THE DIGITAL ECONOMY:
TRANSFORMING AUSTRALIAN BUSINESSES
The Digital Economy: Transforming Australian Businesses

DIGITAL OFFERS SMEs CRITICAL OPPORTUNITIES

As the world grows more connected, small-to-medium sized enterprises (SMEs) are competing on a larger and increasingly global stage. Technological advances mean businesses are able to reach more customers than ever before and the opportunities and challenges are countless.

Digital solutions carry great potential for streamlining and automating standard processes, while providing personalised experiences and real-time insights into customers and competitors, helping to drive efficiencies.

According to our research, using digital tools saves SMEs 10 hours per week on average and boosts revenue by 27%. Collectively, this amounts to 22 million hours saved per week and an additional $385 billion per year in revenue across all Australian SMEs.

BUT CHOOSING THE BEST STRATEGY CAN BE OVERWHELMING

In speaking to more than 1,000 Australian micro, small and medium businesses about their engagement with digital, we learned that business owners are generally good at researching solutions and identifying technology that fits their budget and needs.

Although digital means different things to different people, SMEs also recognise that digital is critical to building a business, whether it’s a new business or one that’s well-established. They also understand that digital solutions have the potential to address significant pain points, taking care of mundane, repetitive tasks and also provide insight and direction via a deeper understanding of customer behaviour.

However, due to the complex nature of many digital tools and the breadth of options available, many SMEs find that deciding where to start can be overwhelming.

DIGITAL VALUE DEPENDS ON PERSONAL CONFIDENCE AND PROFESSIONAL ADVICE

Our research identified four different digital mindsets that correlate with the value SMEs place on digital tools and their current usage and are categorised as:

- Digitally Dismissive
- Digitally Tentative
- Digitally Confident
- Digitally Advanced

These mindsets have significant implications for both the time savings and revenue benefits that digital delivers. The 56% of SMEs who are dismissive or tentative when it comes to engaging with digital had the lowest and second lowest average revenue earned per employee and the lowest average revenue boost when using digital tools. By contrast, the 44% that are confident or advanced are reaping the employee productivity and revenue benefits.

Our research shows that SMEs who are engaging at a confident or advanced level have not arrived there on their own. In addition to their own personal investigations, they tend to engage professional advice to ensure digital adoption brings with it suitability, stability and sustainability.

We’re committed to ensuring that SMEs have the information they need to learn from others, make informed decisions, appropriately prioritise and invest wisely in digital solutions.

As the engine room of Australia’s economy, it’s vital that the sector continues to thrive. This will largely depend on the ability of SMEs to effectively use digital to drive business performance.

Guy Mendelson
General Manager
Small Business Banking
ANZ

Isaac Rankin
General Manager
Business Banking
ANZ
The role of a small-to-medium business owner has always been a demanding one. A business owner needs to be simultaneously an octopus and a meerkat… with tentacles across a myriad of requirements and tasks. At the same time, they must monitor and respond to constantly-emerging internal and external opportunities and threats.

Now, operating in the digital era has added another layer of complexity for business owners to deal with. Our research found digital is helping SMEs to boost revenue and save time. But developing a digital strategy, choosing the right technology and making it work require skills that lie outside the core competencies of many business owners.

Business owners have generally leveraged their own expertise to build a successful and sustainable business. And whilst they are experts in their own area, they don’t necessarily have the time or inclination to become digital experts. They have enough to do managing the day-to-day delivery and operation of their business. And few have the scale to afford a dedicated IT team or expensive consultants. They also battle against a market place that is often geared for big business, with solutions that don’t meet the needs of smaller organisations.

Used efficiently, digital can make life easier but it needs to be aligned with strategy and the end-customer’s needs.

“*We’re too small for a strategy!*”

It’s easy for some SMEs to think they’re ‘too small’ for digital. But a digital presence enables many small businesses to compete with multi-nationals. For many SMEs, digital will be key to their surviving and thriving in the coming years.

SUPPORTING SMEs TO HELP THEM GROW IN THE DIGITAL ECONOMY

This report, based on a survey of more than 1,000 SMEs from around Australia, examines the types of digital tools SMEs are using now and plan to use in the future.

It also aims to help businesses better understand the possible financial, operational and productivity benefits of digital solutions.

“*We implemented a new ordering and sales platform eight months ago, at an investment of over $100k. There was no formal strategy in place to do this, it was more just a discussion among the executive team that it sounded like a good plan, that it was needed. We had multiple teething issues getting it off the ground and the costs blew out because we had to get a consultant in to rectify some of the issues. We needed this sales tool, but we don’t know if we’ll ever see a return on investment on it given the implementation costs were so much higher than expected and we hadn’t really planned properly.*”

Retail, medium business
FAST FACTS

BENEFITS OF DIGITAL TO SMEs

Financial impact of using digital tools

- **10 hrs**
  Time saved each week on average

- **27%**
  Revenue boost per year on average

SMEs are actively looking to use digital tools to:

- **41%**
  Increase efficiency

- **37%**
  Improve customer service

- **37%**
  Grow customer base

CURRENT AND FUTURE USE OF DIGITAL TOOLS

Top 5 digital applications used

1. **86%**
   Internet banking

2. **47%**
   Desktop accounting software (offline)

3. **35%**
   Quotation and invoice generation tools

4. **81%**
   Emails

5. **36%**
   Digital payments/services

Top 5 digital sales and promotion tools

1. **62%**
   Direct messages via email

2. **51%**
   Website/online stores

3. **44%**
   Social media

4. **31%**
   Email newsletters

5. **22%**
   Online business directory

Interest in digital offerings

1. **51%**
   Online knowledge and learning tools

2. **45%**
   Online digital marketing tools and resources

3. **43%**
   Cloud back up and productivity tools

4. **36%**
   Business planning tools such as cash flow forecasting

5. **33%**
   Online support communities

6. **28%**
   Automated notifications to debtors

7. **15%**
   Peer-to-peer lending

73% of websites optimised for mobile and tablet devices
DIGITAL MINDSET

Which one are you?

