



Identifiably Irish
Ireland's Domain Registry

dot ie

Digital Health Index

Q4 2016



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Foreword



Welcome to the third edition of the IE Domain Registry's (IEDR) dot ie Digital Health Index, a research report that seeks to provide comprehensive analysis of the quantity and quality of digital assets, like websites and social media profiles, owned by Irish SMEs.

To date, IEDR has undertaken five 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.

This report investigates digital health in key areas, such as the capability of SME websites; SMEs' use of social media; SMEs' attitudes to web development and professional web developers; SMEs' perception of their competitors and their use of digital assets; and, the ongoing issue of offline SMEs.

This dot ie Digital Health Index is the first to record a drop in the overall digital health of Irish SMEs. For the first time since research began in May 2014, the Index fell, to 41.76, the second lowest score recorded. While SMEs have improved their digital offerings in some areas, like social media, there is still plenty of work to be done to encourage SMEs to make the easy leap online and e-commerce enable their websites.

Indeed, our research reveals an ongoing 'offliner conundrum' (explored in detail in Chapter 4):

- ▶ More than 1 in 5, or 22%, of Irish SMEs still have no online presence whatsoever, an increase on the last dot ie Digital Health Index. This is at a time when 90% of consumers go online to find information about companies and their products and services.
- ▶ There is a degree of cognitive dissonance among offline SMEs: most acknowledge the value of being online, yet do not actually bring their businesses online for several critical reasons, including time constraints, a lack of finance, know-how, expertise and skills, alongside low-levels of rural broadband availability.

For both consumers and businesses, the internet is essential to business. The European e-commerce market alone is worth €510 billion in 2016.¹ This figure will grow rapidly as the internet becomes ever more integrated into our daily lives, and a new generation of younger, more tech-savvy people spend online for the first time.

While more Irish SMEs are using social media, like Facebook, to connect with their customers (52% in October 2016 compared to 48% in April), most are still failing to follow through and leverage this connection by selling their goods or services to them. Only a fifth of Irish SMEs, or 20%, have web sales ability. As a result, of the almost €9 billion that will be spent online in Ireland in 2016, only 26% of this will be spent with Irish online operators².

For Irish SMEs, this movement of their customers' spend outside the country is unsustainable, and a failure to properly tap into this lucrative market may have long-term consequences for Ireland's online economy. This shift in mind-set will not happen overnight however, particularly as numerous infrastructural and awareness issues persist.

In Chapter 9, IEDR makes a number of recommendations to aid in the improvement of Irish SMEs' digital health. These recommendations remain clear and straightforward: The Government must continue to place emphasis on providing high-speed broadband to all parts of the country and more hands-on support must be given to Irish SMEs and micro-businesses with less than 10 employees, particularly in rural areas, by business groups, Chambers of Commerce and Local Enterprise Offices (LEOs).

A slip in the overall digital health of Irish SMEs is disappointing, but both industry stakeholders and the government must use this as an opportunity to harden their resolve. We must push harder than ever before to promote the potential of e-commerce to boost business growth, employment and GDP, and tear down the barriers which prevent SMEs from getting their businesses selling online.

David Curtin.

David Curtin *Chief Executive*
November 2016

¹ Source: eCommerce Europe: European B2C eCommerce Report 2016

² Source: Retail Excellence Ireland Budget 2017 Submission

Executive summary

Positive signs

- ▶ The number of SMEs with e-commerce-enabled websites (i.e. where SMEs can process sales online) has climbed to 29% in October 2016, compared to 24% in April 2016.
 - ▼ SMEs that can take sales orders on their websites has increased from 29% to 32%.
 - ▼ SMEs that can process payments on their websites has increased from 25% to 28%.
 - ▼ SMEs that can take bookings and reservations on their websites has increased from 32% to 35%.
- ▶ The average SME spends 25 minutes each day on its social media pages, meaning more time spent interacting with customers and promoting their business.
- ▶ 72% of SMEs report a positive impact from social media; of that figure, 97% said it had increased awareness of their business and 81% said it had increased sales.
- ▶ SMEs report an overwhelmingly positive experience of professional web development services: 84% of SMEs owners rated the professionalism of their web developer as "good" or "excellent".
- ▶ 70% of SMEs think their website is stronger than their direct competitors', the same score as April 2016. This recent consistency is good news, considering just 48% felt their website was stronger in September 2015.
- ▶ The proportion of SMEs with a Facebook page climbed to 52% in October 2016, compared to 48% in April 2016.

The offliner challenge

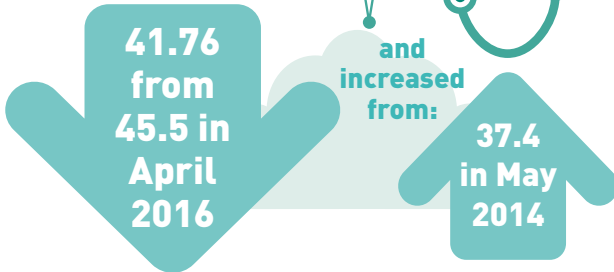
- ▶ The number of SMEs with no online presence whatsoever has jumped from 17% in April 2016 to 22% in October 2016.
- ▶ The biggest barriers keeping SMEs offline are lack of time (38%), lack of know-how (28%), cost (27%) and cyber security concerns (16%). Poor internet connection is keeping 1 in 6 SMEs, or 17%, offline.
- ▶ Two thirds of offliners, 66%, do not intend to build a website in the future.
- ▶ The primary reason for not having a website has not changed from previous research waves with the majority of SMEs saying that there is "no need in our industry."

Emerging trends

- ▶ The overall dot.ie Digital Health Index has fallen for the first time since research began in May 2014, to 41.76 (the second lowest recorded score), as the number of SMEs that have and use digital assets has decreased.
- ▶ Today, 1 in 5, or 22%, of Irish SMEs have no online presence whatsoever. This is an increase on April 2016.
- ▶ Only 2 in 5 of offline SMEs, or 44%, believe that having a website is “important in driving awareness of your business.”
- ▶ Overall, 81% of SMEs with websites said their websites are important or very important for driving future sales growth, 77% as a driver of generating sales and 57% as a point of transaction to capture and process sales, but this is not coming through in e-commerce-enabled websites.
- ▶ Only 20% of all SMEs have web sales ability, a marginal increase from the last research wave (April 2016).
- ▶ As consumers, however, SMEs interact and transact online:
 - ▼ 2 in 3 SMEs (62%) shop online, almost 3 in 4 (70%) make payments online, and more than 2 in 3 (67%) make bookings or reservations online.
 - ▼ But, only 1 in 3 (32%) can take sales orders on their own websites, just 3 in 10 (28%) can take payments, and 1 in 3 (35%) can take bookings or reservations.

dot ie Digital Health Index

The dot ie Digital Health Index has decreased to:



The number of SMEs without an online presence is increasing.



49% of Irish SMEs say that they proactively post to social media

Just 1 in 5 Irish SMEs have web sales ability, despite Irish consumers spending €9 billion online¹

¹ Source: Retail Excellence Ireland Budget 2017 Submission.

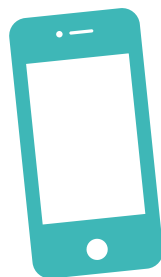


The average SME spends 25 minutes each day on its social media pages



62% of Irish SMEs have used a paid web developer with 84% rating their web developers' professionalism as "good" or "excellent"

SMEs recognise their customers desire to use mobile with 53% currently having mobile responsive websites



4 in 5 Irish consumers intend to shop online this Christmas.

Irish consumers spend over €9 billion¹ online but only 32% of SME websites can take sales orders online and only 28% 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:

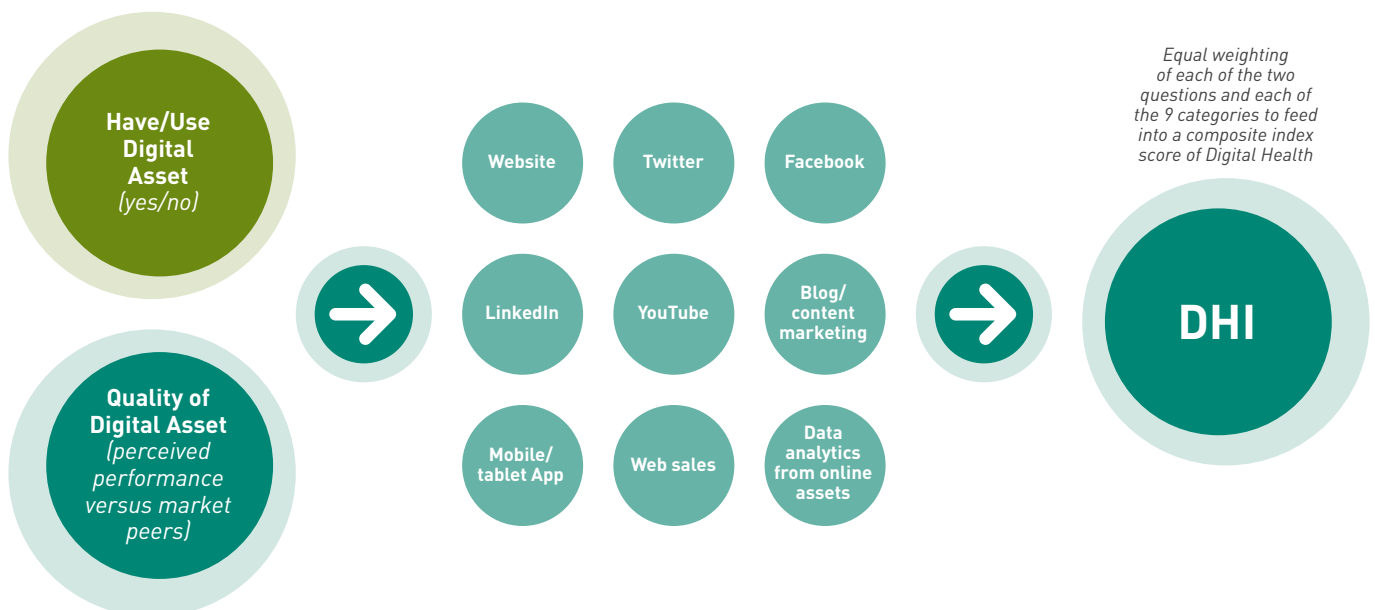
- ▶ Website
- ▶ Twitter
- ▶ YouTube
- ▶ Mobile or tablet app
- ▶ Data analytics from online assets
- ▶ Facebook
- ▶ LinkedIn
- ▶ Blog or content marketing software
- ▶ Web sales

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, October 2016

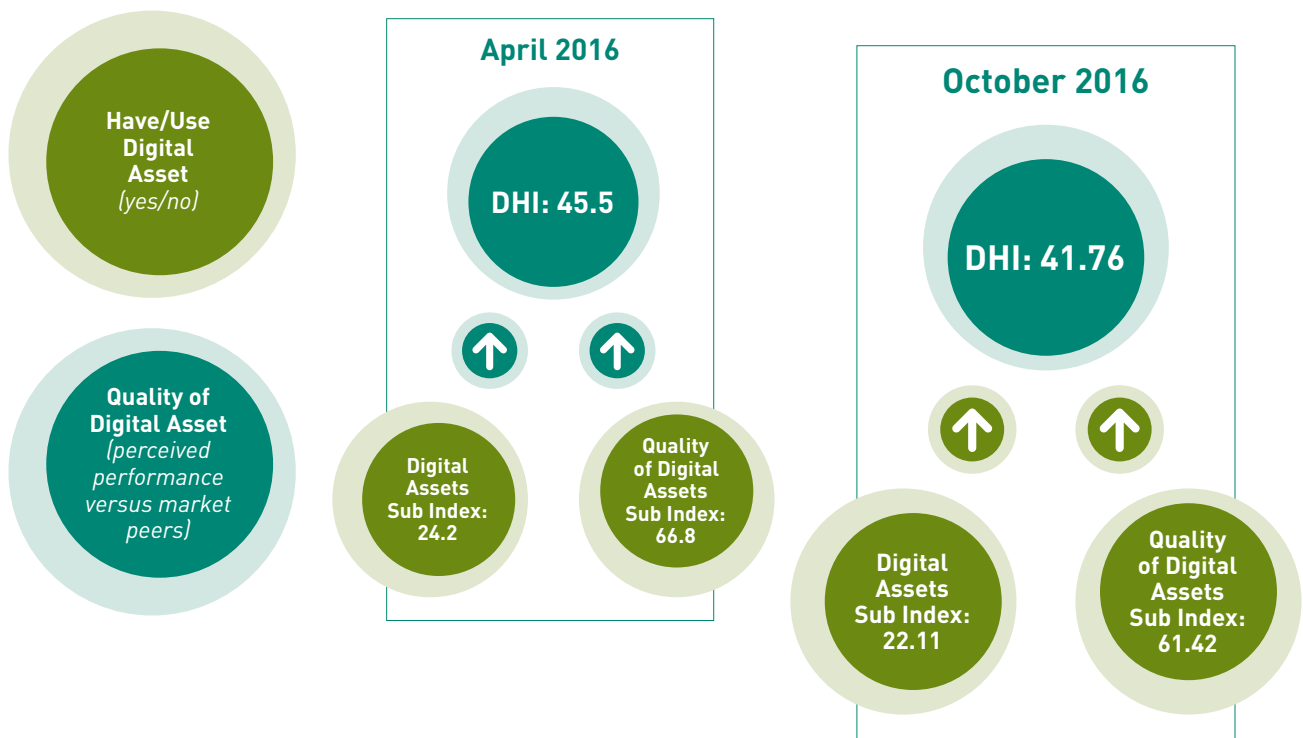
This is the fifth wave of research conducted as part of the dot ie Digital Health Index, with previous waves conducted in May 2014, December 2014, September 2015 and April 2016.

As of October 2016, the dot ie Digital Health Index stands at 41.76. This is a drop from 45.5 in April 2016 and the second lowest score since the first wave of research in May 2014 (37.4).

This means that the overall number of Irish SMEs that have and use digital assets has decreased alongside a decrease in the perceived quality of the performance of these assets when directly compared with those of their market peers.

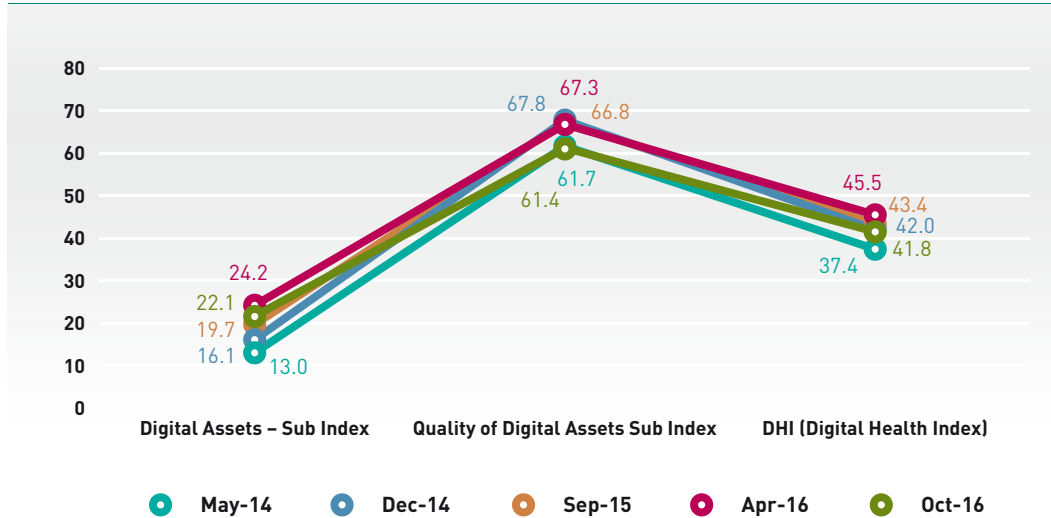
The decrease is driven primarily by the number of digital assets owned by SMEs. Our research found that there was a significant drop in the number of SMEs with a website (62% in October 2016 compared to 72% in April). Other contributing factors included:

- ▶ The rise in the proportion of SMEs without any online presence whatsoever (22% in October 2016 compared to 17% in April 2016)
- ▶ SMEs with a Twitter profile (18% in October compared to 21% in April)
- ▶ SMEs with a LinkedIn profile (19% in October compared to 23% in April)



1.3 dot ie Digital Health Index: all waves

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



This edition of the dot ie Digital Health Index marks the first time that the overall score has dropped, following a consistent rise since May 2014.

This overall drop is in part due to the decrease in the perceived quality of SMEs’ digital assets, or how SMEs believe their digital assets, like websites and social media profiles, compare to those of their competitors. Following a peak in December 2014 with a score of 67.8 and two consecutive drops in September 2015 and April 2016, to 67.3 and 66.8, the digital assets quality sub-index score fell to its lowest ever point in October 2016 (61.42), lower than when research began in May 2014 (61.7). This is reflected in the table below:

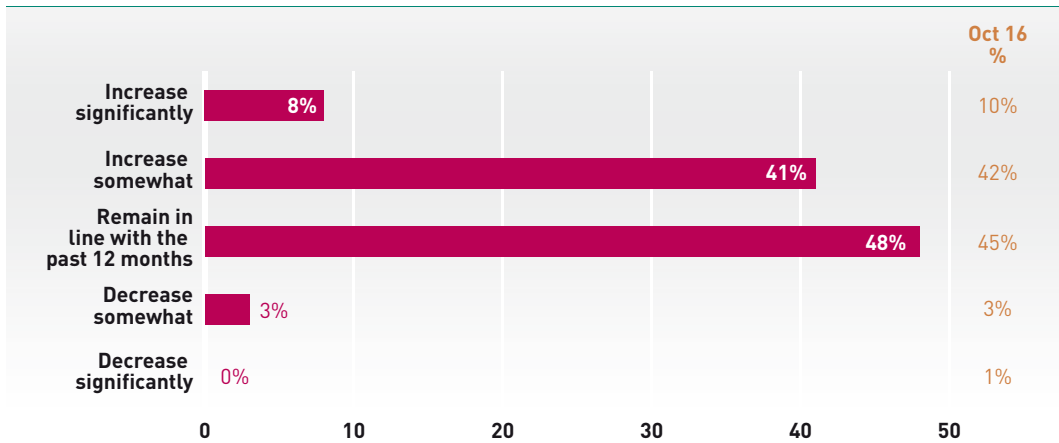
Quality of Digital Assets Sub Index

	May - 14	Dec - 14	Sep - 15	Apr - 16	Oct 16
Website	65	71.2	64.5	71.5	70.5
Twitter	63	71	71	64.25	62.5
Facebook	67.5	65.5	58	69	67.25
Linkedin	61	58.2	57	68.75	66.25
YouTube	62.5	64.7	75	60	49.5
Blog/Content Marketing	60	67.2	72.5	72.25	49.5
Mobile/Tablet App	62.5	87.5	75	60	56.5
Web Sales	57.75	62.5	69.75	60.5	59.5
Data Analytics	56.25	62.5	64.75	74.75	71.25

1.4 General industry sentiment

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

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



Base: 2,511; All companies across five research waves, 500 companies [October 2016]

Despite the drop in the overall score of the dot ie Digital Health Index, business owners are similarly confident in their expected revenue prospects as they have been throughout all five waves of research. 10% expect their revenues to increase significantly in the next twelve months (8% average across all waves), and 42% expect them to increase somewhat (41% average); only 3% and 1% expect their revenues to decrease 'somewhat' and 'significantly', respectively.

