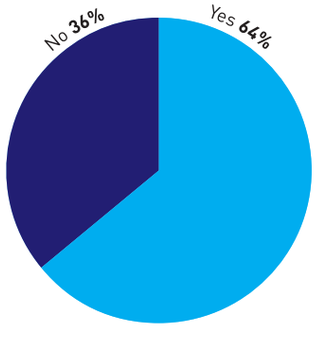
A further quarter of SMEs believe their increased use of the Internet and e-business will be due to increase marketing (19%) and raising the profile of the business (5%).

4 website

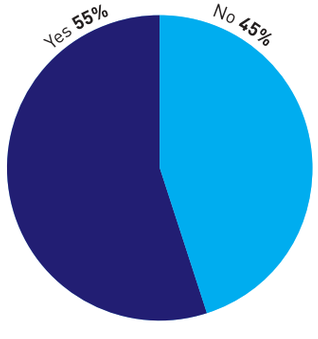
BUSINESSES WITH OWN WEBSITE

BASE 2003 – 601 ALL RESPONDENTS
BASE 2002 – 600 ALL RESPONDENTS

2003



2002



The number of SMEs with their own websites in 2003 stands at 64%, representing a 9% increase on the 2002 figure (a similar increase was recorded between 2001 and 2002).

However, only 48% of micro enterprises have a website, compared to 89% of those SMEs with 50-249 employees.

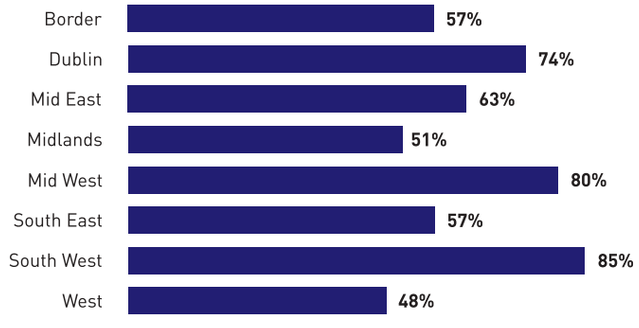
Transport, Storage and Communications firms (86%) are the most likely to have website capabilities, followed by other services (78%), Manufacturing (76%) and Business Services and Real Estate (74%) businesses. Agricultural (22%) and Construction (48%) based industries are the least likely to have website technology.

Of those that have a website, the majority of SMEs (65%) have the ability to update their website content in-house.

Over half (55%) of those businesses without a website stated that they are unlikely to establish a website over the next 12 months. Over two fifths of SMEs that do not have a website said they are quite (14%) or very (27%) likely to establish a website presence within the next 12 months.

WHETHER COMPANY HAS IT'S OWN WEBSITE

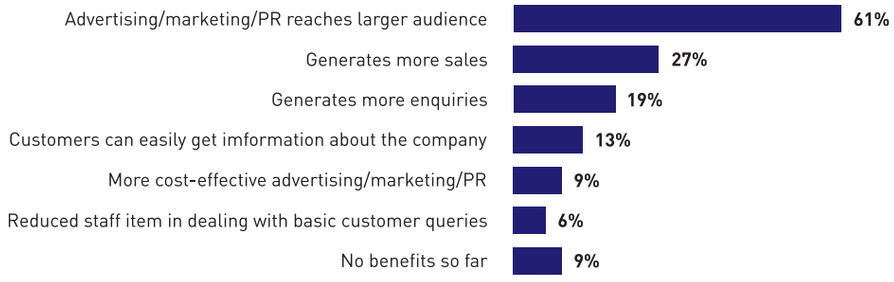
BASE 2003 – 601 ALL RESPONDENTS



SMEs in the West (48%) and Midlands (51%) are the least likely to have their own websites, while businesses in the South West (85%) and Dublin (74%) are the most likely to have their own website.

BENEFITS TO YOUR BUSINESS OF YOUR WEBSITE

BASE 2003 – 601 ALL RESPONDENTS



The benefits for a company of having a website are largely sales and marketing related with 70% stating that it enabled them to market to a larger audience (61%) or allowed them to market in a more cost-effective manner (9%). Impressively from a business perspective close to half of firms (46%) said their website generated more sales (27%) and enquiries (19%) for the company. The benefits of a web presence for the Hotel/Restaurant sector are particularly significant, with 60% of SMEs stating that their website generated more sales.

This benefit was particularly important in some regions, with 72% of SMEs in the West and 71% of SMEs in the Midlands benefiting from increased advertising and marketing audience reach. Of the one quarter of SMEs that felt their company website has generated more sales relatively more SMEs in the West (36%) and Midlands (34%) experienced this benefit compared to SMEs in the border (19%) and Mid East (17%).