- 25% Digitally Dismissive
- 31% Digitally Tentative
- 10% Digitally Confident
- 34% Digitally Advanced

34% of SMEs Agree investing in digital capabilities is a priority

40% of SMEs Have sought help to increase digital capabilities

SOCIAL MEDIA

4 in 10 Businesses use social media to share information with customers

Top 3 social media platforms used

- 92% Facebook
- 39% LinkedIn
- 38% Instagram

Top 3 reasons to use social media

- 77% Provide information to customers
- 69% To advertise
- 47% Communicate to customers organically (e.g. a blog)

CYBER-ATTACKS AND SECURITY

Knowledge of cyber-attacks and cyber-security

- 37% Some knowledge
- 8% A lot of knowledge
- 55% Know nothing/a little

35% Concerned about cyber-security

5% Experienced a cyber-attack in the last 12-months

$2,777 Average loss from a cyber-attack on a business
SMEs ARE SUCCESSFULLY USING DIGITAL TOOLS TO:

• Generate 27% more revenue per year including by using social media and websites to reach more customers in new markets.

• Save time with digital tools, such as internet banking and quotation and invoice generation tools, SMEs save an average of 10 hours per week.

<table>
<thead>
<tr>
<th>Sole trader</th>
<th>Micro</th>
<th>Small</th>
<th>Medium</th>
</tr>
</thead>
<tbody>
<tr>
<td>$54k</td>
<td>$171k</td>
<td>$608k</td>
<td>$1.6m</td>
</tr>
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</table>

Collectively, Australian SMEs boost revenue by a total of ~$385bn per year

<table>
<thead>
<tr>
<th>Sole trader</th>
<th>Micro</th>
<th>Small</th>
<th>Medium</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.7 hrs</td>
<td>10.7 hrs</td>
<td>21.8 hrs</td>
<td>37.9 hrs</td>
</tr>
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</table>

Collectively, Australian SMEs save ~22 million hours of effort per week

*Figures for revenue boost and hours saved by business size used trimmed averages. Collective figures extrapolated using Counts of Australian Businesses to June 2017, ABS.
MINDSET DETERMINES THE DIGITAL DIVIDEND

Our research found that when it comes to digital, SMEs have four different mindsets, leading to different digital approaches.

The more advanced the approach, the more value digital delivers. For example, SMEs with a Digitally Advanced mindset have the highest use of digital tools. Compared to those with Digitally Dismissive mindsets, this leads to:

- A **44%** increase in the average revenue digital delivers per employee per year
- More than **double** the hours saved per week by using digital tool

**DIGITALLY DISMISSIVE**

- 25% of SMEs
- Sceptical about the value of digital tools in their business
- Low confidence exploring digital technologies; lack of internal digital familiarity and capability
- Lowest use of digital tools
- Over-represented by sole traders

**DIVIDEND FROM USING DIGITAL TOOLS**

- Average revenue per employee: **$192k**
- Hours saved per week: **6.3**

**DIGITALLY TENTATIVE**

- 31% of SMEs
- Ineffective adoption and integration of digital tools
- Reliant on external help to increase digital capabilities
- Relatively high use of digital tools
- Over-represented by manufacturing businesses

**DIVIDEND FROM USING DIGITAL TOOLS**

- Average revenue per employee: **$162k**
- Hours saved per week: **9.1**

**DIGITALLY CONFIDENT**

- 10% of SMEs
- Relatively good adoption of digital tools, but full digital potential not realised
- Believe they have identified beneficial digital tools
- Likely to have deployed more than three digital tools
- Over-represented by manual labour/construction

**DIVIDEND FROM USING DIGITAL TOOLS**

- Average revenue per employee: **$234k**
- Hours saved per week: **6.5**

**DIGITALLY ADVANCED**

- 34% of SMEs
- Digitally powered businesses that derive strong value from their digital investment
- Strong digital understanding and internal capabilities
- Highest use of digital tools
- Over-represented by professional services businesses

**DIVIDEND FROM USING DIGITAL TOOLS**

- Average revenue per employee: **$276k**
- Hours saved per week: **13.9**
Digital mindset influences the degree to which a business owner will engage with digital solutions. Digitally Dismissive business owners don’t necessarily see the value, whilst at the other end of the spectrum, Digitally Advanced SMEs are already reaping the benefits.

Understandably, Digitally Dismissive SMEs – who are often too busy to engage with new tools or perceive digital as irrelevant – have the lowest overall interest in digital offerings.

At the other end of the spectrum, Digitally Advanced SMEs are extremely interested in new ideas to progress their digital agenda, which has already translated into a direct financial benefit of higher revenue per employee.

In general, SMEs are most interested in online knowledge and learning tools. This is especially true of businesses in the start-up phase looking to upskill staff efficiently and Digitally Advanced SMEs.