Chapter two

What digital assets do SMEs own and use?

- ▶ No digital assets at all (22%), an increase on April 2016 (17%)
- ▶ SMEs with websites (62%), a decrease on April 2016 (72%)
- ▶ Ability to run analytics (20%), an increase on April 2016 (16%)
- ▶ SMEs with web sales enabled websites (20%)

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 Digital health drops

According to the latest dot ie Digital Health Index, the overall digital health of Irish SMEs has fallen to the second lowest level since research began in May 2014.

Since April 2016, the number of SMEs with a website has fallen from 72% to 62% in October. Despite the drop in the number of SMEs with websites, there has been a slight increase in the number of SMEs with e-commerce capabilities. 20% have web sales ability, up from 19% in April, while 20% run analytics software on their website, up from 16%. Encouragingly, in the two-year period since this research began, both of these assets have improved significantly, with 19 percentage point increases in companies who can both process web sales online and run analytics since May 2014.

Emerging social media trends, covered in Chapter seven, include:

- ▶ The number of companies with a Facebook page increased by 4 percentage points, from 48% to 52%.
- ▶ The number of companies with a Twitter account has decreased by 3 percentage points, from 21% to 18%.
- ▶ The number of companies with a LinkedIn profile decreased by 4 percentage points, from 23% to 19%.
- ▶ The number of companies with a YouTube channel dropped 3 percentage points, from 7% to 4%.

2.2 The offliner conundrum

EU consumers are expected to spend a staggering €510 billion across Europe before year's end, and Ireland's share of the digital marketplace is valued at an impressive €9 billion.³ Despite the clear benefits offered by using an online presence to reach this market, there remains a significant cohort of SMEs without any online presence whatsoever, e.g. a website or social media profile.

In fact, the size of this cohort has increased since the last wave of research in April 2016: now 22% of SMEs, more than 1 in 5, have no digital assets, compared to 17%, or 1 in 6, earlier this year. Fortunately, this number is still lower than both September 2015 (25%) and May 2014 (28%, the highest percentage of all dot ie Digital Health Index research waves to date).

SMEs with fewer than 10 employees are the source of this drop. In particular, the number of SMEs with 1-2 employees without an online presence increased by 7 percentage points, from 25% in April 2016 to 32% in October.

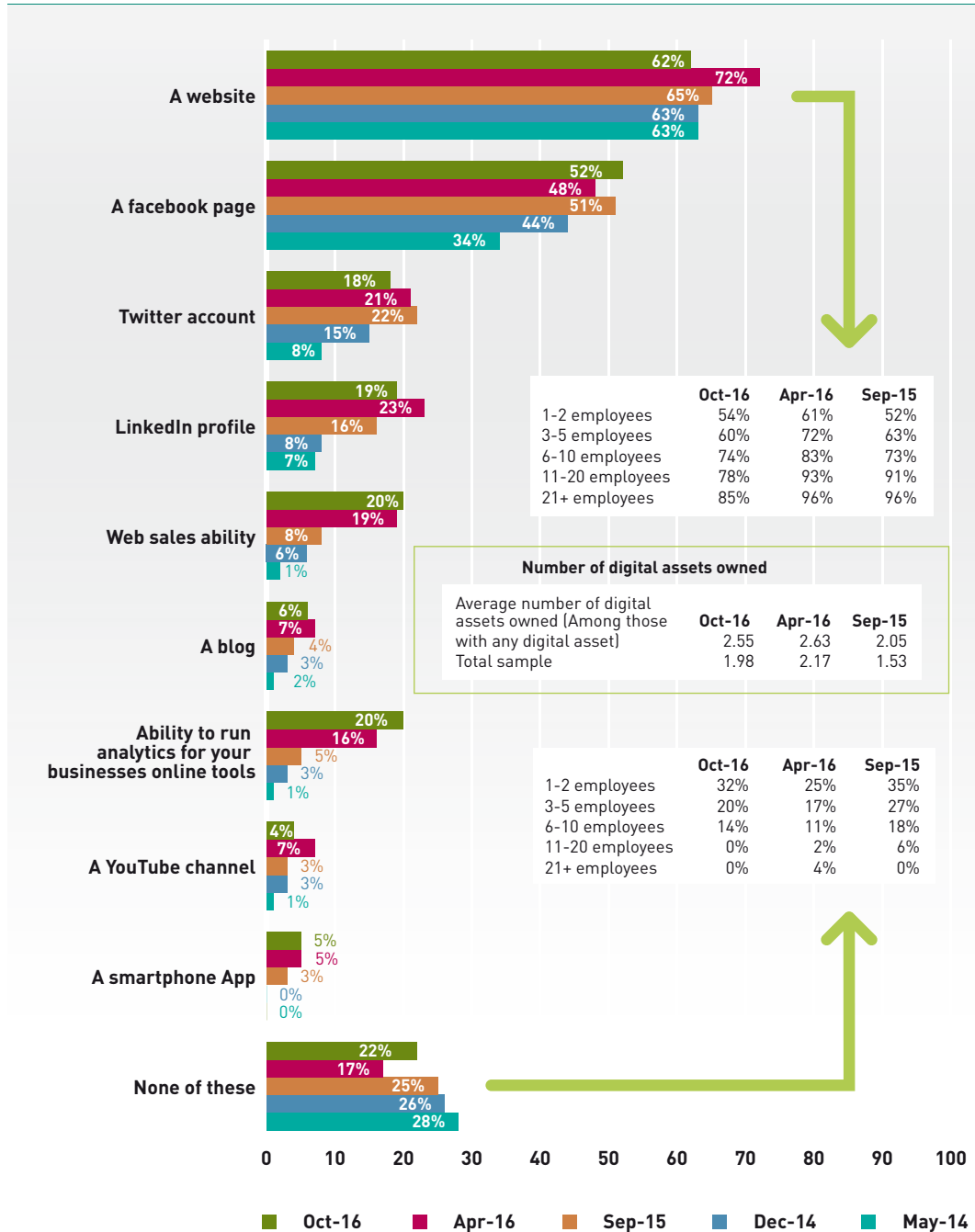
More can be read about the "offliner conundrum" in Chapter 4.

3 Retail Excellence Ireland Budget 2017 Submission

2.3 Digital assets owned – SMEs with a website

Breakdown of the digital assets owned by Irish SMEs

Which of the following does your business have?

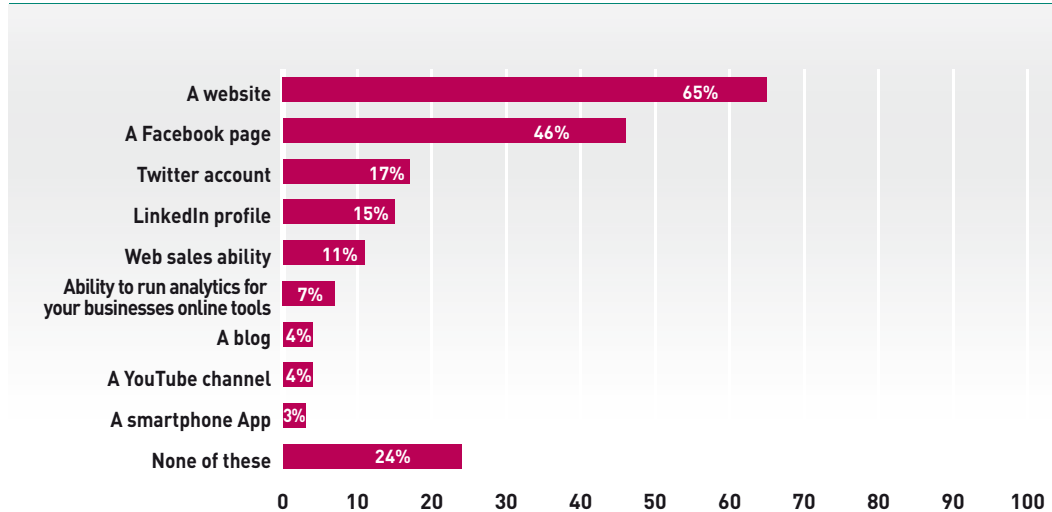


Base: 500; All companies [October 2016]

The average digital asset ownership percentages, illustrated below, show 65% with a website, 11% with web sales ability and 24% with no digital assets whatsoever.

Breakdown of the digital assets owned by Irish SMEs – total sample across all five research waves

Which of the following does your business have?



Base: 2,511: All companies across five research waves

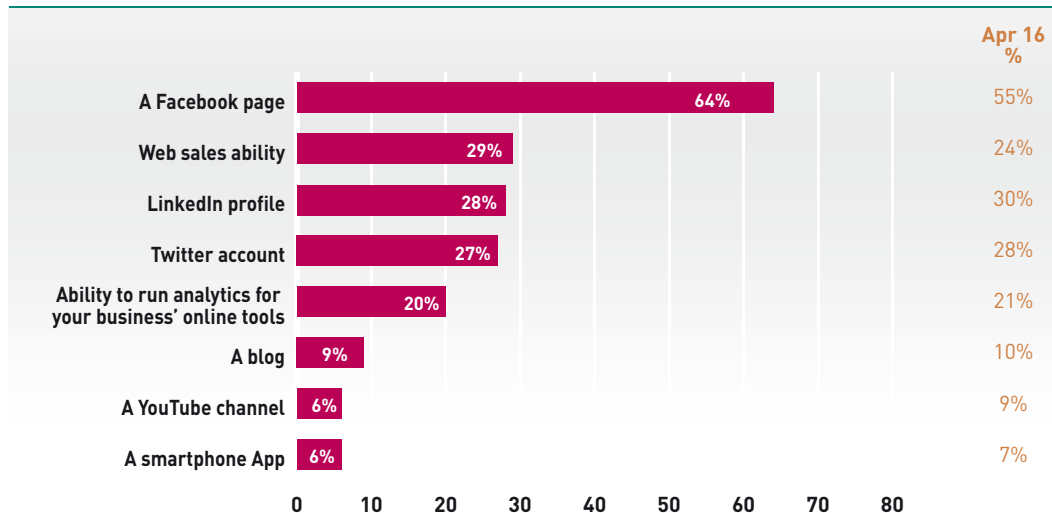
2.4 Digital assets owned – SMEs with multiple digital assets

Despite the increase in the number of SMEs without any online presence, our research indicates that digitisation is becoming more prolific, with more and more owning multiple assets. This indicates a growing appreciation for the internet’s power to attract customers, sell goods and services and improve customer experiences.

For instance, of those SMEs with a website, 64% also had a Facebook presence (up from 55% in April 2016); it is also particularly encouraging to see an increase in the number of SMEs with web sales ability: 29% can now process sales online, up from 24% in April 2016.

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

Which of the following does your business have?



Base: 312; All companies with a website [October 2016]

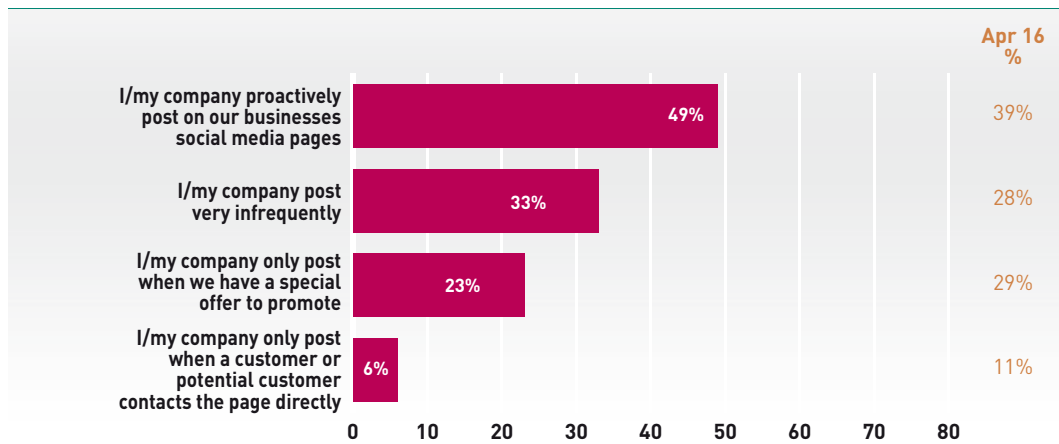
2.5 Social media assets and usage

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

Our research indicates that Irish SMEs increasingly value the importance of social media in reaching out to current and prospective customers, and growing their business. 49% of Irish SMEs say that they proactively post to social media, up from 39% in April 2016. The number who claim to only post when they are contacted by a customer has fallen from 11% to 6%.

Social media posting frequency of Irish SMEs

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



Base: 285: All companies that use social media [October 2016]

- ▶ The proportion of SMEs with a Facebook page climbed to 52% in October 2016, compared to 48% in April 2016.
- ▶ SMEs with a Twitter profile fell from 21% in April to 18% in October.
- ▶ LinkedIn usage also fell slightly, from 23% to 19%; as did YouTube, from a peak of 7% to 4%.

A deeper look at Irish SMEs' use of social media can be found in Chapter 7.

Chapter summary

- ▶ Since April 2016, the number of SMEs with a website has fallen from 72% to 62%.
- ▶ Of those SMEs with websites the number with web sales ability has climbed to 29% in October 2016, compared to 24% In April 2016.
- ▶ More than 1 in 5, or 22%, of SMEs still have no digital assets whatsoever, an increase on the last wave of research.

Chapter three

How SMEs use their websites

- ▶ Not e-commerce enabled (only 28% can process payments online)
- ▶ Not sales focussed (only 32% can take sales orders online)
- ▶ Not mobile responsive (only 53%)
- ▶ Not updated regularly (35% 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.

The majority of SMEs, however, have yet to embrace a fully functional, regularly updated website with e-commerce capabilities. With consumers increasingly incorporating digital tools, online transactions and technologies into their day-to-day lives, SMEs need to think beyond a basic landing page, and look to a more dynamic website which can take sales orders and process payments. In doing so, SMEs can kick open the door to new markets, meet consumer needs and reach new customers, regardless of the geographic location of the SME.

3.1 Website functionality

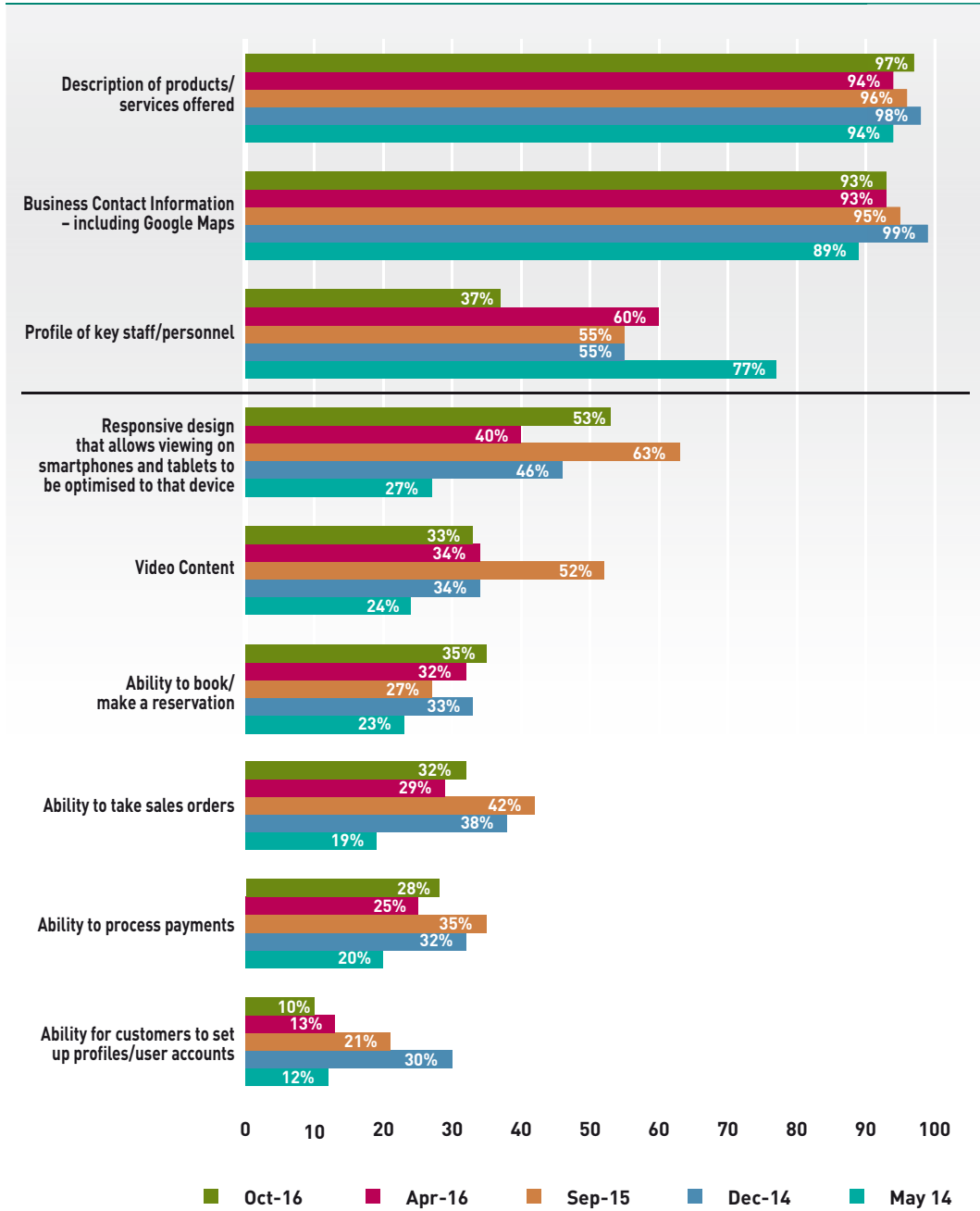
Breakdown of the functionality of SME websites

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?

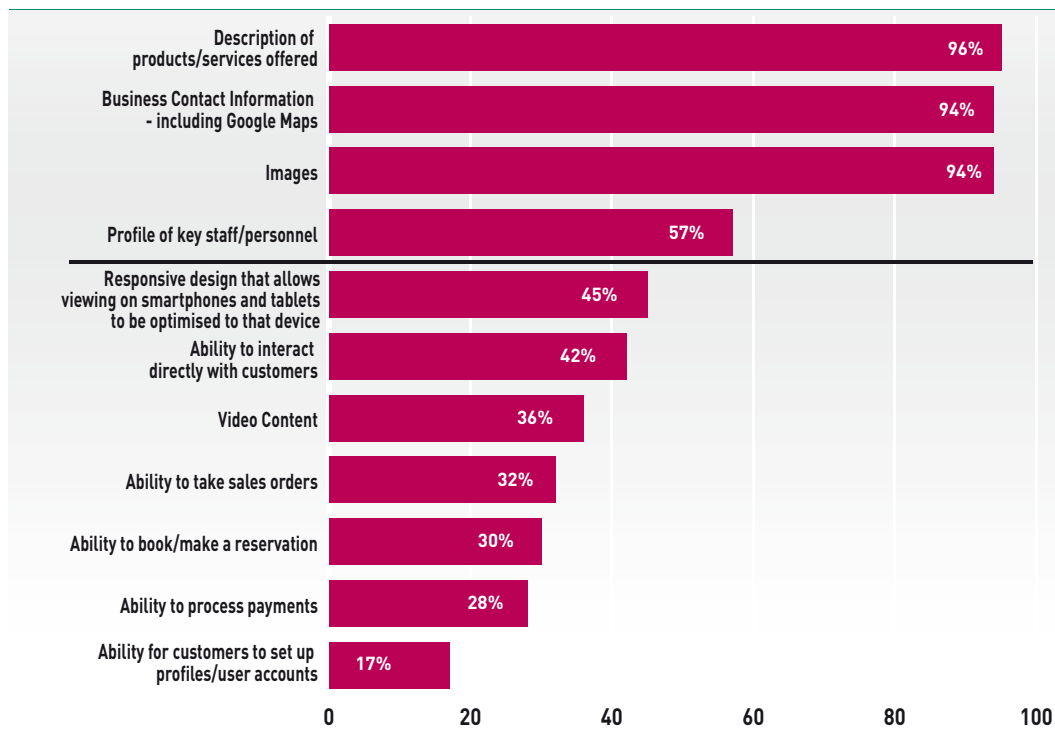


Base: 1,653; All companies with a website from across 5 research waves

Over the period since May 2014 the five waves of research have covered 2,511 SMEs. Of those 1,635 SMEs with websites the average usage percentages, illustrated below, show 32% have the ability to take sales orders, 30% have the ability to book/make a reservation online and 28% have the ability to process payments.