For a quarter of Dublin SMEs, one of the main benefits of a company website was that customers could easily get information about their company. This was less of a benefit when considering across all SMEs surveyed (13%). Only 9% of SMEs surveyed felt that their company website has not yielded any benefits so far, although this figure was considerably higher for SMEs in the Border regions (16%).

5 appendices

APPENDIX 1–METHODOLOLGY

Objectives of Research
The main objective of this research was to determine the level of e-business user among small to medium-sized enterprises (SMEs), looking at the following issues:
- Type and availability of Internet connection;
- Current use of information and communication technology within organisations;
- Expected future use of information and communication technology within organisations;
- Obstacles to developing e-business applications.

Methodology
Research was undertaken by MORI MRC, an independent research company. Interviewing took place between 4th September and 10th September 2003.

A total of 601 interviews were conducted, using Computer Assisted Telephone Interviewing at MORI MRC's dedicated telephone research centre in Dublin. 10% of all interviews were silently monitored. All interviews complied with Interviewer Quality Control System and the Market Research Society's guidelines.

Quotas were set for interviews in accordance with business type based on a sampling frame derived from Dunne and Bradstreet data. This sampling frame was not used in surveys in previous years so the results are not strictly comparable with previous years. In addition, this survey used the NACE Rev 1 definitions of sectors. This is one of the most widely accepted standards for defining sectors.

All businesses surveyed had less than 250 employees. Interviewing was conducted with senior staff in each company surveyed.

SME Definition
For the purpose of this research businesses were defined in accordance with EU guidelines. Recommendations concerning the definition of micro, SMEs were published on 6th May 2003 and are due to come into force on Janurary 1st 2005. Until this time definitions agreed in 1996 apply. These define SMEs as enterprises that:

- have fewer than 250 employees, and have either
- an annual turnover not exceeding ECU40 million, or
- an annual balance sheet total not exceeding ECU27 million.

When distinguishing between SMEs, the 'small enterprise' is defined as an enterprise that:

- has fewer than 50 employees, and have either
- an annual turnover not exceeding ECU7 million, or
- an annual balance sheet total not exceeding ECU5 million.

Micro enterprises are defined as enterprises that have fewer than 10 employees.

Sample
The sample for this survey was drawn from the Chambers of Commerce of Ireland's member database. A sampling frame was applied to provide a representative sample of the overall sector structure of the economy. To achieve the required number of responses per sector and region, an additional 44 businesses were sourced from Dunne and Bradstreet to supplement chambers' members.

The number of interviews conducted in each region was as follows:

Border	75
Dublin	76
Mid East	75
Midlands	75
Mid West	75
South East	75
South West	75
West	75
Total	**601**

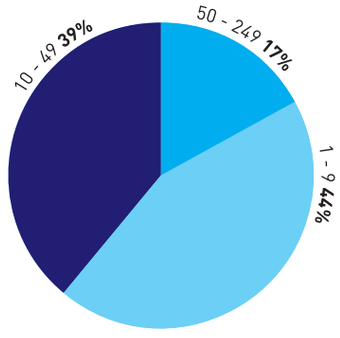
These regions are based on those used under the EU NUTS divisions. Some chambers with smaller membership numbers combined their lists as one sampling area.

APPENDIX 2–PROFILE OF RESPONDENTS

The charts that follow briefly profile the SMEs interviewed for the research in terms of company size (by employee numbers and company turnover) and sector.

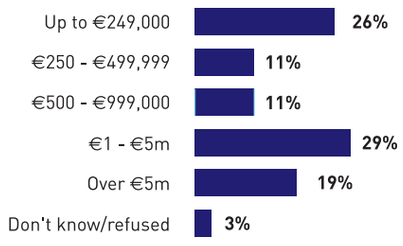
NUMBER OF EMPLOYEES

BASE 601 – ALL RESPONDENTS



ANNUAL TURNOVER

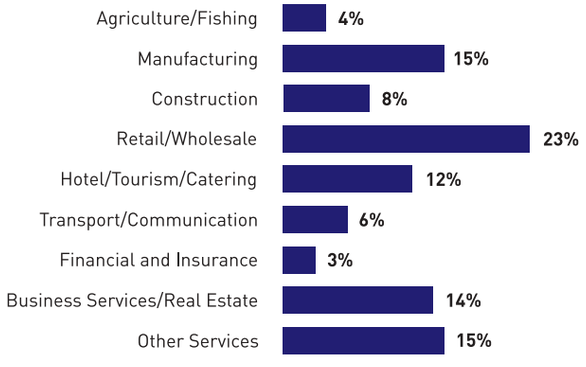
BASE 601 – ALL RESPONDENTS



Industry quotas, outlined in the graph below, were set at the outset of the study to more closely reflect the general make-up of the Irish businesses population.

BUSINESS SECTOR

BASE 601 – ALL RESPONDENTS



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