SMEs also have a high level of interest in online digital marketing tools closely followed by cloud back up and productivity tools.

**“Ability for staff to have cloud access all the time and not rely on mobile data.”**

Professional and financial services, medium business

**“Probably in relation to contracts being able to have online signing rather than paper, if that was all digitalised, transactions would happen faster.”**

Professional and financial services, medium business

Note: The above chart shows the general pattern by digital mindset the average level of interest across all of the specific digital tools assessed (see chart opposite).
Digital capabilities vary greatly across the SME community, affecting levels of digital adoption. Half of the SMEs surveyed feel confident about exploring new digital technologies. As SMEs move along the mindset spectrum, confidence rises, with 95% of Digitally Advanced and 86% of Digitally Confident SMEs reporting a high level of digital confidence.

One in 3 SMEs say that investing in digital is a priority for their business. There are 2 in 5 that have sought external help to improve their digital capabilities.

Although SMEs use of digital analytics is in its infancy, 1 in 3 SMEs surveyed measure customer experience digitally and 1 in 5 track customer behaviour using tools such as Google Analytics. Medium sized businesses are well ahead of the pack on these aspects, at 62% and 58% respectively.

Most (59%) of Digitally Advanced SMEs are leveraging data analytics, however use amongst all other SMEs is virtually non-existent.

"I'm not convinced small businesses without a full-time in-house marketer really care about analytics, and they certainly don't have the time or expertise to dive in each week and change their marketing or customer service behaviour based on what a dashboard is telling them."

Retail, micro business

TIP

Many digital tools are available for free. SMEs can track activity with Trello, build social profiles with Buffer or create content in Canva – with no upfront costs.
SMEs are very focused on creating a stronger online presence, using their websites to advertise and attract new customers. Increasingly, particularly for those in the accommodation and food services sector (28%), SMEs are also introducing online sales and orders.

This is important. The 2017 EY Digital State of Australia study found that 96% of Australians made a purchase online in the previous 12 months¹. Businesses that do not consider online retail are at risk of missing out on sales, placing them at a competitive disadvantage.

But an online presence is just the start.

Digitally Advanced SMEs are also getting value from the sort of tools used in digital strategies by big business, including: automation, cloud, customer analytics, cyber security and collaboration tools.


### BENEFITS FROM DIGITAL SOLUTIONS

<table>
<thead>
<tr>
<th>Beneficial Feature</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising/gaining awareness from customers online</td>
<td>13%</td>
</tr>
<tr>
<td>Improving accounting/invoicing/payroll</td>
<td>12%</td>
</tr>
<tr>
<td>Cloud/data storage</td>
<td>10%</td>
</tr>
<tr>
<td>Establish/upgrade online presence (e.g. website and/or social media)</td>
<td>10%</td>
</tr>
<tr>
<td>More digital marketing/search engine optimisation</td>
<td>10%</td>
</tr>
<tr>
<td>Process automation/going paperless</td>
<td>9%</td>
</tr>
<tr>
<td>Data/cyber-security/anti-virus/email scams</td>
<td>8%</td>
</tr>
<tr>
<td>Online sales/orders</td>
<td>8%</td>
</tr>
<tr>
<td>Banking/financial solutions</td>
<td>6%</td>
</tr>
<tr>
<td>Improve customer/client data analytics/management</td>
<td>6%</td>
</tr>
<tr>
<td>Internal workflow productivity (e.g. job management/inventory control)</td>
<td>5%</td>
</tr>
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</table>

**TIP**

ANZ provides customers with access to **Employment Hero** an all-in-one cloud HR, payroll and benefits platform helping SMEs to navigate the complexity and challenges faced in managing HR.
WHAT’S DRIVING DIGITAL ADOPTION?

“Do it sooner rather than later. It’s easy to put off because it’s a big adjustment. No one likes change. But once you’ve got it implemented – it gets easier. Don’t put it off. Spend the money and get a lot of training. Don’t try and do it all yourself. Get a professional to help to make it less stressful.”

Construction, small business

TOP 5 DRIVERS TO IMPLEMENT DIGITAL TOOLS

<table>
<thead>
<tr>
<th>Driver</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Ease/convenience</td>
<td>23%</td>
</tr>
<tr>
<td>Greater efficiency/faster</td>
<td>21%</td>
</tr>
<tr>
<td>Better info management/record keeping</td>
<td>8%</td>
</tr>
<tr>
<td>Streamline business operations</td>
<td>6%</td>
</tr>
<tr>
<td>Improved communication</td>
<td>5%</td>
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</tbody>
</table>
SMEs are primarily implementing digital tools to improve efficiency – and for the ease of use and the convenience digital provides to customers. SMEs are also employing digital tools to take advantage of growth opportunities.

Only a minority are using software, services and applications to improve communications.

Not surprisingly, small and medium sized businesses use a greater range of digital tools compared to micro businesses and, particularly, sole traders.

They are also aware of the perils of complacency; by not engaging with digital, they risk greater competition from more digitally-savvy competitors.

"We never foresaw growing big enough that we would need a CRM system. We really need to put one in place, we are currently so disorganised and don’t keep track of which customers we should be contacting when. It’s just a matter of purchasing some software that’s cloud-based and then finding the time to transfer all our information into it."