Website functionality – total sample across all five research waves

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



Base: 1,635; All companies with a website across five research waves.

3.2 E-commerce enabled websites

Although more than half of SMEs with a website, or 57%, believe that it is important for capturing and processing sales 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 report we are referring specifically to the ability to take a reservation, a sales order 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 have increased slightly since the last report:

- ▶ SMEs with the ability to take sales orders on their website has increased from 29% to 32%
- ▶ SMEs with the ability to process payments on their website has increased from 25% to 28%
- ▶ SMEs with the ability to take bookings and reservations on their website has continued to increase, albeit marginally from 32% to 35%.

While these numbers are moving in the right direction they are relatively small percentage point increases from the April 2016 wave, and the majority of Irish SMEs are still failing to embrace e-commerce as a viable sales channel.

3.3 SME attitudes to website design and promotion

There is a significant increase in the number of SMEs with mobile responsive websites since the April 2016 wave, from 40% to 53%.

The number of SMEs using video content for marketing purposes has decreased by one percentage point from 34% to 33%.

While the jump in mobile responsive websites is encouraging, the lack of uptake in video content remains disappointing, given the improvement and advancement in widely available video shooting and editing tools on most smartphones.

3.4 Basic website functionality

Similar to our previous waves of research, the trend of Irish SMEs using their websites exclusively as static “postcards” continues.

97% of respondents’ websites include a “description of products/services offered” and 93% include “business contact information”, findings which have been consistent across all previous waves of research. These postcard style websites often include just basic contact information along with a brief description of products and services, but little else of value to a potential online customer who is actively looking to purchase goods or services online.

Indeed, in this latest research wave there has been a significant drop in the number of SMEs that profile key staff and personnel on their websites, down from 60% to 37%, a 23 percentage point drop. While this could be down to an SME choosing to streamline the information they make available on their website to improve their customers’ experience, the size of the drop is interesting and could point to a shift away from SMEs embracing basic website functionality.

3.5 Importance of awareness versus action

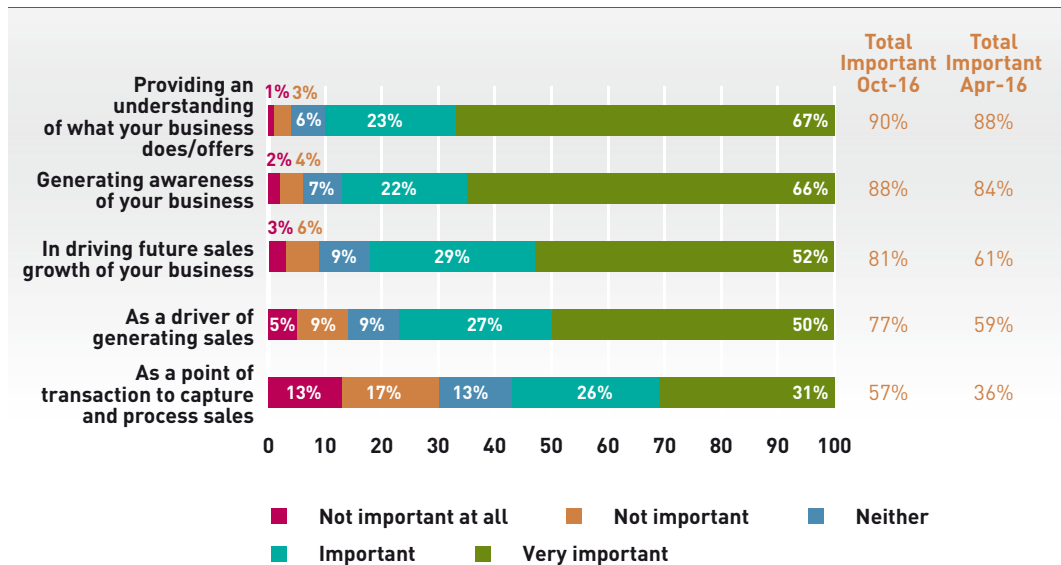
As per previous research waves, this report shows a continuing reluctance by SMEs to adopt e-commerce on their websites.

Our research shows that this reluctance is not caused by a lack of understanding of the value of various website capabilities.

Indeed, SMEs are very aware of the importance of their website in “providing an understanding of what your business does/offers” (90% up from 88% in April 2016) and in “generating awareness of the business” (88% up from 84%).

The importance of websites

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



Base: 312; All companies with a website [October 2016]

This is a clear contradiction, however. While 81% and 77% of SMEs said that websites are also important in “driving future sales growth of your business” and “as a driver of generating sales” respectively, SMEs are not building any of this perceived importance into their own website functionality. By their own admission they appear happy to leave their website without key e-commerce functionality. In section 3.1, the research showed that:

- ▶ only 35% of their websites have the ability to book/make a reservation.
- ▶ only 32% have the ability to take sales orders online.
- ▶ only 28% have the ability to process payments online.

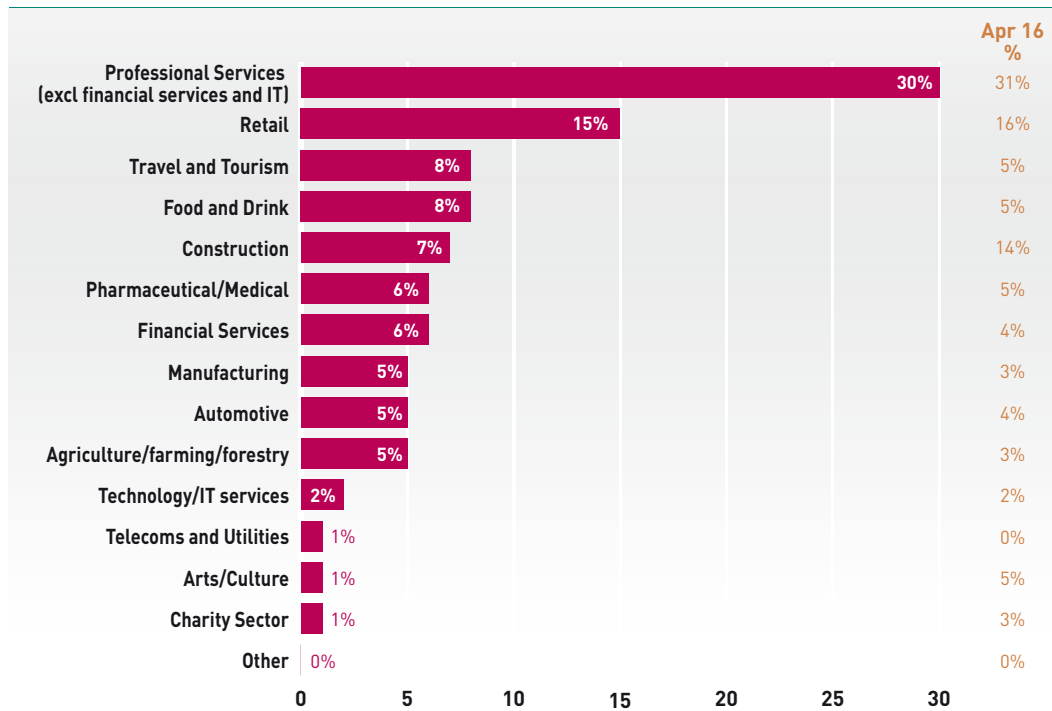
Additionally, more than half of SMEs with a website, or 57%, believe that a website is important “as a point of transaction to capture and process sales”, up from 36% in the April 2016 wave. That 1 in 2 SMEs see e-commerce capabilities as important but do not have this functionality on their website is further evidence of the disconnect between awareness and action.

Some explanation may be found in the CSO Business Demography statistics⁴. 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: 500; All companies [October 2016]

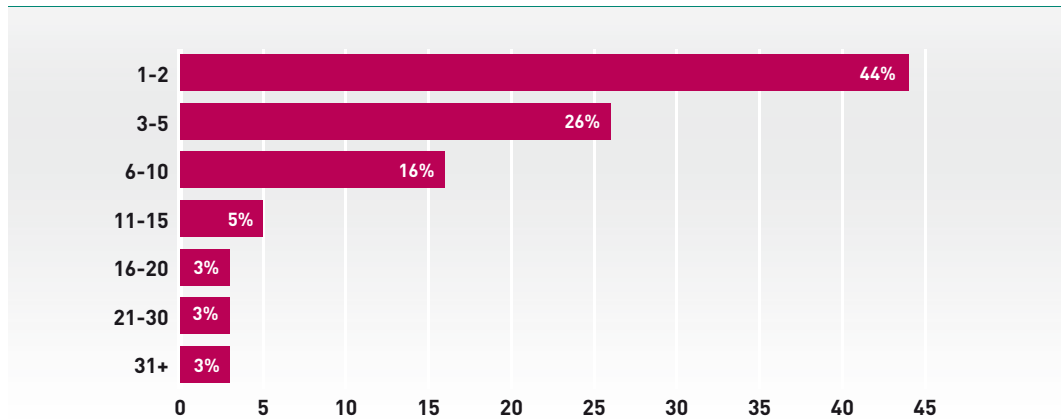
⁴ Source: CSO Business Demography. Table 3.2, number of active enterprises and persons engaged by sector and size class, 2012.

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

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: 500; All companies [October 2016]

Chapter summary

- ▶ Only a minority of SMEs have websites that are e-commerce enabled; these numbers have only marginally increased since the last research wave.
- ▶ SMEs with the ability to take sales orders on their website has increased from 29% to 32%.
- ▶ SMEs with the ability to process payments on their website has increased from 25% to 28%.
- ▶ SMEs with the ability to allow bookings and reservations on their website has increased from 32% to 35%.
- ▶ There is a disconnect between awareness and action; although 81% of SMEs said that websites are important or very important for driving future sales growth, 77% as a driver of generating sales, and 57% as a point of transaction to capture and process sales, these beliefs are not coming through in the actual functionality of their own website.

Chapter four

The offliner conundrum

Running a business without any online presence must be challenging, yet 1 in 5 Irish SMEs remain completely offline.

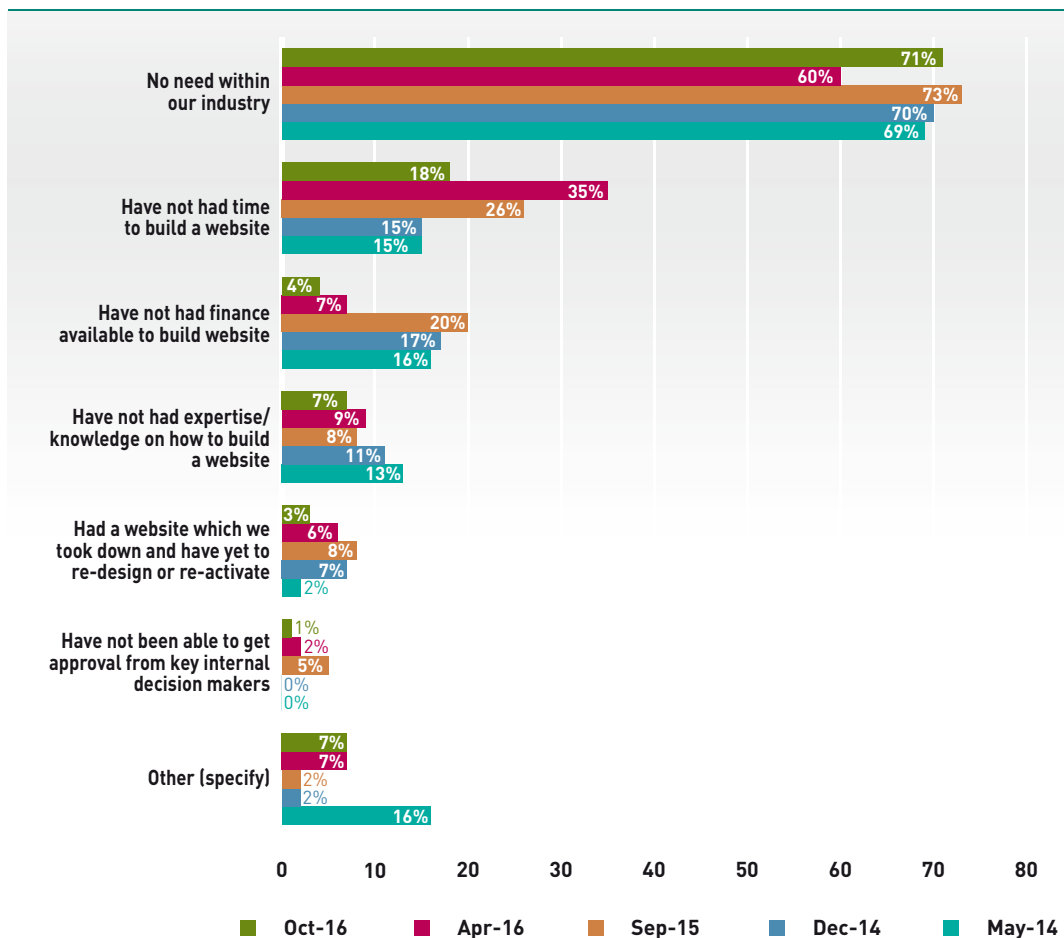
Our research, as set out in Chapter 2, shows that more than 1 in 5 SMEs, or 22%, still have no digital assets, effectively no digital presence whatsoever. This means that they do not have a website, an app or a social media account. We were cautiously optimistic to see this figure fall to 1 in 6, or 17%, in April 2016. That it has increased again is disappointing, but it does raise an important question. If SMEs can see a value of having an online presence, then why do a significant cohort still remain offline? In the context of the Irish consumers' behaviour shown in Chapter 6, the disconnect is alarming.

4.1 Rationale for SMEs not having a website

The three main reasons for not having a website are cited as: no need 71%, no time 18% and no expertise 7%.

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: 188, All companies without a website [October 2016]

Since April 2016, the percentage of SMEs who believe that there is “no need within our industry” has jumped by 11 percentage points (from 60% to 71%) – we discuss this further in section 4.4. Interestingly, the number of SMEs citing time, cost or lack of know-how as a reason for not having a website has fallen. These factors could be attributed to the general improvement in the Irish economy, but worryingly, if they are no longer significant barriers, then what actually is stopping SMEs from getting their businesses online?

Whatever the reasons, the fact remains that 1 in 5 SMEs are still without a website. This ought to be a major issue of concern for policymakers interested in developing Ireland’s e-commerce marketplace.

Evidence also remains 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.

Moreover, the figures imply a certain confidence among SMEs, the majority of whom say that they expect business growth over the next 12 months (detailed in Section 1.4). Perhaps the feeling is that if their particular business model isn’t broken, why fix it?

4.2 Barriers preventing businesses going online

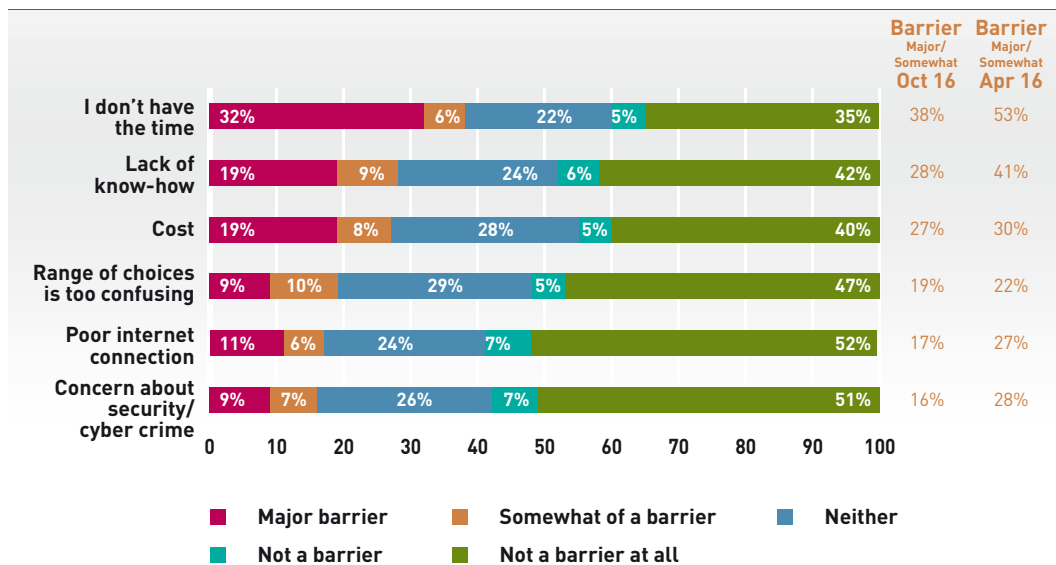
Encouragingly, there is a fall across the board in the perceived barriers to going online for SMEs currently without a website. “I don’t have the time” has dropped by 15 percentage points from 53% to 38% since the last research wave, while “lack of know-how” has fallen by 13 percentage points from 41% to 28%. Cost is a barrier for 1 in 4 of SMEs, or 27%, down from 30%. Cybercrime became less of an issue for SMEs too, with just 1 in 6 SMEs, or 16%, citing it as a barrier, down from 28%.

Interestingly, broadband is cited as a barrier for 1 in 6 SMEs, or 17%, a drop of 10 percentage points from 27%. This contradicts anecdotal evidence that cites poor broadband connection in rural locations as keeping businesses offline. Indeed, it suggests that the perceived digital divide in terms of connectivity and accessibility throughout all regions of the country is narrowing. Or are SMEs simply jaded by the continual missed deadlines for the National Broadband Plan?

Further investigation is required to understand this anomaly.