Professional and financial services, medium business

**SMEs are actively using digital tools to...** (% fair/great deal)

<table>
<thead>
<tr>
<th>Tool</th>
<th>% Fair/Great Deal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Help increase efficiency</td>
<td>41%</td>
</tr>
<tr>
<td>Improve the service provided to customers/clients</td>
<td>37%</td>
</tr>
<tr>
<td>Grow client/customer base</td>
<td>37%</td>
</tr>
</tbody>
</table>

**How are different industries using digital?**

SMEs in different industries are focusing on tools that solve pain points in their particular business models and supply chains.

- The construction industry is significantly more likely to use quotation and invoice generation tools (70%) and far less likely to deploy CRM software (4%).
- Retail trade businesses are more likely to use inventory management software (27%).
- The manufacturing and wholesale trade sectors are least likely to use cloud-based accounting software, 6% and 5% respectively.
- Healthcare SMEs are marginally less likely to use desktop accounting software (34%) and digital payment services (21%), but have somewhat higher take-up of workforce management tools (23%).
- Agriculture, forestry and fishing SMEs have among the lowest usage of CRM software (2%).
KNOWING YOUR CUSTOMER: THE IMPORTANCE OF DATA

Kitchen Warehouse

Online shopping in Australia is worth around $20bn in revenue. The industry’s 13.5% annual growth rate has been driven by improved connectivity and consumers’ take-up of digital platforms to purchase goods.

Peter Macaulay, Managing Director of family-owned retailer Kitchen Warehouse, believes the online environment gives retailers the chance to better understand their customers by using data.

Peter’s parents established Kitchen Warehouse in the early 2000s while Peter was running his own, competing, online business. In 2016, Peter and his parents merged the two businesses – and they haven’t looked back.

Kitchen Warehouse has since successfully combined a bricks-and-mortar business with an online presence aided by a cloud-based automated enterprise resource planning system. The system integrates real-time data, helping the company to both better understand its customers’ preferences and improve efficiency.

“We use reporting and analytics throughout the business from our buying and merchandise, warehouse and marketing teams through to management. We refer to it often and everyone has the same view of our business. This ensures we are united in our efforts and strategy,” says Peter.

“We also use an additional 10-15 data-based tools to help with everything from understanding demand and stock replenishment needs to generating personalised customer experiences.”

For Kitchen Warehouse, digital capabilities are a core part of how it operates and touch nearly every part of its business. It has also helped to inform and precisely target future sales and marketing strategies.

“We use data to understand the make-up of our VIP customer program. In combination with our online transactional data, it really gives us a good understanding of where to direct our efforts, including determining the best locations for future stores as we know where our most loyal customers reside.”

Peter Macaulay, Kitchen Warehouse

Get started by capturing as much detail as possible about every customer and transaction. Even if you’re not ready to use the data yet, if you can capture data in a methodical, concise and measured manner then, when you are ready to leverage digital, the data is there to utilise.”

Peter Macaulay, Kitchen Warehouse
CASE STUDY

But, while the online marketplace gives retailers the chance to explore new target customers and create better experiences for current customers, it’s not without its challenges.

“In a digitally enabled global market, customers are rightfully demanding improved service levels while also expecting better pricing,” says Peter.

“This creates a paradox of sorts as increased service levels generally incur greater costs, squeezing margins even further.”

A digital strategy can help overcome these challenges and Peter believes defining what you want to achieve is the first step to developing an effective strategy.

“When implementing new tools or strategies, clearly defined objectives need to be established. I’d suggest focusing less on what the shiny new thing is, but rather on what you want to achieve,” says Peter.

“Get started by capturing as much detail as possible about every customer and transaction. Even if you’re not yet ready to use the data, capturing it in a methodical, concise and measured manner means that when you are ready to leverage digital, the data is there to use.”

“It doesn’t have to be complex. Just sit down and think about all the data points that should be captured about the different aspects of your business and what they can tell you. Map out how they are currently being captured and if there are any missing pieces.”

“The core underpinning of our digital strategy is to have a single repository of data, a single version of the ‘truth’ that can be utilised in decision-making across our business.”

Peter Macaulay, Kitchen Warehouse
Small and medium businesses are significantly more likely than micro businesses to leverage digital tools to share information about their businesses and attract new customers.

Email is the most popular digital tool used to promote a business. SMEs find the concept easy to grasp as it’s the electronic equivalent of a physical mail-out. Industries leading the charge in e-marketing include: rental, hiring and real estate services (84%) and education and training businesses (83%).

Just over half of SMEs surveyed are using company websites and online stores to attract new customers. This percentage grows as companies get bigger, with 77% of small and 82% of medium businesses driving business through these channels.

One in 3 Digitally Dismissive SMEs do not leverage any of these tools. In contrast Digitally Advanced SMEs are significantly more likely to take advantage of each of these tools to share information and grow their market presence.

“…get more into google so that when people search, we come up.”
Forestry and fishing, small business

“Our website could use some funding to make it more flexible and bring in more potential clients.”
Photography, micro business

**TIP**

It’s vital to strike an appropriate balance between sharing information via traditional media such as press, mail and radio, versus online channels. Online methods can reach a more targeted customer base faster, using fewer resources, including time and money.
HOW ARE SMEs USING SOCIAL?

“I’m getting more into it – I’ve just organised a social media group to do our social media. Too many hats, and I couldn’t cope with the consistency of it. I’d post every so often, and we’d get good responses. We have suppliers who have done it with great results. People flock to get that product.”

Retail, micro business

SOCIAL MEDIA USAGE BY DIGITAL MINDSET

- Digitally Dismissive: 26%
- Digitally Tentative: 46%
- Digitally Confident: 35%
- Digitally Advanced: 59%

44% Use social media to share information

Facebook: 92%
LinkedIn: 39%
Instagram: 38%
YouTube: 22%
Twitter: 21%

Source: EY Digital State of the Nation (2017)
https://digitalaustralia.ey.com/
Social is a great channel for businesses to connect with their customers and manage their relationships. Of the 44% of SMEs using social media, 3 in 4 see it as a means to provide information to customers. Although, some admitted to creating pages, but then not having the time to keep them current.

Only 1 in 5 use social as a sales channel, suggesting that this is an opportunity more SMEs should consider. The 2017 EY Australia Digital State of the Nation study found that 9 in 10 Australian consumers are currently using at least one social media network. Social can offer SMEs enormous advantage as a cost-effective and wide-reaching virtual storefront.

**TOP SOCIAL PLATFORMS**

Facebook (92%) is overwhelmingly the No 1. social media platform for SMEs, regardless of business stage or size. It’s seen as tactical and oriented towards product sales and promotions and is used by SMEs across all of the Digital Mindset Groups.

While an ever-present blog-style presence and the obsession over going viral has fallen out of favour, forward-thinking businesses are maintaining a Facebook page for their businesses, and mainly using it for timed promotions and responding to customer enquiries.

LinkedIn (39%) – the professional networking platform is used for B2B marketing by SMEs in the administrative and support services and professional, scientific and technical service industries and SMEs that have Digitally Confident and Digitally Advanced mindsets.

Instagram (38%) is largely used by start-ups (69% of those using social), perhaps aligned to their customers’ online habits. Most SMEs see Instagram as a brand-building online tool, not a sales channel – even though users can buy direct from the platform.

**TARGETED DIGITAL MARKETING**

Seven in 10 SMEs surveyed are using social media to advertise. Of these, Digitally Advanced SMEs are rolling out targeted advertising using the free tools made available by Facebook and Google. They are also using online resources to educate themselves about the nuances of digital marketing.

**USES FOR SOCIAL MEDIA**

- Provide information to customers: 77%
- A way to advertise: 69%
- Communicate to customers organically (e.g. blog): 47%
- Manage our reputation: 43%
- Resolve customer queries: 24%
- For ecommerce (selling online): 20%
- Other: 4%

4 TIPS TO IMPROVE SOCIAL MEDIA EFFECTIVENESS

TIP 1 SOCIAL MEDIA CONSIDERATIONS

Who are you trying to reach and what are their interests?
This knowledge will help you create engaging content and get more traction for your posts.

What platforms are your audience using?
In Australia, Facebook has the largest reach, followed by Instagram, Snapchat and Twitter.

What is your budget for social media?
Your budget needs to cover social tools, content development, training (if required) and advertising.

What are your objectives for your social channels?
Drive traffic to your website? Lead generation? Brand awareness? Customer service?

How will you measure success?
Regular evaluation will help you see what’s working and what’s not, so you can adjust your strategy.

TIP 2 CONTENT IS KING

Quality content is visually appealing, looks reputable and is relevant to your audience. Content should be informative – something your readers will want to spend time viewing.

Try to avoid sharing content that uses clickbait tactics or has already been frequently shared.

TIP 3 PLAN AND USE MANAGEMENT TOOLS TO SAVE TIME

Make time to plan a content calendar for the week or month ahead to ensure your posts are strategic – rather than ad-hoc.

Be clear on what you want your content to achieve. What do you want your audience to know, feel or do?

Use tools like Trello, HootSuite, Synthesio or Socialbakers to plan, schedule, manage and monitor social activity.

TIP 4 ESTABLISH AN INTERNAL SOCIAL MEDIA POLICY

Your policy should include: tone of voice; how quickly you will respond to customers’ comments, messages or posts; an escalation process; examples of what responses should look like; what content from third parties you might share; and unacceptable social media activity.

Use social as a tool to facilitate a two-way conversation with customers – not just as a publishing platform to sell your products or services. Social is a great platform to interact directly with your customers, answer their questions and respond immediately to feedback.

Use any negative feedback in your comments section as an opportunity to show how quickly and graciously you respond to complaints – allowing people to see your customer service in action.

As a rule of thumb, don’t delete comments unless they are threatening or offensive. Instead, use moderation tools and profanity filters if required.
CASE STUDY

ONLINE PRESENCE: BUILDING A BRAND

Blue Derby Pods Ride

For any business that doesn’t directly sell products or a service, building a strong online presence is a must.

Just ask Tara Howell, Director of Blue Derby Pods Ride (BDPR), a three-day soft adventure mountain bike experience launched in April 2017. Guests traverse Tasmania’s Blue Derby Mountain Bike Trails, indulge in local food and wine, and relax in accommodation ‘Pods’.

BDPR’s digital marketing strategy accounts for around 90% of the company’s marketing spend and has played a critical role in attracting tourists.

“Our marketing strategy has a huge focus on digital: we’ve prioritised it over traditional forms and invested mostly in search engine optimisation and social media,” says Tara.

“Digital marketing provides a level of control and customisation. You can place your own digital advertising, determine spend, artwork, copy, target audience and, best of all, see the results in real time.”