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: 188; All companies without a website [October 2016]

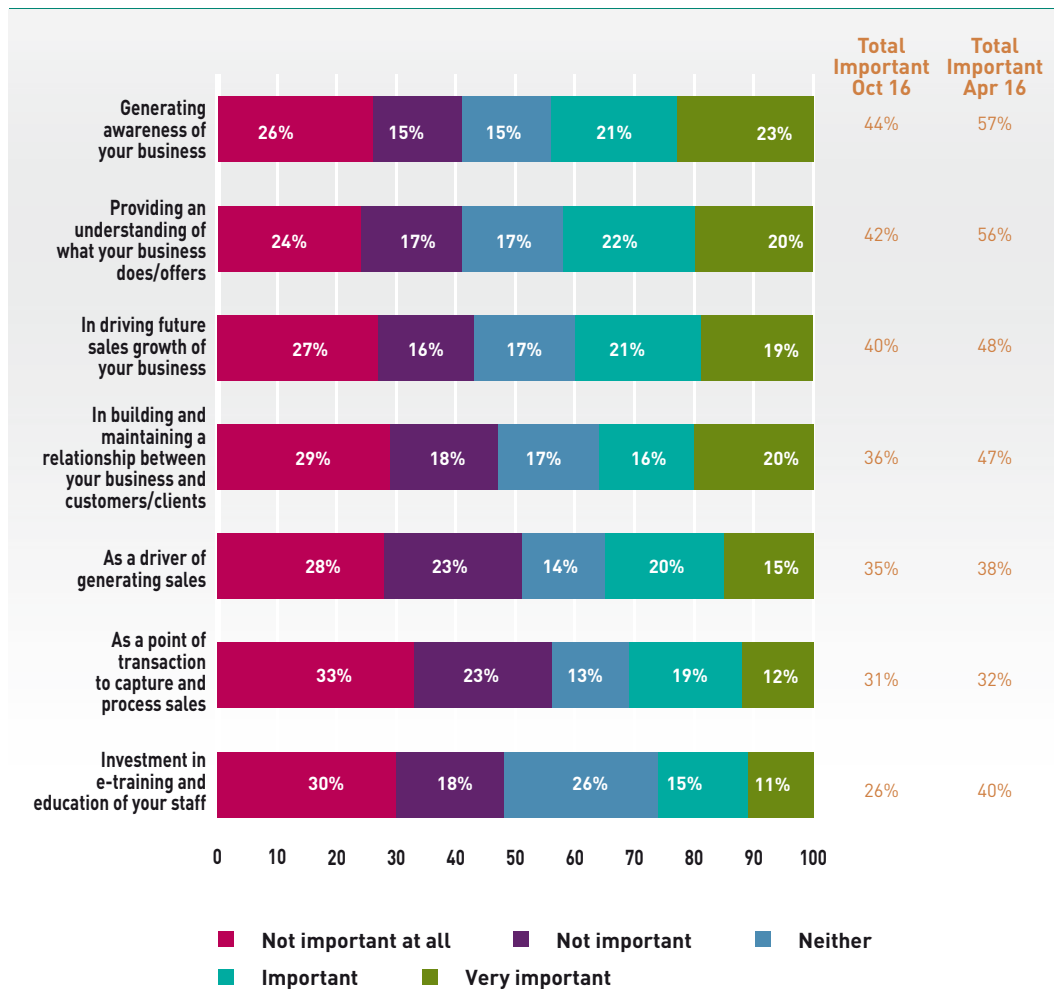
4.3 Is awareness an issue for offliners?

Although the majority of SMEs without a website say that their industry does not require one, the latest dot ie Digital Health Index suggests that there is still a strong appreciation for the importance of an online presence among this particular cohort of offline SMEs.

This is a significant finding for policy makers, for whom a significant effort is (still) expended on encouraging SMEs to go online. If offline SMEs do not see the value or importance of having an online presence, policy makers may have to adjust their messaging to address this disconnect.

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: 188; All companies without a website [October 2016]

There is a fall across the board in the appreciation of a website to drive awareness, business growth and to capture sales among offliner SMEs. Moreover, almost half of SMEs without a website, or 48%, say that investment in e-training and education is not important to them.

Just 44% of offliner SMEs believe that a website is important for generating awareness of their business, down 13 percentage points from April 2016.

Only 42% of offliner SMEs believe that a website is important in providing an understanding of what a business does or offers (down from 56% in April 2016), while just 36% (down from 47% in April 2016) acknowledge the importance of a website in building and maintaining customer relationships.

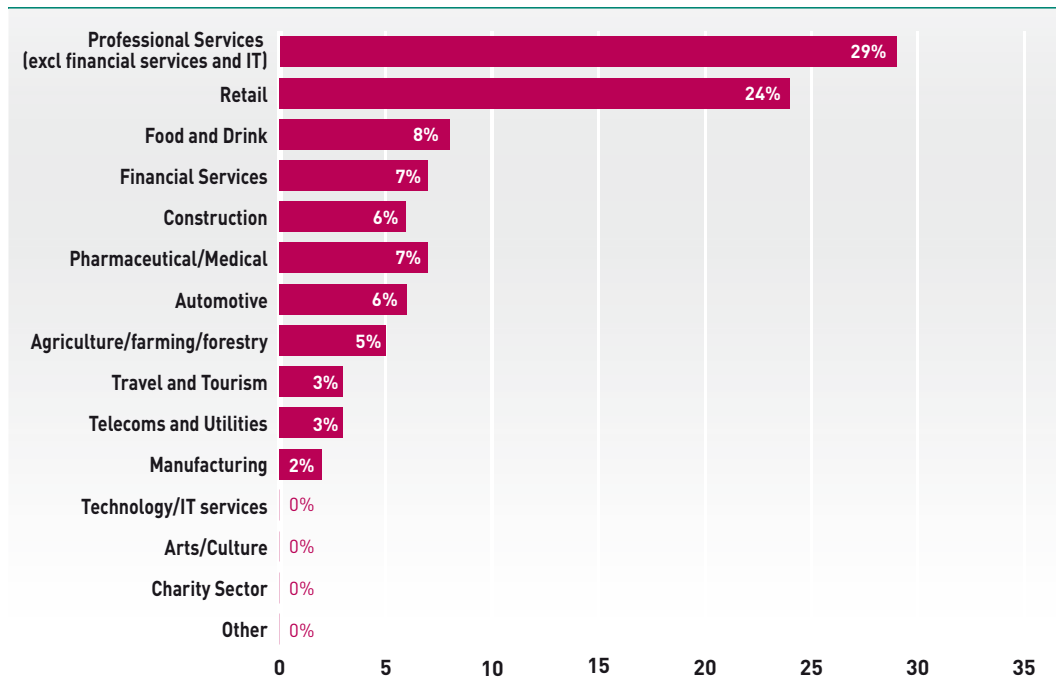
In terms of e-commerce, just 40% of offline SMEs view websites as important in driving future sales growth, down from 48%. There was also a drop in the number of SMEs that viewed websites as a driver of generating sales (35% down from 38%), or as a point of transaction to capture and process sales (31% down from 32%). This underlines the fact that Irish SMEs are yet to embrace, or tap into, the lucrative e-commerce market.

4.4 “No need within my industry” – really?

Any internet user, from a silver surfer to a digital native, will be shocked to see that almost three-quarters of companies without a website, or 71%, believe that there is “no need within our industry.” This is up 11 percentage points since April.

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 (29%).

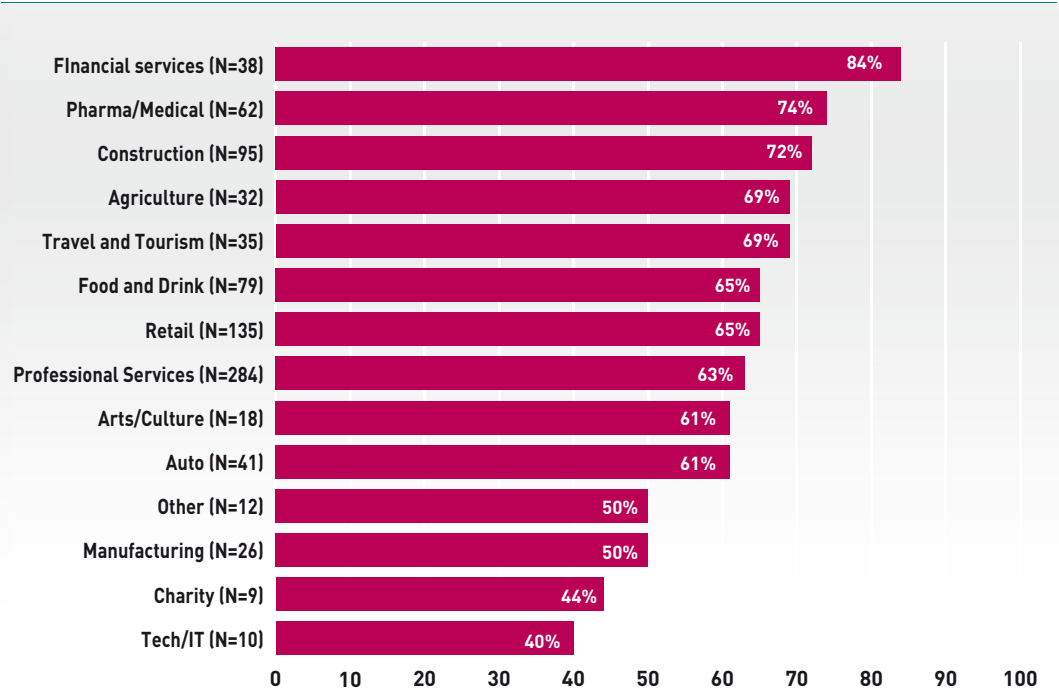
Profile of SMEs who state their reason for not having a website is “no need within our industry”



Base: 134; All companies that do not believe there is a need for a website within their industry [October 2016]

Over the period since May 2014 the five waves of research have covered 2,511 SMEs. Of those 876 SMEs without a website the average usage percentages, illustrated below, show that 65%, or 573 said that there was no need for a website within their industry. The specific industry sectors of these 573 respondents is analysed below.

Profile of SMEs who do not have a website and state there is 'no need within our industry' to have one - across all five research waves



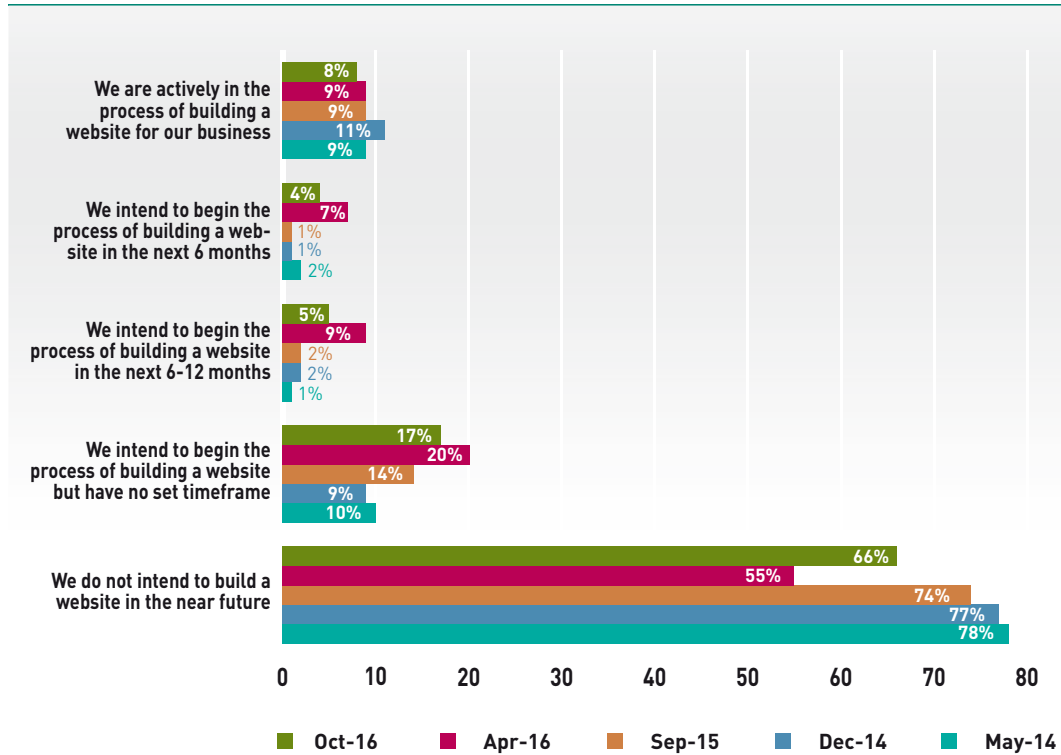
Base: 876; All companies without a website across five research waves

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

Only 17% of SMEs who are currently without a website intend to build one within the next 12 months. This implies that just 1 in 6 SMEs who are not online recognise that they need to be. Worryingly, there is still a large cohort of SMEs, 66%, who say that they do not intend to build a website in the near future. This is an increase of 11 percentage points since April.

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

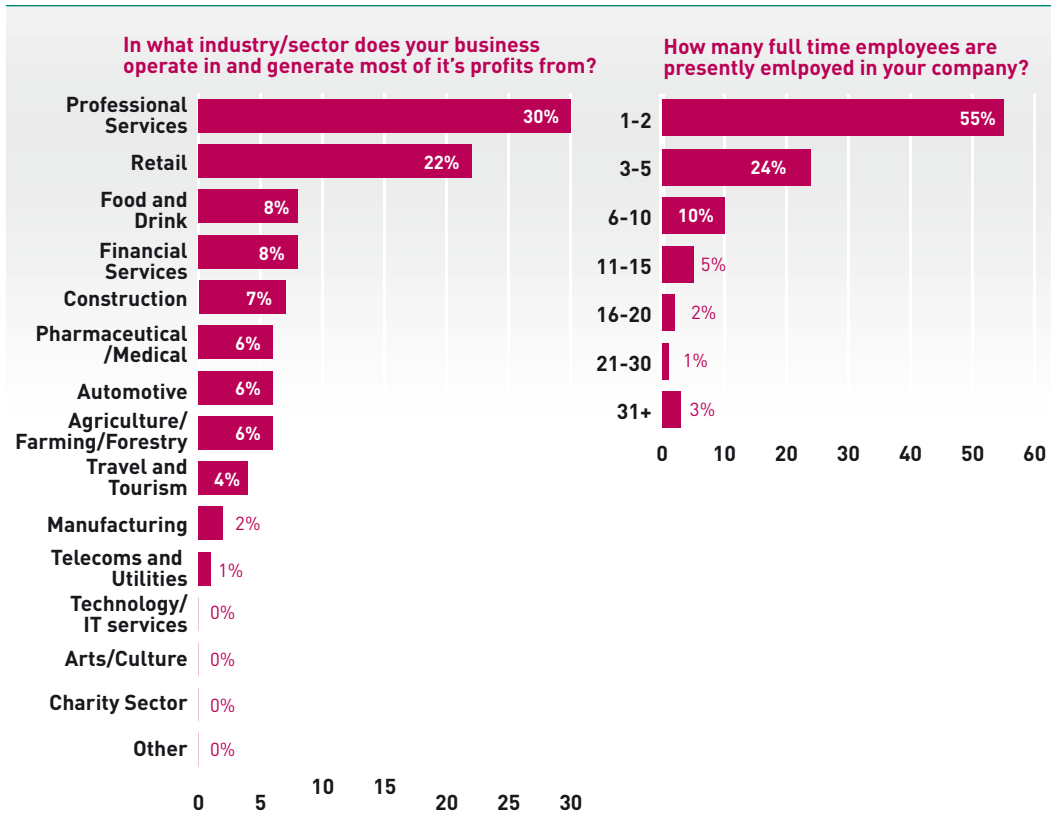
Which of the following best describes your business' current attitude/intentions towards having a website?



Base: 188; All companies without a website [October 2016]

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 124: All companies that do not intend to build a website [October 2016]

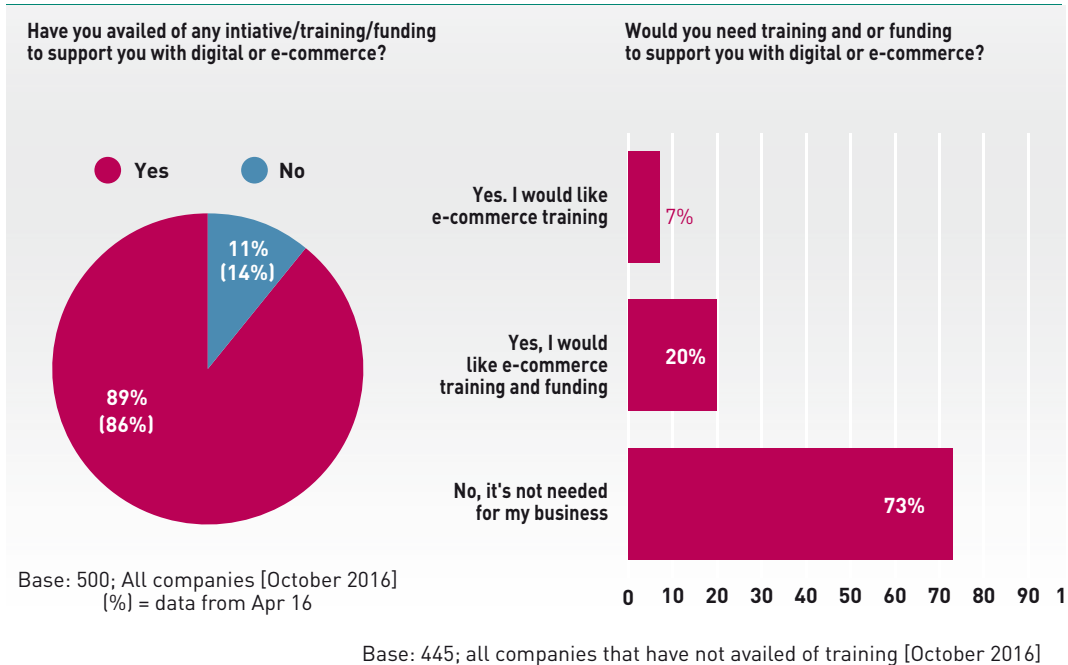
4.6 “Lack of know-how” – but no interest in learning?

Only 1 in 10 SMEs, or 11%, have availed of training, funding or an initiative to support their digital or e-commerce endeavours. This means that a staggering 89% of SMEs are not taking advantage of training or funding, such as the state-funded Online Trading Voucher Scheme or support via their Local Enterprise Offices (LEOs).

While 1 in 5 SMEs that have not availed of support stated that they would like e-commerce training and funding, almost 3 in 4 SMEs, or 73%, say that it is not needed for their business.

This is a significant challenge that must be addressed, and it starts with educating SMEs as to how best to engage online, as well as fostering an appreciation of trading online for Irish businesses and the benefits of such – namely access to the unsleeping digital marketplace.

Analysis of SMEs who have availed of and need training or funding supports for digital or e-commerce.



Chapter summary

Findings October 2016

- ▶ 1 in 5 Irish SMEs, or 22%, still have no digital assets, therefore no digital presence.
- ▶ Two thirds of offline SMEs, or 66%, do not intend on building a website in the near future.
- ▶ The biggest barriers keeping SMEs offline are lack of time (38%), lack of know-how (28%), cost (27%) and cyber security concerns (16%). Poor internet connection is a barrier for 1 in 6 Irish SMEs, or 17%.
- ▶ Less than half of SMEs without a website, or 44%, believe that having a website is “important in generating awareness of your business”.
- ▶ One third of SMEs without a website, or 35%, 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 increased to 1 in 5, or 22%, from 1 in 6, or 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 latest dot ie Digital Health Index suggests a lack of appreciation among offline SMEs for having an online presence.

- ▶ Two thirds of offline SMEs, or 66%, do not intend on building a website in the near future.
- ▶ 40% of offline SMEs believe websites to be important in driving future sales growth, down from 48% in April.