Today, almost a quarter of Australians use social media to follow brands or businesses and almost 50% of SMEs now have a social media presence6.

Australia’s tourism industry has been quick to realise the potential of social media. In 2017, Tourism Australia grew its social media accounts by more than 900,000 followers, performing ahead of rival travel destinations like the United States, Great Britain and New Zealand.

“You still have to put a lot of thought and creative into the ideas behind digital marketing. You need a good idea and beautiful creative to support your message. You can’t just expect magic.”

Tara Howell, Blue Derby Pods Ride

1 2018 Yellow Social Media Report
Some of the most engaging content that BDPR has shared includes 4.8 million views of a Facebook video of a koala climbing a keeper at Symbio Wildlife Park in New South Wales; and a reach of 989,000 people by an Instagram post featuring Lake Hillier in Western Australia.

While start-up business BDPR is yet to clock up millions of views, Tara sees the potential in an omni-channel presence to create and deliver unique and engaging content.

“A multi-channel approach to marketing, selling, and serving customers in a way that creates an integrated and cohesive customer experience is really important,” says Tara.

“To create a seamless experience, every customer touch-point, regardless of channel, needs to be 100% on-brand and on-message.”

This is why BDPR continues to maintain a strong public relations strategy focused on driving content in lifestyle lift-outs in some of Australia’s most prominent newspapers – content that the company then promotes via its digital channels.

Another benefit of digital marketing is the real-time feedback it provides.

“Digital marketing provides a range of campaign insights such as at what point a potential customer may have lost interest a campaign, helping to highlight ways to improve future engagement rates,” says Tara.

For Tara, content and customer are also critical to creating a successful digital marketing campaign.

“Understanding your target customer and the channels they are using are equally important.”
CYBER-ATTACKS – WHAT’S THE RISK?

"I’m pretty blasé about it. Why would someone bother hacking into my system to read my training materials? They would be so bored."

Manufacturing, medium business

"I know my information is secure because the IT company that does our network storage said so. I trust them."

Professional and financial services, micro business

<table>
<thead>
<tr>
<th>CYBER-SECURITY KNOWLEDGE AND CONCERN BY DIGITAL MINDSET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dismissive</td>
</tr>
<tr>
<td>------------------</td>
</tr>
<tr>
<td>Some or a lot of knowledge about cyber-security</td>
</tr>
<tr>
<td>Experienced a cyber-attack</td>
</tr>
<tr>
<td>Concerned about cyber-security</td>
</tr>
</tbody>
</table>
OPERATIONAL RISK

According to the Australian Small Business and Family Ombudsman, 22% of small businesses that were breached by the 2017 Ransomware attacks were so affected they could not continue operating.

Small and medium businesses are concerned about the privacy of their customer data and company information. For some this is a barrier to using new digital technologies.

Only 35% of SMEs surveyed are concerned about cyber-attacks.

Generally, SMEs believe they are unlikely targets and do little to protect their businesses.

Those who are concerned tend to think first about themselves – they focus on the risk to the business’ information and competitive advantage before the risk of exposing customer data, payment information, or other privacy violations.

Knowledge about cyber-security is lowest when companies start-up (71% know nothing about it or only a little). Even among this group, 1 in 25 have experienced a cyber-attack in the last 12-months, so the risks are there from day one.

Regardless of how far along SMEs are on the mindset spectrum, they are still exposed to the possibility of cyber-attacks and need to put in place measures to protect themselves.

FINANCIAL IMPACT

According to the survey, the average reported financial impact is almost $3,000.

As business size increases, so too does the financial impact of an attack. The average impact on micro businesses is less than $1,000 per attack. However, the average impact for small and medium businesses is more than $6,500.

Of small businesses surveyed who experienced an attack, 17% were faced with financial impacts of more than $15,000 – potentially a significant proportion of their annual profit.

6Source: Australian Small Business and Family Enterprise Ombudsman  
CASE STUDY

CYBER-SECURITY: THE BIGGEST VULNERABILITY IS PEOPLE, NOT SYSTEMS

TEN Group

It's estimated that Australians lost $2.3 billion to cyber-crime in 2017, with 1 in 3 Australian adults falling victim to online scammers.

Business email compromise (BEC) scams are just one type of cyber-attack, but the breadth and frequency of BEC attacks is a great illustration of the extent of the cyber-crime problem worldwide.

BEC attacks are on the rise in Australia and overseas, with small businesses overwhelmingly targeted by scammers and the FBI estimating worldwide losses since 2015 at $US3 billion and rising.

Australia is not immune. Instances of BEC rose more than 230 per cent between the 2016 and 2017 financial years. This amounted to losses of $A22.1 million.

Corey Scott, Managing Director of Brisbane-based tool and construction equipment provider TEN Group, experienced the impact of BEC firsthand when he was alerted to a suspect supplier payment by his bank’s fraud team.

Even though the TEN Group payment was quickly identified as fraudulent, it took some time for the transaction to be reversed, pending the investigation between the two banks involved. In one way, TEN Group was lucky: many businesses never see their money again.

The scam involved an email request from one of TEN Group’s regular suppliers to change their bank details for future payments. The communication looked exactly the same as previous emails received from the supplier, but included the scammer’s bank details. The email domain was identical and the TEN Group team had no reason to suspect that it wasn’t a legitimate notification.