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 (64%), LinkedIn (62%), online analytics (70%) and Facebook (65%).

Previous dot ie Digital Health Index reports have shown that the majority of SMEs see their digital assets as better than or equal to their competitors, an increase that was particularly evident in April 2016. The latest figures show that this confidence generally persists, though it has not spiked in the same dramatic way; and in some cases it has dropped.

70% think their website is stronger than their direct competitors', the same score as April 2016. This consistency is good news, considering just 48% felt their website was stronger in September 2015.

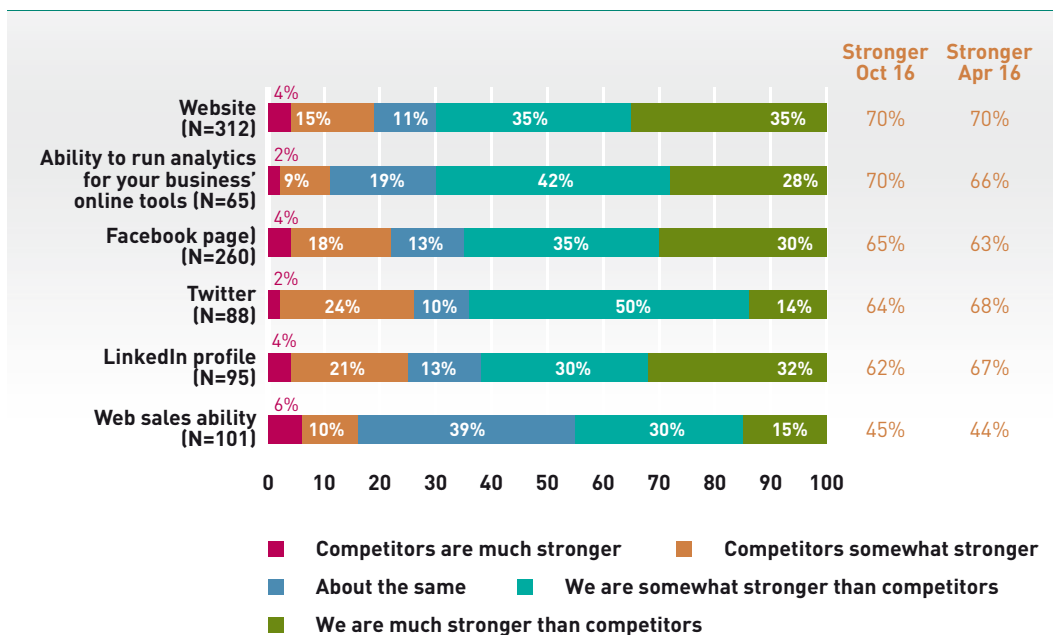
64% believe their Twitter presence is stronger than their competitors', down from 68% in April; 62% believe they outdo their competitors on LinkedIn, down from 67%; and 65% think similarly about their Facebook presence, up from 63%.

Encouragingly, self-confidence in analytics and online sales processing is increasing – this coincides with an actual rise in the number of SMEs engaging in both. 70% believe they are stronger than their competitors in analytics capabilities, compared to 66% in April; 45% believe they are stronger than their competitors in terms of online sales processing, up one percentage point.

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 [October 2016]

5.2 Competitor perceptions

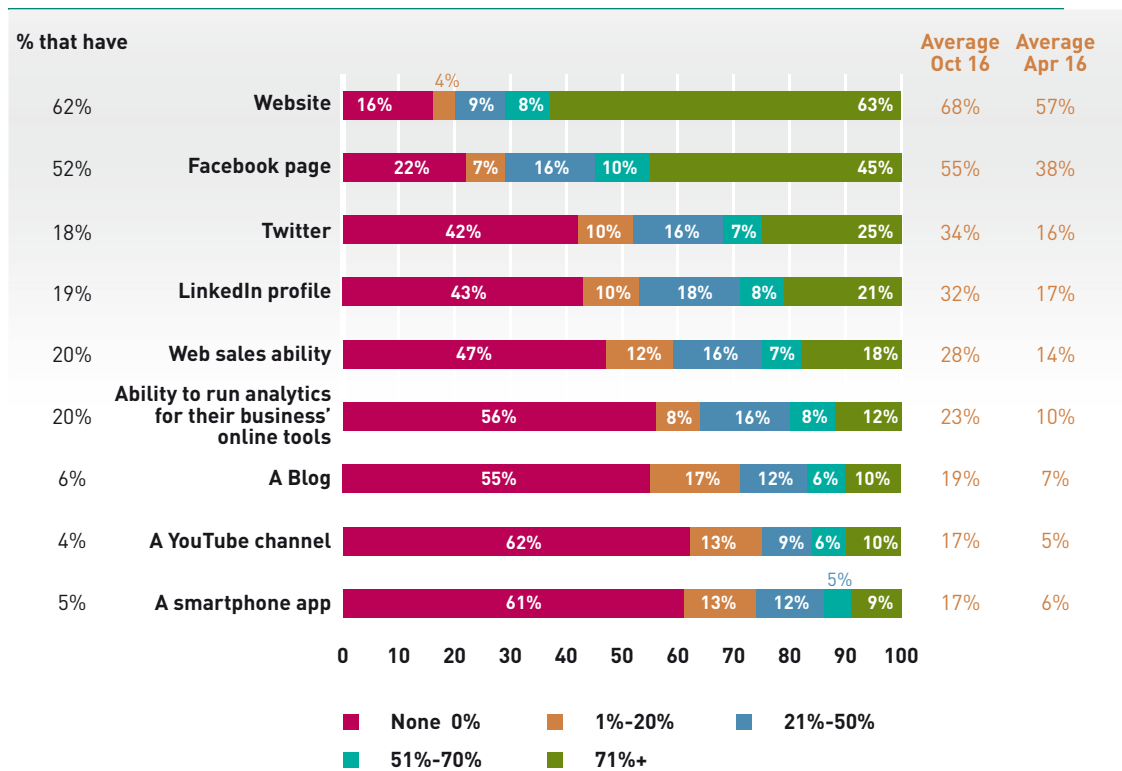
This edition of the dot ie Digital Health Index reveals that, in general, SMEs are overestimating their direct competitors' use of certain digital assets. This is a shift away from the last report in April which showed that SMEs were *underestimating* them.

68% of SMEs estimate that their direct competitors have websites – in reality, 62% do.

- ▶ SMEs think that 55% of their competitors have Facebook profiles; 52% do.
- ▶ SMEs believe that 34% of their competitors have Twitter profiles; just 18% do.
- ▶ SMEs also slightly overestimate their competitors' e-commerce abilities, believing that 23% use analytics software and 28% have web sales ability. In reality, only 20% of Irish SMEs use analytics and have web sales ability.

SMEs' perceptions of direct competitors with digital assets

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



Base: 500; All participants [October 2016]

Chapter summary

Irish SMEs are still uncertain as to the digital capabilities of their direct competitors and generally overestimate them. Self-confidence in Irish SMEs' own digital assets has increased in many key areas, including Facebook and analytics.

- ▶ 70% of SMEs believe that their website is stronger than their competitors, the same as April 2016, but a considerable increase from 48% in September 2015.
- ▶ 65% of SMEs believe that their Facebook page is stronger than their competitors, compared to 63% in April.
- ▶ E-commerce confidence is increasing in line with increased uptake and awareness: 70% believe they are stronger than their competitors in analytics capabilities, compared to 66% in April.

Chapter six

What Irish consumers say

We asked 1,000 consumers about their online buying behaviours and preferences⁵. We wanted to find out if the offliner SMEs have made the right choice to remain offline.

The Irish share of the digital marketplace is worth almost €9bn; The European e-commerce marketplace is valued at €510 billion in 2016.⁶

The digital marketplace is becoming increasingly lucrative. For business and consumers, it is an unsleeping economy, open for business 24/7, 365 days a year.

According to our research, the majority of consumers in our sample, 94%, shop online, with almost a quarter, or 24%, doing so at least weekly, if not more frequently. The average monthly spend per person is €108, or €1,296 annually. 2 in 5 people said they are spending more online today than over the past two years.

Consumers are far out pacing SMEs in terms of their engagement with digital technology and tools. They expect and nearly demand businesses to move forward with them to meet their digital needs. There are great examples of business that have successfully transformed the customer experience for the better using digital, but unfortunately, these businesses are the exception rather than the norm.

With Irish consumers so active online, it is surprising that a significant number of Irish SMEs are not online in any capacity. This number has increased again since our last research wave and currently stands at 1 in 5, or 22%. Worryingly, our research indicates that the majority of these businesses (66%) have no plans to get online in the future.

There are very few circumstances where a business does not need a web presence, despite the majority of offline SMEs saying that there is “no need in their industry.”

Instead, SMEs that remain offline are missing out on huge revenue opportunities. They run the risk of consumers looking elsewhere, resulting in the permanent and irreversible loss of business and customer loyalty.

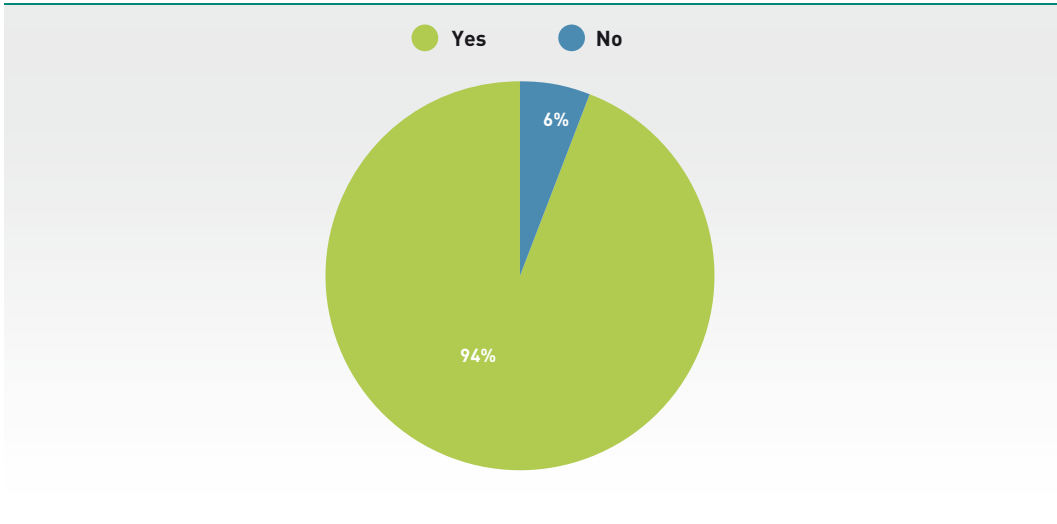
5 Consumer research was conducted on behalf of IEDR by Ignite Research as part of the Ignite Online Omnibus Survey – a nationally representative consumer research study involving a sample of 1,000 Irish adults.

6 Source: eCommerce Europe: European B2C eCommerce Report 2016

6.1 Consumer online habits

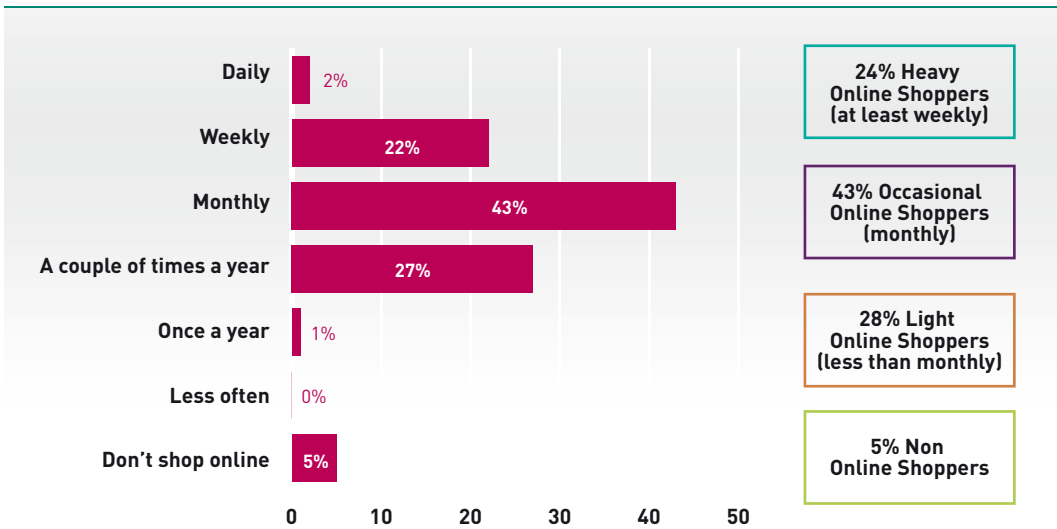
Frequency of online shopping among consumers

Do you shop online?



Frequency of online shopping among consumers

How often do you make a purchase online?



Base: All respondents; 1,000

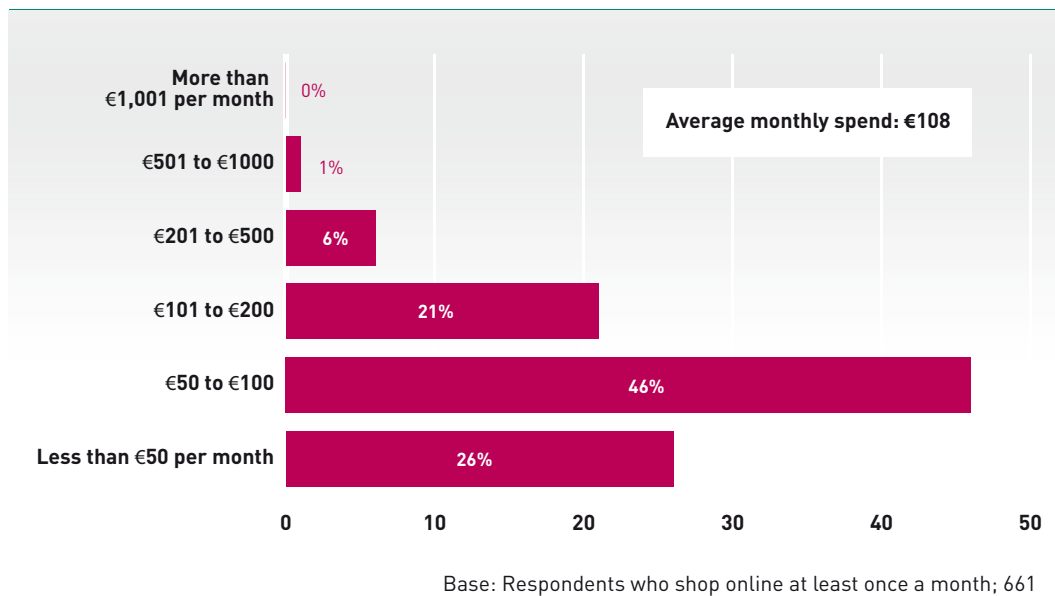
6.2 Online spending habits

The average monthly spend by consumers is €108, or €1,296 per annum.

Almost half of consumers who shop online at least once a month, or 46%, typically spend between €50 and €100 per month; more than one quarter, or 26%, spend less than €50 per month; one fifth, or 21%, spend between €101 and €200 per month; and 6% of consumers spend a monthly average of between €201 and €500.

Overview of monthly online shopping spend

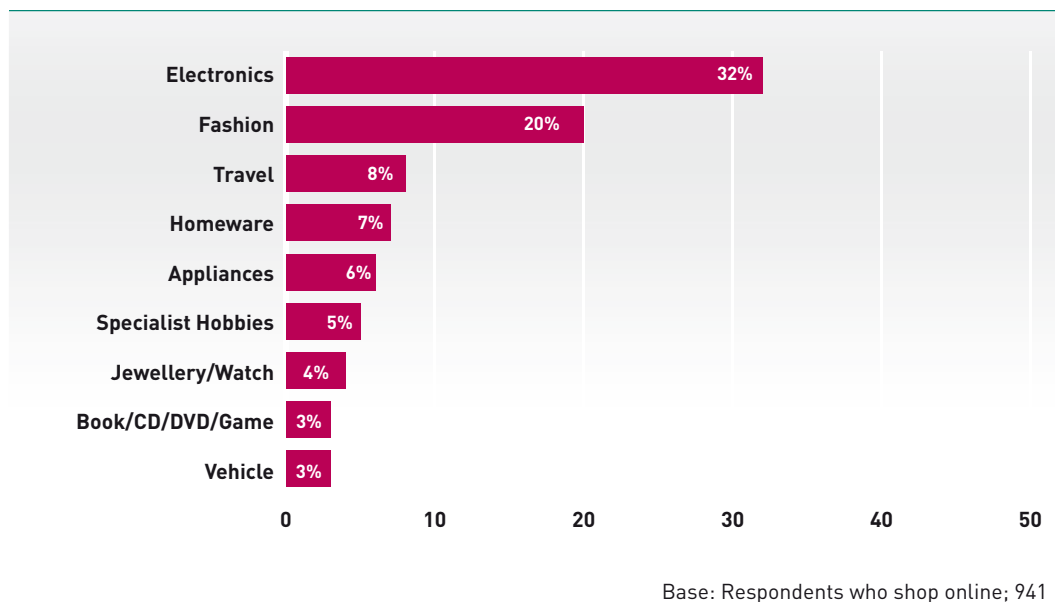
On average, how much do you typically spend buying goods and services online per month?



The most expensive items purchased by Irish consumers are consumer electronics (32%), followed by fashion items (20%) and travel (8%).

Most expensive item purchased online

What is the most expensive individual purchase you made online and what was it for?



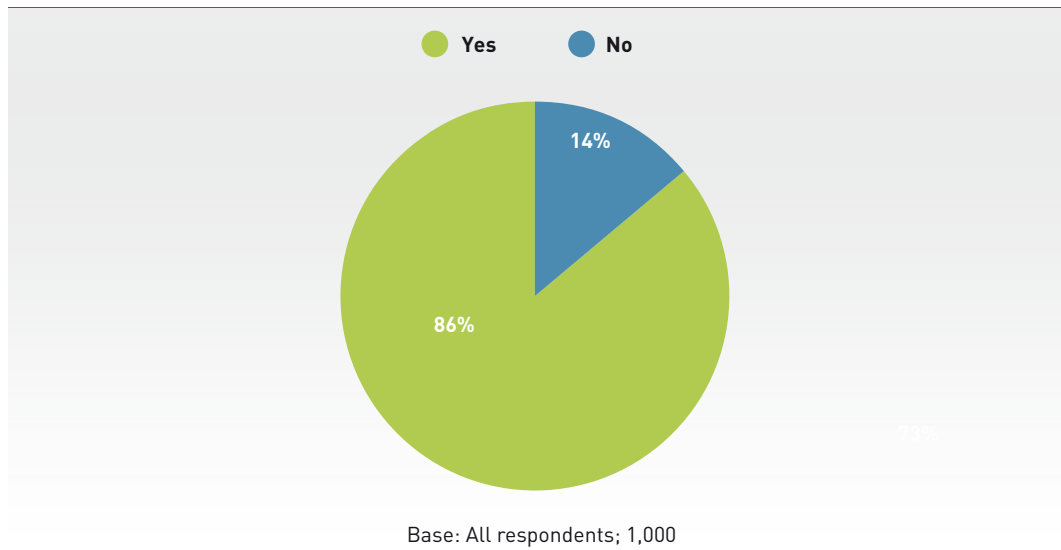
6.3 Forecasted spending over festive season

With businesses preparing for the busy Christmas shopping period, we asked consumers about their spending plans for the festive season.

4 in 5 Irish consumers said that they intend to shop online this Christmas. Indeed, of those consumers that never shop online, almost one third (31%) said that they will shop online for Christmas 2016.

Christmas shopping behaviours

Do you intend to shop online over the Christmas period?

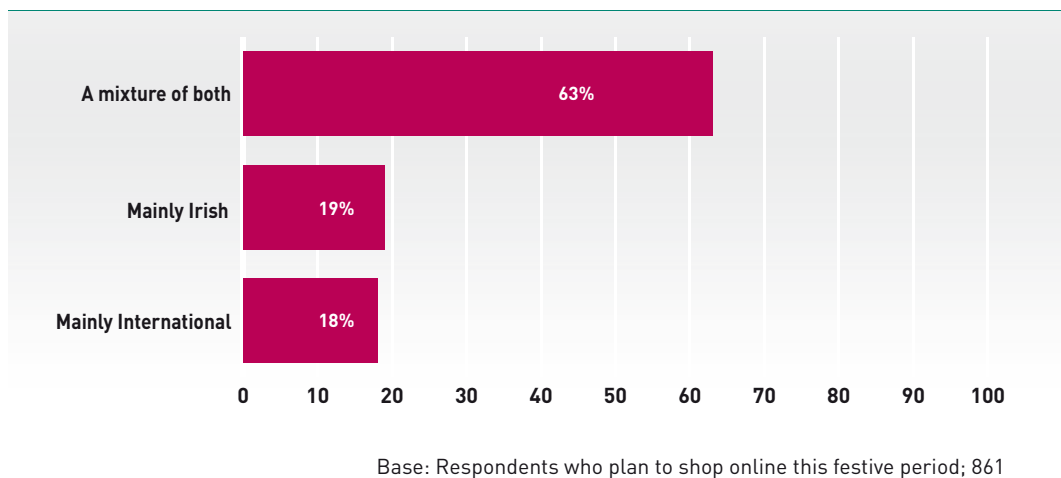


Looking ahead to Christmas, 1 in 5 Irish consumers plan to shop on mostly international websites.

However, 85% of these shoppers said that they would prefer to buy from an Irish website, if the same products were available.

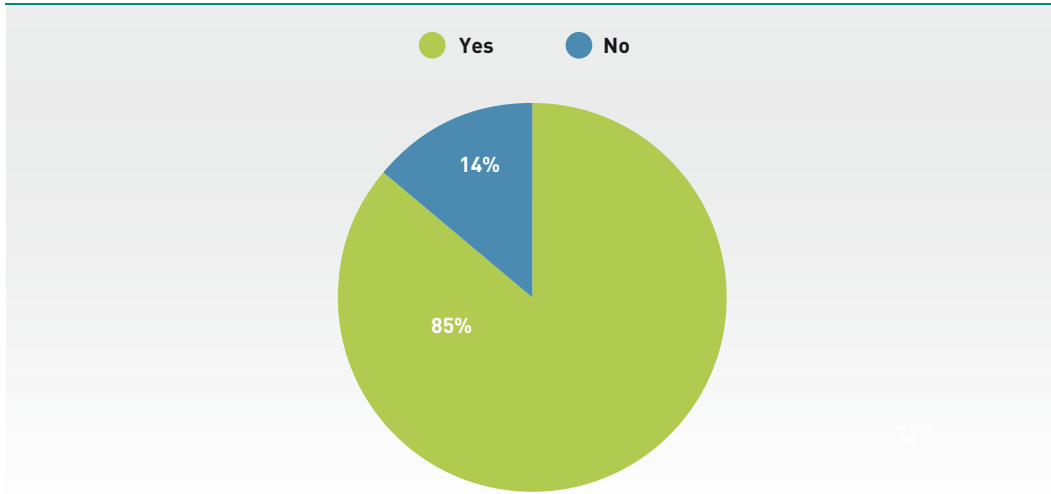
Christmas shopping behaviours

Will you be buying from Irish or international sites?



Christmas shopping behaviours

Would you prefer to shop from a local Irish website if they stocked the product(s) that you want?



Base: Respondents who intend to shop on mainly international websites; 157

6.4 The consumer behaviour of SMEs

The research indicates that SME business owners are not 'digital luddites'.

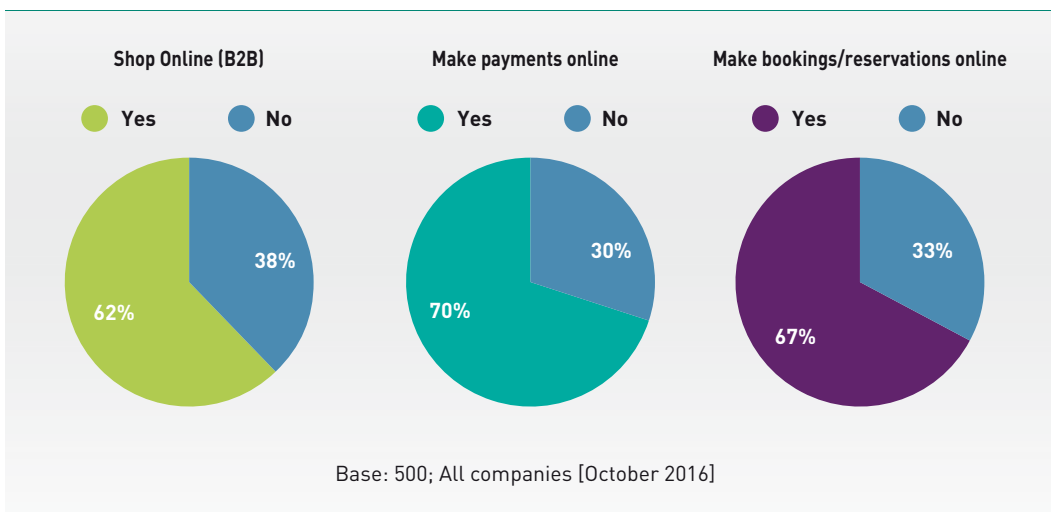
Despite the reluctance of SMEs to embrace fully functional, e-commerce enabled websites for their businesses, SMEs have embraced digital tools and technology as consumers.

2 in 3 SMEs (62%) shop online; almost 3 in 4 (70%) make payments online; and more than 2 in 3 (67%) make bookings or reservations online.

Interestingly, the majority of SMEs do not offer these functions on their own business websites. Only 1 in 3 (32%) can take sales orders; just 3 in 10 (28%) can take payments; and 1 in 3 (35%) can take bookings or reservations.

How frequently do you engage in online activity?

Do you do any of the following?



Base: 500; All companies [October 2016]

6.5 So what does this mean for Irish SMEs?

There remains a significant cohort of SMEs that are still offline and, put simply, these SMEs are missing out on potential business by having no online presence whatsoever.

The argument that there is “no need in my industry” is waning. SME owners cannot ignore the fact that Irish consumers are online, and expect to find businesses there too. The longer the SME ignores this, the greater the risk of losing business and revenue becomes. This is particularly true in the wake of the UK’s EU referendum result, where a weaker sterling has encouraged consumers to migrate cross-border and to shop on sterling-based websites.

Chapter summary

Consumers are outpacing SMEs in terms of their online engagement. This will be magnified over the Christmas period, where the majority of consumers plan to shop online.

- ▶ The majority of consumers, 94%, shop online.
- ▶ Almost a quarter of those that do, or 24%, shop online weekly or more frequently.
- ▶ 2 in 5 people said they are spending more online today than over the past two years.
- ▶ The average monthly online spend is €108.
- ▶ 4 in 5 Irish consumers said that they intend to shop online for Christmas 2016.
- ▶ Almost one third (31%) of consumers that never shop online said that they will shop online this Christmas.

Interestingly, as consumers, SMEs interact and transact online. However, despite them embracing digital technology and tools as consumers, their digital habits are not transferring across to their own businesses.

- ▶ 2 in 3 SMEs (62%) shop online; almost 3 in 4 (70%) make payments online; and more than 2 in 3 (67%) make bookings or reservations online.
- ▶ BUT, only 1 in 3 (32%) can take sales orders on their own websites; just 3 in 10 (28%) can take online payments; and 1 in 3 (35%) can take online bookings or reservations.

Chapter seven

Use of social media by Irish SMEs

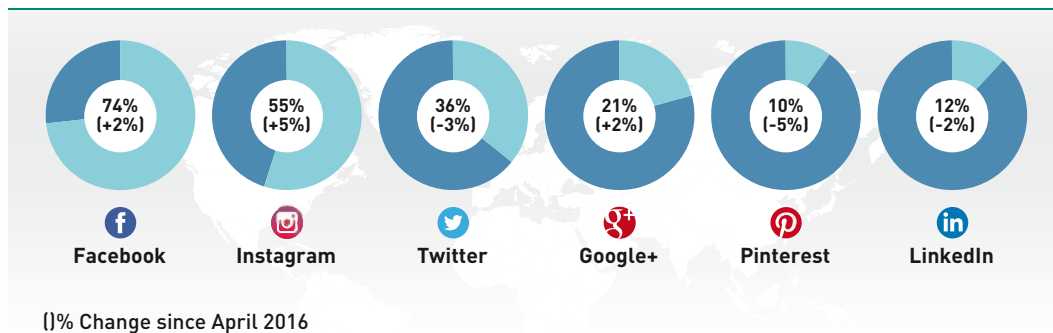
Social media has revolutionised the way Irish SMEs engage with their customers online. 97% of SMEs that reported a positive impact from social media said it has led to an increased awareness of their business.

7.1 Irish society and consumers have embraced social media

According to the most recent Ipsos MRBI Social Networking Tracker (July 2016), 64% of Irish people over the age of 15 have a Facebook account, of whom 74% log into their account daily. 26% of Irish people have Twitter accounts and 36% of these people access them daily.

27% have a LinkedIn profile. 23% have an Instagram account, up from 18% since August 2014, pointing to the growing popularity of photo and video content.

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



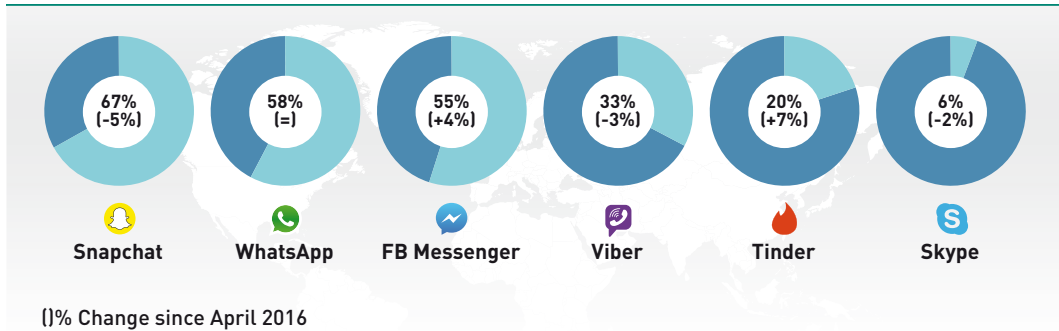
Source: Ipsos MRBI Social Networking Tracker, July 2016

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

- ▶ 53% have a Facebook Messenger account.
- ▶ 49% have a WhatsApp account.
- ▶ 44% have a Skype account.
- ▶ 39% have a Viber account.
- ▶ 28% have a Snapchat account.

While Snapchat has a smaller total Irish user-base than bigger social messaging apps, it has the largest daily active user-base: 67% of Snapchat users log in daily, compared to 58% for WhatsApp and 55% for Facebook Messenger. Despite being the third largest social messaging app, only 6% of Skype users log in daily.

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



Source: Ipsos MRBI Social Messaging Tracker, July 2016

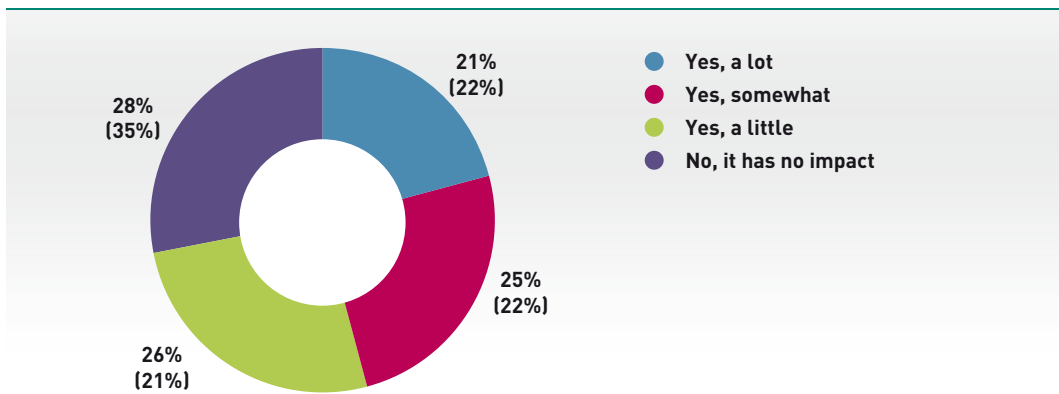
Social media newsfeeds are prime virtual real estate, allowing SMEs to not only establish their brand in customers’ minds, but promote new products and services, and nurture client relationships. Messaging apps can be used by SMEs to provide customer service (e.g. a video helpdesk on Skype) or give customers a more personal window into their business (e.g. daily Snapchat ‘Story’ updates).

7.2 Social media and business growth

The latest dot ie Digital Health Index shows signs of improvement for SMEs with a social media presence. 72% of SME respondents said that social media has contributed to the growth of their business, either a lot, somewhat, or a little--this is an increase from 65% in April 2016. 28% said it has had no impact, down from 35%.

Perceived value of social media to business growth

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



(%) = data from Apr 2016

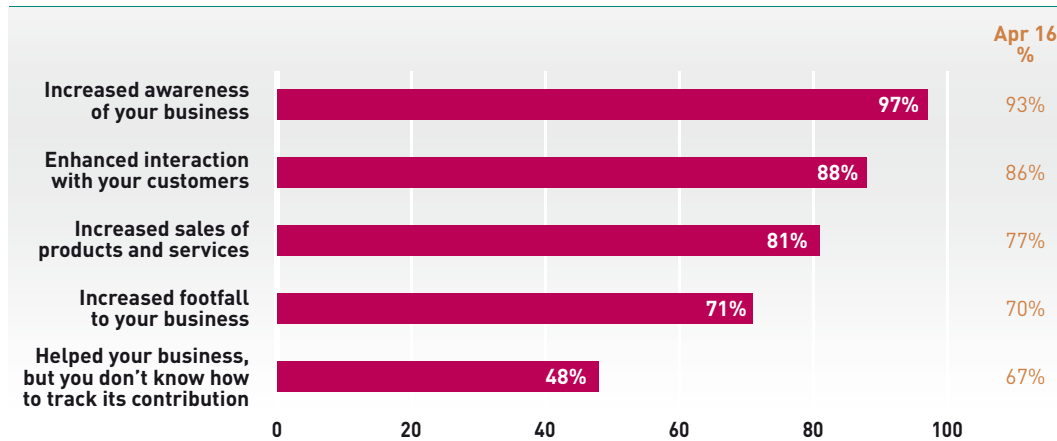
Base: 285; All companies that use Social Media [October 2016]

7.3 Social media and business benefits

97% of SMEs that reported a positive impact from social media said it has led to an increased awareness of their business, 81% reported increased sales of products and services and 71% experienced increased footfall to their business.

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

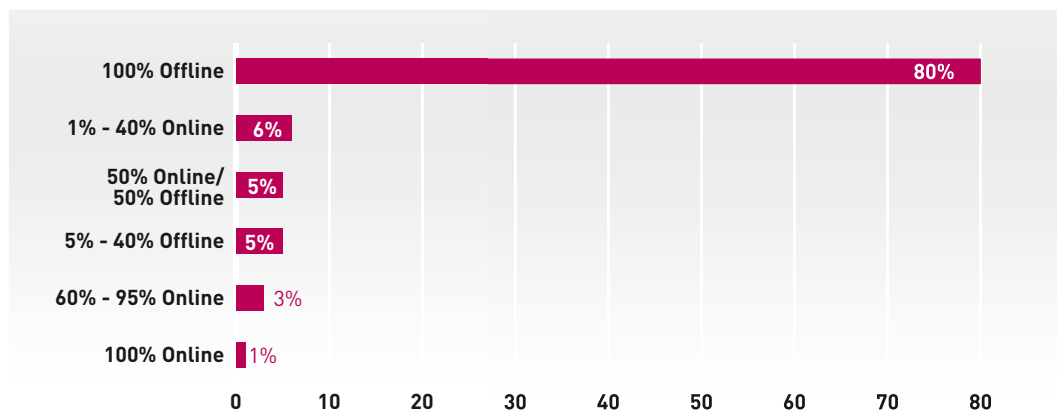
Has social media...



Base: 205; All companies that believe social media has had an impact on their business [October 2016]

48% said that while they thought social media had helped their business, they didn't know how to track its contribution. While still high, this is a rapid and substantial decrease on April 2016 when 67% said they did not know. This ties in to our other positive finding that 20% of SMEs use analytics programmes to track interaction and customer behaviour on their website, up from 16% in April. Though this proportion is relatively small, it is encouraging to see SMEs use this software to gain real-time quantifiable insights into their business, rather than relying solely on intuition and gut feeling.

Interestingly, when we asked SMEs how much of their revenue was generated online, the results were rather underwhelming when compared to the positive social media contributions listed above. This suggests that while social media undoubtedly has a vital role to play in increasing awareness, customer interaction, sales and footfall, it might not be the best way to generate revenue online for SMEs.



Base: 500; All companies [October 2016]

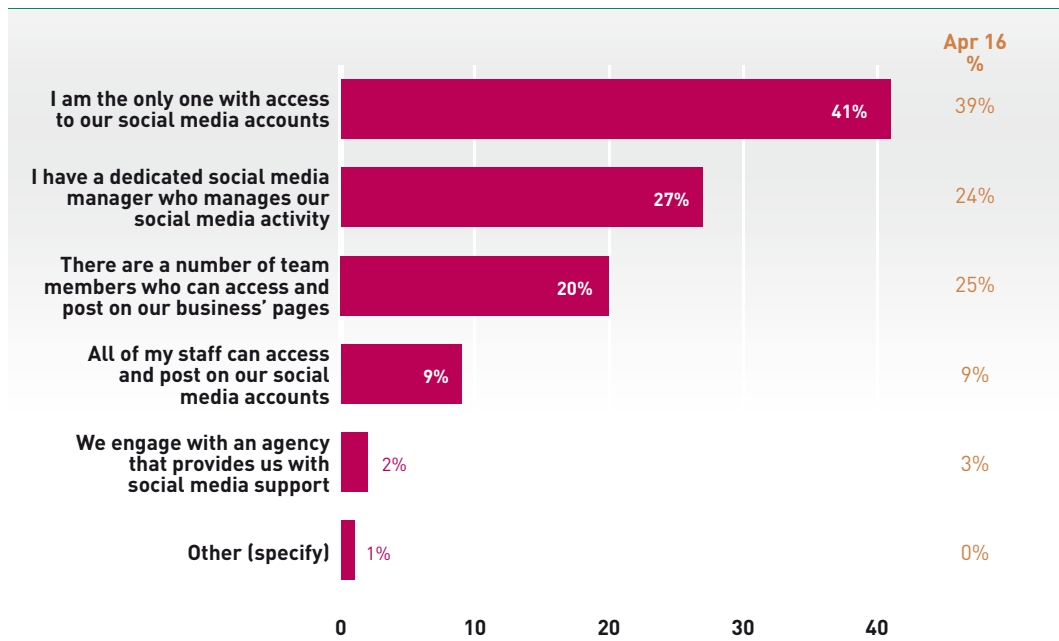
7.4 Social media management

The majority of SMEs 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. Just 2% of respondents reported using an external agency to help with their social media management, up from zero in April 2016.