Alarmingly, the email was the last step in the scam – Corey later learned that someone posing as the supplier, and using the supplier’s domain, had been in contact with his procurement manager in the months before receiving the change of details request.

Whilst the financial cost of the scam has been recovered, there are also reputational effects on the business that Corey has spent time and money dealing with.

“Training my team has helped them understand the high stakes of falling victim to a scam. The simplicity and effectiveness of cyber-attacks can be shocking. They’re not just a matter of business; they’re a fact of life. And they can happen to anyone.”

Corey Scott, TEN Group

“Although the fraudulent transaction was eventually reversed, it created delays in customer orders, which our team spent a lot of time managing,” says Corey.

As a result of the scam, Corey has made significant changes to systems and policies.

“In particular, we’ve focussed on training the team to never accept an email for a change of bank details and always get a verbal confirmation,” he says.

Training also included improving employees’ cybersecurity knowledge and skills, so they’re not only able to detect scams within their business but also in their personal lives.

“Making it personal for my team has made it real. And it’s helped them understand the high stakes of falling victim to a scam. The simplicity and effectiveness of cyber-attacks can be shocking. They’re not just a matter of business; they’re a fact of life. And they can happen to anyone.”

Relationships and connections between people were both the source of the scam and key to its rectification.

“How the scam worked and how it was fixed all came down to relationships and links between people,” says Corey. “The scammer was able to exploit our relationship with our supplier by using their domain and building a relationship with my team. So when the change of details request came through, we didn’t think twice.

“On the other side of things, my relationship with my IT supplier has been invaluable: they provided terrific technical support and helped us navigate a situation we had never come up against.”

Since the cyberattack and subsequent training, the team has identified similar scam emails, saving the company money, time and reputational risk.

“When you go up against scammers, implementing systems and computer programs like virus-checkers is important, but ultimately the success or failure of a scam comes down to people.”
5 TIPS TO AVOID BUSINESS EMAIL COMPROMISE

1. **Seek supplier confirmation**
   If you receive a change of banking details from a supplier, always confirm by contacting the supplier on the trusted details recorded in your system. A phone call is usually best, particularly if your supplier’s email system has been hacked.

2. **Two authorisations**
   Ask for two authorisations for payments to create an extra level of security, particularly for large transactions or those appearing sensitive or urgent.

3. **Supplier detail update review**
   Implement or review your policies and processes for updating supplier details. Make sure everyone is aware of the new or updated policies.

4. **Be alert to phishing scams**
   BEC (Business E-mail compromise) scams are often initiated with a phishing attack. Avoid providing information about your company or its employees to unknown senders or callers.

5. **Contact the Australian Cybercrime Online Reporting Network**
   If you are the target of a scam, contact your bank in the first instance and report any incidents to the Australian Cybercrime Online Reporting Network (ACORN). By reporting the event, you may help others avoid them in the future.
WHAT’S HOLDING SMEs BACK?

“Not knowing where to start, often advertising promises seem too good to be true. Hard to trust and know that you’re doing the right thing.”
Industry unspecified, micro business

“Just starting up our online platforms, as it took a great deal of time to get it up and running.”
Retail trade, micro business

“Not much money available to implement new digital solution software.”
Healthcare and social assistance, medium business

TOP 3 CHALLENGES TO IMPLEMENTING DIGITAL APPLICATIONS
(excl. don’t know, no challenges experienced)

1. 26% Digital solution costs
2. 20% Not sure how to start or the best option available for our business
3. 12% Implementation phase challenges
Business owners often face barriers when implementing digital solutions.

More than two thirds of SMEs face at least one challenge from finding funds to implement, to establishing a sufficiently robust internet connection.

Cost was a key impediment for 26% of businesses and many find it difficult to predict if or when they will see a return on their initial investment.

Many struggle to know where to start and decision makers are often unsure about whether they are selecting the best option – that can scale with their business and remain relevant to customers long-term.

Medium-sized businesses, with larger workforces, are significantly more likely to have faced staff-related challenges. They often underestimate the time and cost of staff training, especially when staff have low computer literacy.

### Hurdles to Adopting Digital Solutions

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>The cost of the digital solution</td>
<td>26%</td>
</tr>
<tr>
<td>Not sure how to start, or of the best option for our business</td>
<td>20%</td>
</tr>
<tr>
<td>Challenges around the implementation phase</td>
<td>12%</td>
</tr>
<tr>
<td>Staff challenges (including computer literacy)</td>
<td>10%</td>
</tr>
<tr>
<td>Issues with internet connection and speed</td>
<td>8%</td>
</tr>
<tr>
<td>Impacts from broader market or customer related issues</td>
<td>8%</td>
</tr>
</tbody>
</table>

“Not much money available to implement new digital solution software.”

Healthcare and social services, medium business

“Understanding of software usage and application.”

Healthcare and social services, small business

“The time it takes to install, learn how to use it and the time it takes to operate.”

Agriculture forestry and fishing, small business

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**TIP**

ANZ’s **Business Ready** tool, powered by Honcho, enables customers to register their ABN, business and domain name, set up a simple website, email addresses and ANZ business bank accounts without having to visit multiple websites and suppliers.
HOW CAN SMEs INCREASE THEIR DIGITAL CAPABILITY?