27% said they have a dedicated social media manager within their employee ranks to administer their social media accounts, up from 24% in April.

Breakdown of SME social media management roles

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



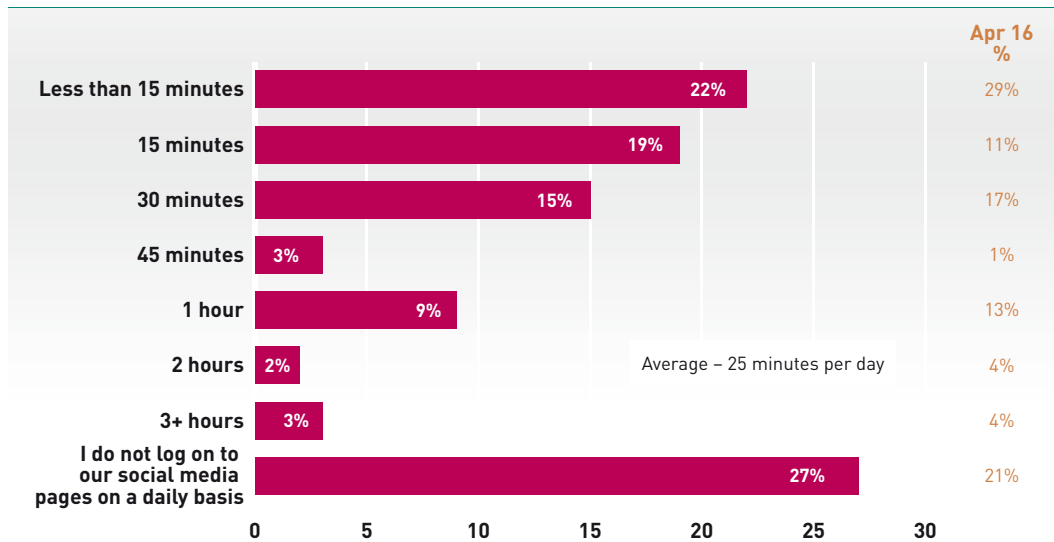
Base: 285; All companies that use social media [October 2016]

7.5 Social media time spend of SMEs

Among those with a social media account, the average SME spends 25 minutes each day on its social media pages. 22% spend less than 15 minutes a day, while 27% 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?



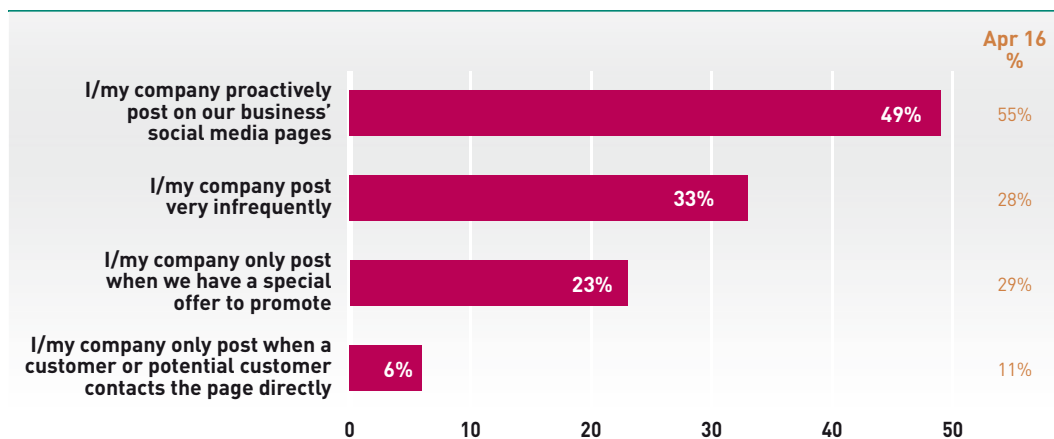
Base: 285; All companies that use social media [October 2016]

7.6 Social media usage – proactive or reactive usage?

Nearly half, or 49%, of Irish SMEs said that they proactively post on their social media pages, down from 55% in April 2016, while 23% said they only post when they have a special offer to promote, down from 29%. 33% post very infrequently, while 6% only post when a customer or potential customer contacts the page directly, down from 11% in April.

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: 285; All companies that use social media [October 2016]

Chapter summary

- ▶ The average SME spends 25 minutes each day on its social media pages.
- ▶ 49% said they proactively post on their business' social media pages, while 23% said they only post when they have a special offer to promote.
- ▶ 97% of SMEs that reported a positive impact from social media said it has increased an awareness of their business.
- ▶ 81% of SMEs reported increased sales of products and services; and 71% reported increased footfall to their business.
- ▶ 72% said that social media has contributed to the growth of their business, either a lot, somewhat or a little; 28% said it has had no impact.

Chapter eight

Special report: SMEs and the web development experience

Despite plenty of anecdotal evidence suggesting that SMEs have confusing, costly or even negative experiences building and launching a website, our research found the opposite to be true.

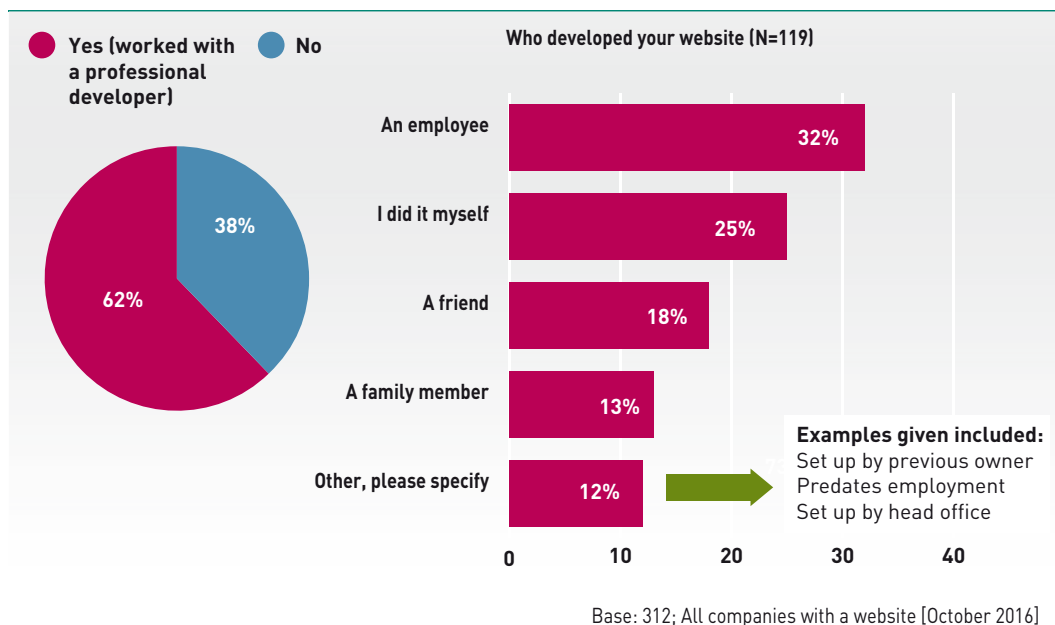
An up-to-date, modern website that works on both desktop computers and mobile devices is a prerequisite for any SME looking to reach out to customers and do business online. In this edition of the dot ie Digital Health Index, we extended our research to include an examination of SMEs' perception and understanding of the web development process, with particular focus on their experience working with professional web developers.

8.1 Who built the website?

Of those SMEs with a website, 62% worked with a paid web developer, while 38% worked with someone else with web development skills. Of that figure, 32% said that an employee had developed it, 25% said they (the owner) had developed it themselves, 18% said a friend developed it and 13% a family member.

How SMEs build a website

When developing your website, did you work with a professional web developer who was paid for their services? If not, who developed your website?

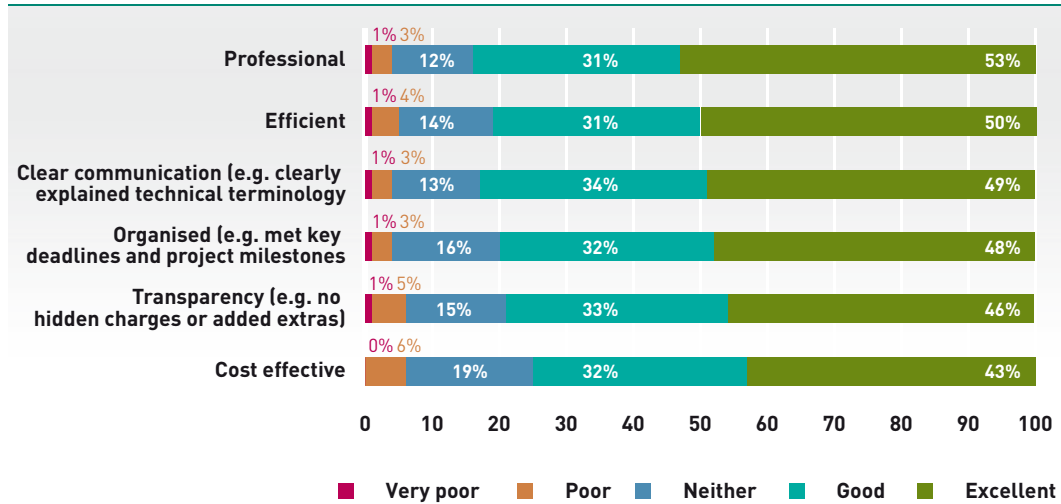


The majority of SMEs, 76%, said they had a clear plan of what they wanted their website to do in advance, like list products and opening hours or have e-commerce ability; less than a quarter, 24%, said that they did not.

8.2 Working with developers

SMEs opinions of working with their web developers

Using a five point scale to rate certain criteria, what was your experience of working with your web developer?



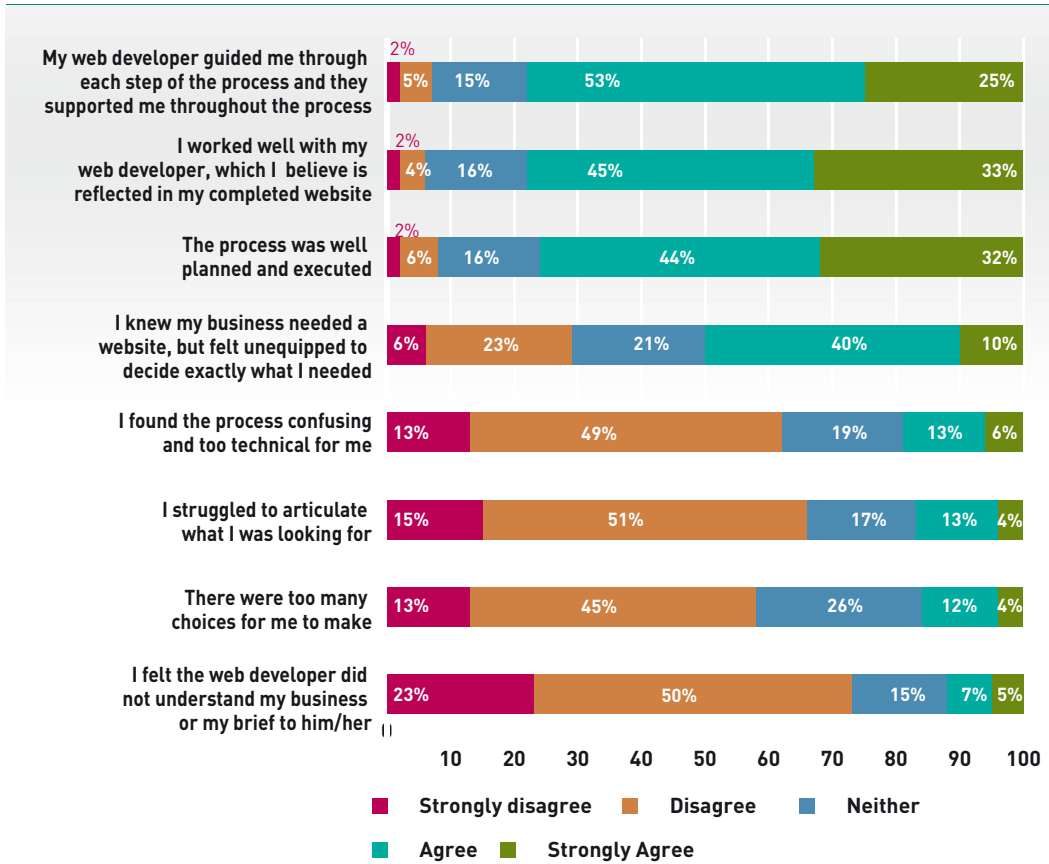
Base: 193; All companies that worked with a web developer [October 2016]

Despite some anecdotal evidence suggesting that SMEs tend to have confusing, costly or even negative experiences with web developers, our research showed that the vast majority of SMEs have positive and helpful ones:

- ▶ 84% of SMEs rated the professionalism of their web developer as good or excellent, compared to 4% who rated them poor or very poor in this regard.
- ▶ 81% rated their efficiency as good or excellent, compared to 5% who rated them poor or very poor.
- ▶ 83% rated their clarity of communication as good or excellent, compared to 4% who rated them poor or very poor.
- ▶ 80% rated their web developer’s organisational skills as good or excellent, compared to 4% who rated them poor or very poor.
- ▶ 79% rated their transparency (in terms of hidden costs or added extras) as good or excellent, compared to 6% who rated them poor or very poor.
- ▶ 75% rated their cost-effectiveness as good or excellent, compared to 6% who rated them poor or very poor.

SME experience of working with web developers

By agreeing or disagreeing with the below statements, what was your experience of working with your web developer?



Base: 193; All companies that worked with a web developer [October 2016]

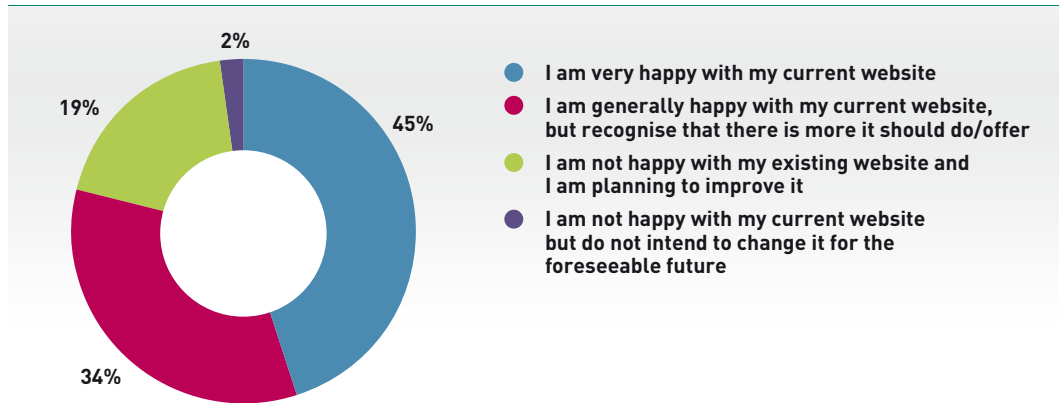
Equally, among SMEs engaging in the web development process:

- ▶ 78% agreed or strongly agreed that they felt guided or supported by their web developer throughout the development process.
- ▶ 78% agreed or strongly agreed that they worked well with their web developer.
- ▶ Only 19% felt the development process was too technical for them.
- ▶ Just 17% of SMEs felt that they could not properly articulate their ideas and objectives for their website.
- ▶ 12% felt that their web developer did not understand their brief.

8.3 SMEs' websites today: satisfied or not?

Analysis of SMEs attitude to their current website

Which statement best describes your view of your current website?



Base: 312; All companies that have a website [October 2016]

Overall, SMEs tend to be happy with their websites. 45% said they were “very happy” with their current website and 34% said they were generally happy with it but appreciated that there was still more to develop.

19% said they were unhappy with their website and planned to change it, while only 2% said they were unhappy and had no plans to change it in the near future.

Chapter summary

- ▶ The majority of SME owners (62%) used professional web developers to build their website.
- ▶ Of the 38% who did not use professional web developers SMEs used either company employees (32%), did it themselves (25%), or turned to friends and family (31%).
- ▶ 84% of SMEs owners rated the professionalism of their web developer as “good” or “excellent”.
- ▶ Most SMEs understand the web development process: only 19% felt it was too technical for them and just 17% struggled to articulate their ideas.
- ▶ Most SMEs are either very happy or generally happy with their current website (79%).

Chapter nine

Recommendations

This edition of the dot ie Digital Health Index presents clear evidence that both industry and government cannot afford to take their eyes off the ball in promoting website ownership and e-commerce in the Irish SME community.

The number of SMEs without an online presence has increased, leading to a drop in the overall score of the Digital Health Index for the first time since our research began in May 2014. Now more than 1 in 5, or 22%, have no online presence whatsoever, compared to just 1 in 6, or 17% in April 2016.

It's not all bad news, however: the number of SMEs engaging in e-commerce is rising, albeit slowly and from a low base. Now, more small businesses have web sales ability (20%, compared to 19% in April) and using analytics software to learn more about their customers (20%, up from 16% in April). Their ability to process payments, take sales orders or make a booking/reservation online have each increased by 3 percentage points, albeit from a very low base. These data points indicate that SMEs are more deeply integrating the full range of e-commerce and research tools into their digital and overall business plans.

However, there are core infrastructural problems stopping Irish SMEs reaching their full potential, in particular broadband availability and the ability of state bodies to provide adequate business and mentoring supports, especially in rural areas.

Irish SMEs report a number of factors stopping them from engaging in the online world, including not having the time to do so; a lack of available finance; and a lack of expertise. According to our research, contracting a professional web developer can alleviate most of these concerns about expertise: the majority of SMEs we surveyed reported a positive, clearly communicated above all, a cost-effective web development experience.

The digital revolution is unfolding across the world, enriching both consumers and businesses. Consumers are expected to spend a staggering €510 billion across Europe⁷ before the end of 2016 – yet our digital marketplace is valued at less than €9 billion⁸. Investing in a website has clear pay-offs and our SMEs cannot risk being left behind; Irish consumers have demonstrated that they are happy to spend their money abroad on foreign websites.

For Irish SMEs to become relevant players in the digital marketplace and encourage the growth of businesses and the economy at home, IEDR believes five key areas must be addressed:

- 1) A fast, reliable and secure internet connection for all SMEs is fundamental:** This is particularly important for the digital activation of SMEs outside major economic areas and in rural parts of the country. Our research shows that among those without a website, 17% say the absence of a good internet connection is a barrier to getting online.
- 2) 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.
- 3) Increase online supports to SMEs:** Increase state funding for online supports, such as the Department of Communications' Online Trading Voucher Scheme which provides financial grants to small businesses to invest in their online sales capacity.
- 4) Peer-to-peer online mentoring for SMEs:** Develop and implement a Department of Enterprise-sponsored mentoring programme for Irish SMEs, and particularly micro-businesses with less than 10 employees, that facilitates mentoring and knowledge sharing. This could be led by successful online Irish and multinational tech companies incorporating 'how-to' guides and advice which are appropriate for the sector and the stage of the business.

⁷ Source: eCommerce Europe: European B2C eCommerce Report 2016

⁸ Source: Retail Excellence Ireland Budget 2017 Submission"

- 5) **Resource relevant state agencies:** Ensure that Local Enterprise Offices (LEOs) have the manpower and resources to reach out to “analogue” offline micro-businesses with less than 10 employees and help them to set up and grow their businesses online. In particular, LEOs could focus on older and more established SME employers that may not be as tech savvy as younger start-ups.
- 6) **Encourage SMEs to move beyond social media and towards their own website:** While SMEs may have social media accounts they need to be encouraged to move beyond these marketing channels and towards a web sales enabled website. This would enable SMEs to have complete control over their online presence and allow them to direct their social media traffic to their own personal section of the internet.

Chapter ten

Survey methodology

The dot ie Digital Health Index was conducted on behalf of IE Domain Registry (IEDR) by Ignite Research among 2,511 Irish SMEs across five waves of research, with 500 respondents in each wave. These waves of fieldwork were carried out in May 2014, December 2014, September 2015, April 2016 and October 2016.

Of those surveyed in the October 2016 wave, 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-businesses⁹.

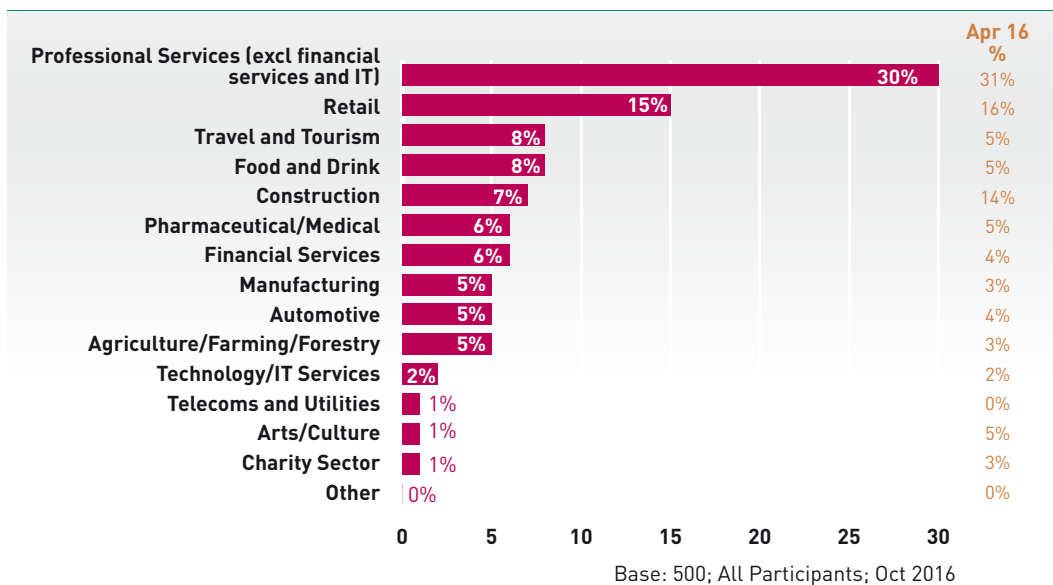
10.1 SME survey sample set up

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: 24 (5%)
		Total: Total 500 (100%)

10.2 Demographics by sector

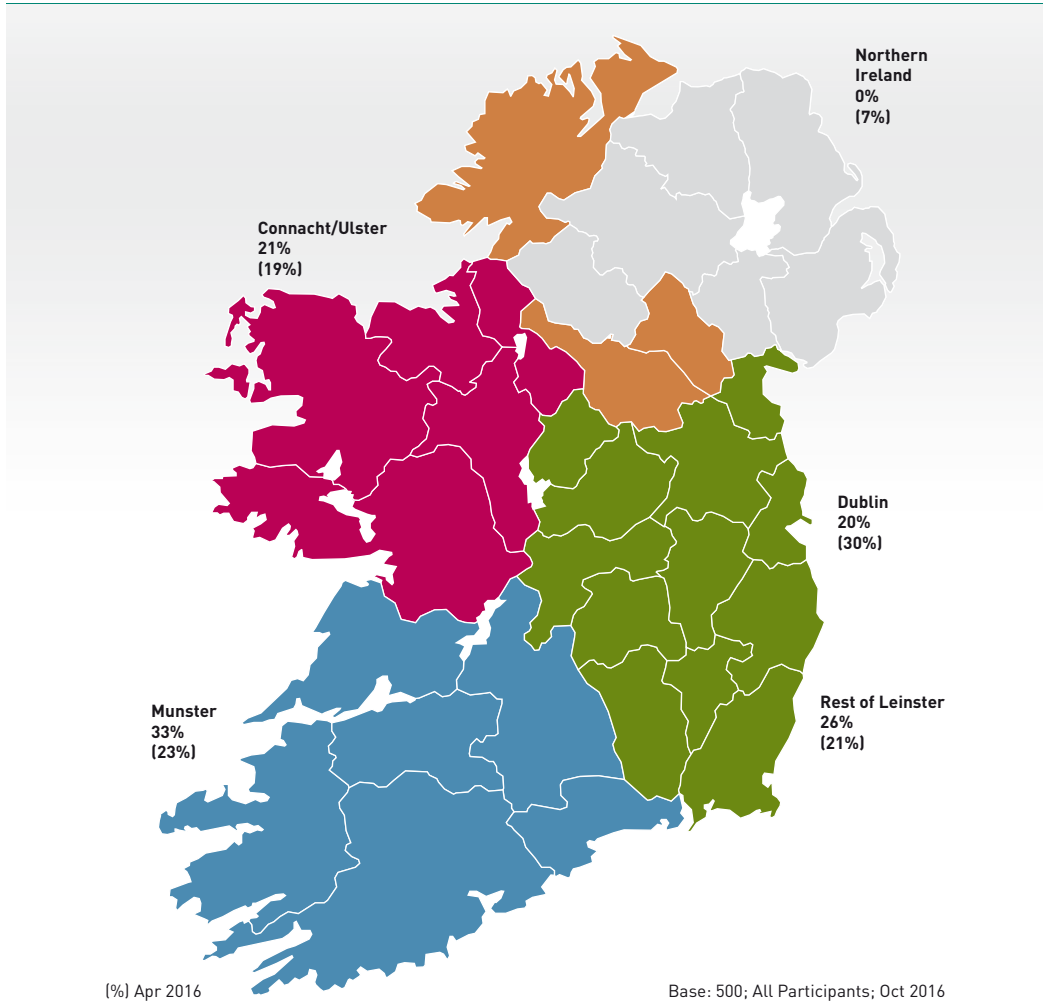
Sectoral breakdown of SME sample



⁹ Source: CSO Business Demography. Table 3.2, number of active enterprises and persons engaged by sector and size class, 2012.

10.3 Demographics by geography

Breakdown of SME sample by location



10.4 Construction of the dot ie Digital Health Index

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

The nine digital assets scored are:

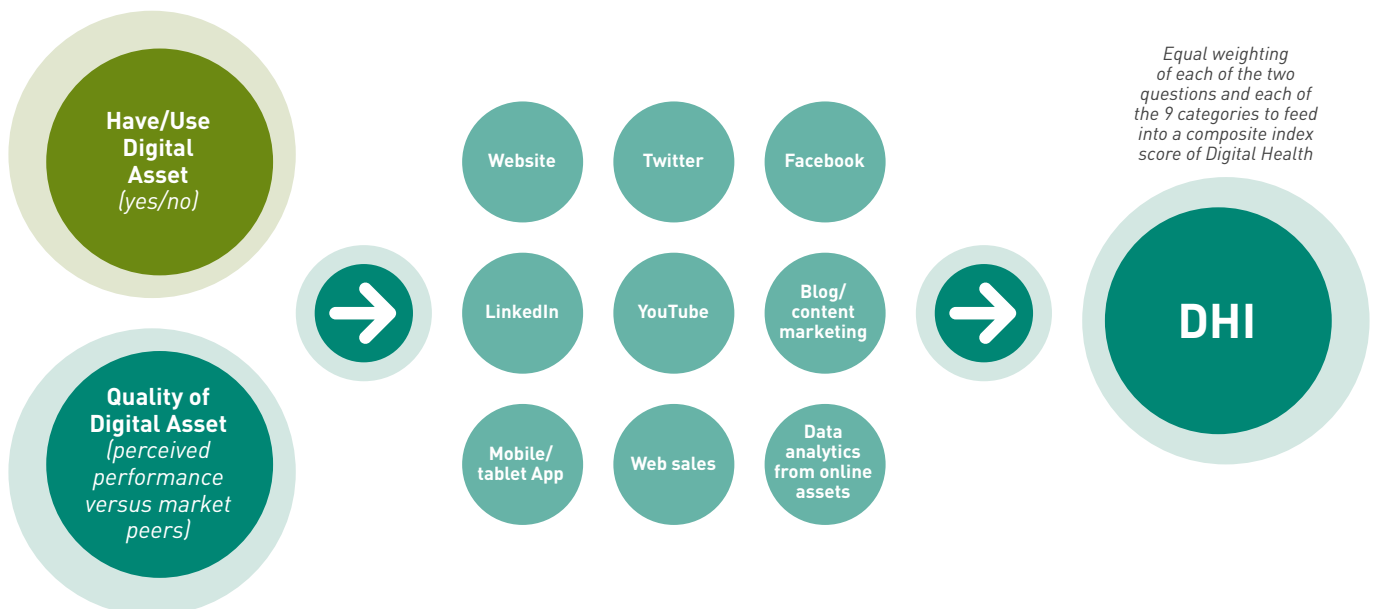
- ▶ Website
- ▶ Facebook
- ▶ Twitter
- ▶ LinkedIn
- ▶ YouTube
- ▶ Blog or content marketing
- ▶ Mobile or tablet app
- ▶ Web sales ability
- ▶ Data analytics from online assets

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

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



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.

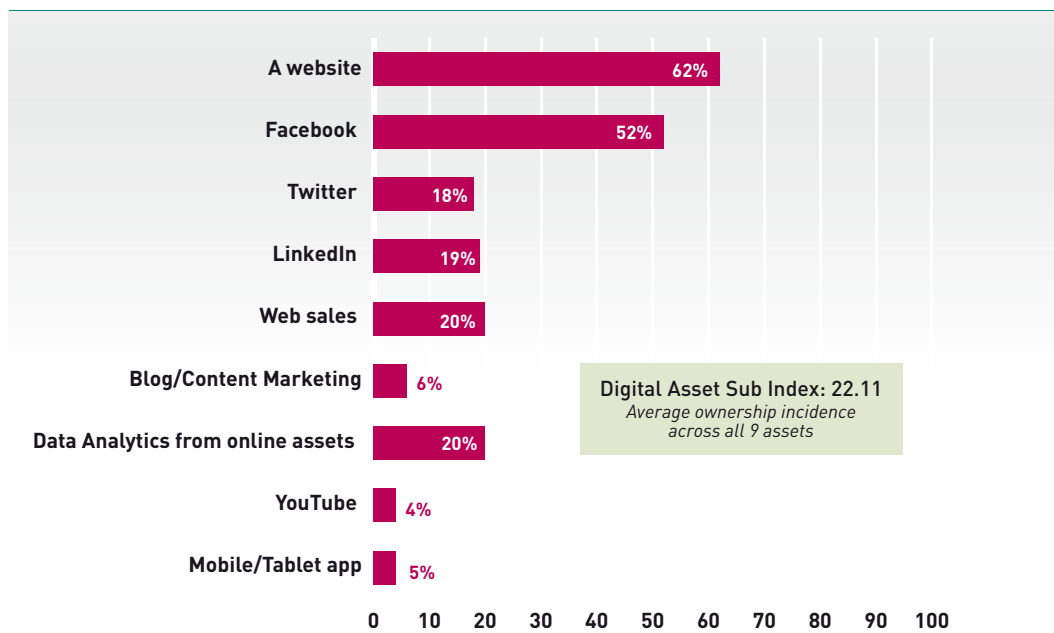
Appendix 1

dot ie Digital Health Index: sub-index construction

1.1 Digital assets owned

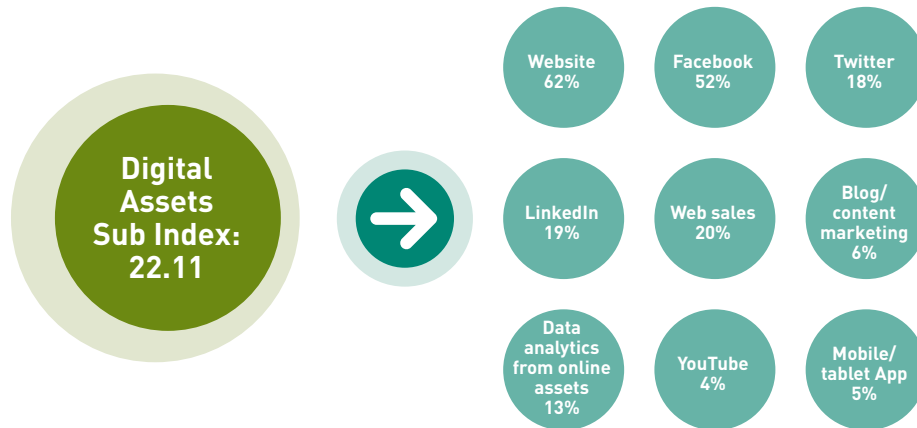
Nine digital assets contribute to the sub-index

October 2016



1.2 Digital assets owned

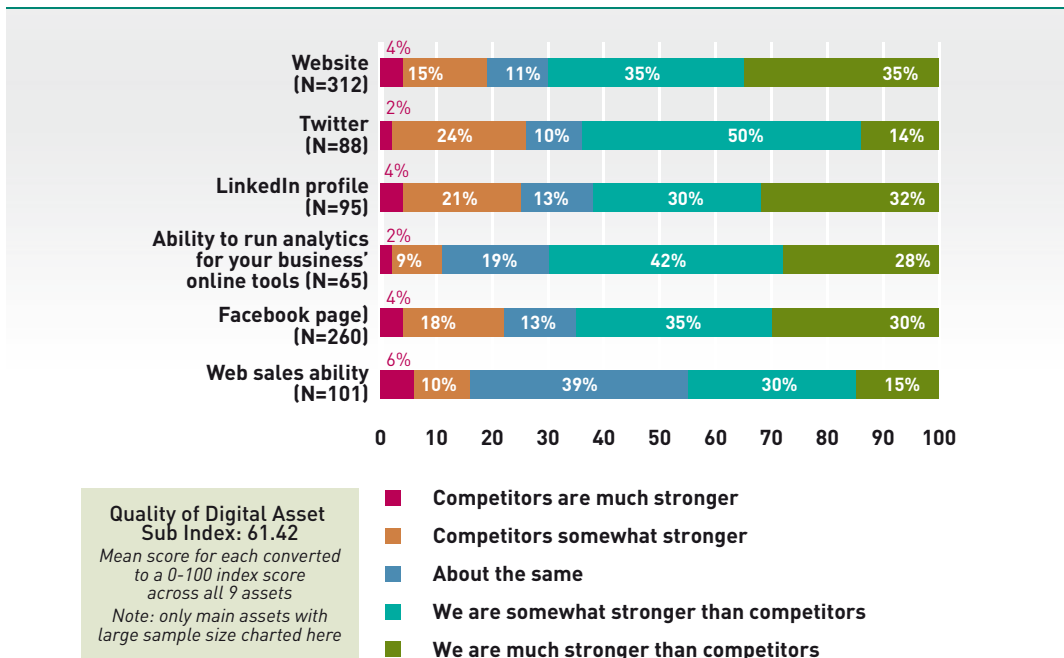
Construction of the Digital assets sub-index October 2016



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

1.2 Quality of digital assets owned

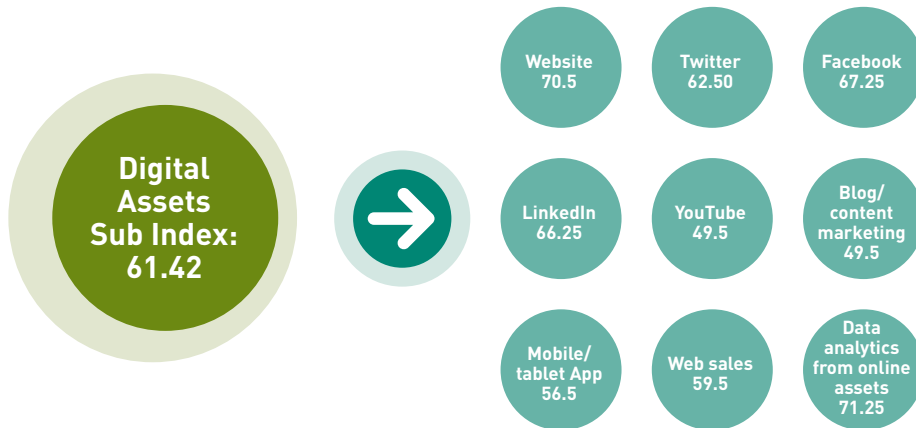
Quality of the nine digital assets contribute to the sub-index October 2016



1.3 Quality of digital assets owned

Construction of the quality of digital assets sub-index

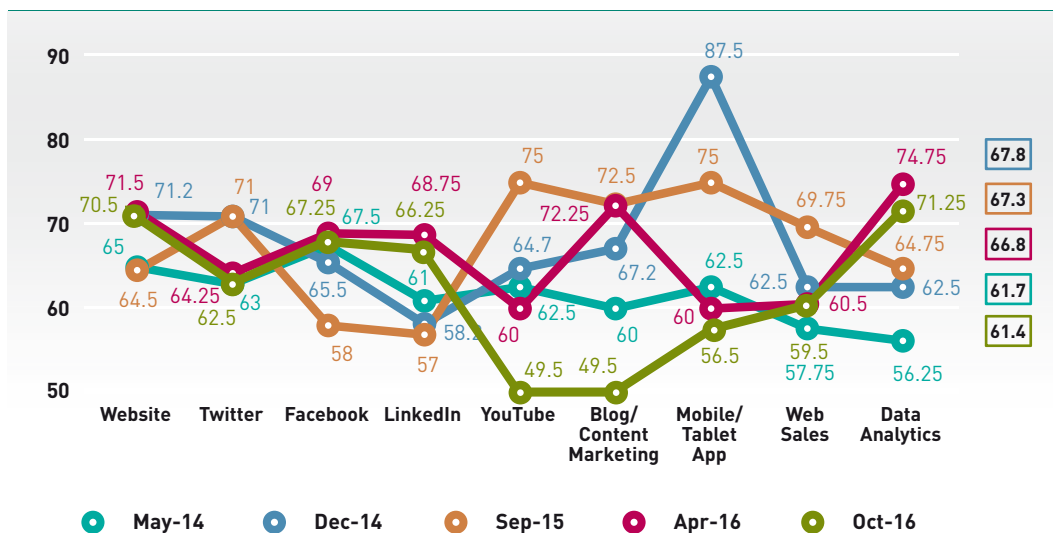
October 2016



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 Oct 2016



Please see the table on page 7 for the chart data.





Identifiably Irish
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