“Educate yourself, find someone trustworthy to advise you.”
Arts and recreation services, sole trader

“Find an experienced expert to build a system suitable to your needs.”
Administrative and support services, medium business

“Spend time learning about how digital technologies can help your business.”
Manufacturing, micro business

“Don’t open e-mails when you’re unsure or don’t know where they originated from; install high grade malware protection.”
Industry unspecified, sole trader

ADVICE TO OTHER SMALL/MEDIUM BUSINESSES ABOUT DIGITAL TECHNOLOGY

<table>
<thead>
<tr>
<th>Advice</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research/try alternatives before purchase</td>
<td>16%</td>
</tr>
<tr>
<td>Ask/seek professional help</td>
<td>12%</td>
</tr>
<tr>
<td>Maintain cyber-security software/anti-virus protection</td>
<td>11%</td>
</tr>
<tr>
<td>Keep it simple/start small</td>
<td>10%</td>
</tr>
<tr>
<td>Embrace new technology/updated software</td>
<td>9%</td>
</tr>
<tr>
<td>Implement cloud technology e.g. storage/accounting software</td>
<td>7%</td>
</tr>
<tr>
<td>Seek expertise/products from IT specialists</td>
<td>7%</td>
</tr>
<tr>
<td>Constantly learn and be agile</td>
<td>7%</td>
</tr>
<tr>
<td>Personalise your digital solutions</td>
<td>7%</td>
</tr>
<tr>
<td>Incorporate digital solutions early</td>
<td>7%</td>
</tr>
</tbody>
</table>
COMMUNICATION AND TRAINING

Recent research showed that communication and employee engagement are key to successful digital implementation, with 47% of businesses seeing change management as a barrier to successful implementation. This is not surprising considering implementing digital strategy and tools can change the day to day running of business.

Training staff so that they can use digital tools effectively, and understand their value, is also critical. On average, ANZ’s research showed just under half (48%) of SMEs consider their employees well-trained to digitally engage with customers.

Budget can inhibit the ability for SMEs to offer staff extensive digital training. Other options might include employing IT contractors to fill skill gaps, while training permanent staff. Alternatively, SMEs could seek to tap into the digital skills that employees are using outside of the business.

“Training employees was a challenge, particularly older employees who didn’t grow up in the era of iPhones and computers. Old habits die hard. They don’t like change and they get stressed out if they aren’t getting it right. Face-to-face training is really important. And doing a refresher once they’ve had a chance to use it.”

Construction, small business


KEY RECOMMENDATIONS

Many SMEs lack a well-defined digital strategy, however this will eventually become the cost of entry for doing business in Australia.

It represents an opportunity for SMEs to examine how their business is running and should include a thorough review and assessment of current operating practices as well as employee and customer engagement.

Developing a digital strategy begins with identifying long-term objectives as well as relevant, cost effective and sustainable solutions that will help businesses achieve their goals.

EMPLOYEES ARE WELL TRAINED TO ENGAGE WITH CUSTOMERS VIA DIGITAL CHANNELS (% agree)

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Sole traders</th>
<th>Micro (2 to 4 employees)</th>
<th>Small (5 to 19 employees)</th>
<th>Medium (20 to 199 employees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMPLOYEES ARE WELL TRAINED TO ENGAGE WITH CUSTOMERS VIA DIGITAL CHANNELS (%) agree</td>
<td>48%</td>
<td>38%</td>
<td>52%</td>
<td>57%</td>
<td>60%</td>
</tr>
</tbody>
</table>

- 25% of sole traders that have been in business for <12 months are well trained to engage with customers via digital channels.
- 39% of sole traders that have been in business over a year are well trained to engage with customers via digital channels.
DIGITAL MINDSET RECOMMENDATIONS

Approaches to addressing digital needs will naturally differ depending on mindset. Regardless of mindset, all business owners can benefit from considering the following actions:

The Digital Economy: Transforming Australian Businesses

TAKING THE FIRST STEPS

SMEs with a Digitally Dismissive mindset can benefit from exploring and increasing their knowledge of the availability of digital solutions. There's little value in jumping in blindly. It’s possible to start small and test the value of digital engagement without major expenditure.

Business owners can benefit from considering the following actions:

• Review and utilise the many free tools available to help improve business efficiencies including:
  - Productivity tools such as Asana or Trello.
  - CRM, marketing and sales platforms such as Pipedrive or MailChimp.
  - Service provider offerings. ANZ offers a range of solutions to its customers including Employment Hero and ANZ Business Ready®.

• Network. This can be an effective way of discovering what digital tools other businesses are using and which might be best suited.

• Take the time to understand the value of a digital strategy and what it can provide to your business.

• Engage with service providers that can provide tailored expertise to help establish and implement a digital strategy.

• Build an understanding of today’s cyber-security risks. 17% of SMEs that experienced a cyber-security attack reported a loss of $15K plus. Business owners cannot afford to be complacent when it comes to cyber-security.

REDEFINING DIGITAL

Digitally Tentative SMEs have experienced mixed success using digital, so the challenge is to engage with digital in a more sustainable way that addresses a set of well-defined objectives.

Business owners can benefit from considering the following actions:

• Conduct an inventory of available digital tools.

• Run staff information sessions to increase awareness of how to use the relevant digital tools and discuss the value they may deliver to the business and customers.

• Nominate a staff member to champion each digital tool, or ensure there are at least two team members who are experts in their application and benefits.

• Provide training to build team confidence in exploring and using digital tools.

• Consider engaging external expertise to assist in developing or reshaping a digital strategy and set aside time to understand what you need to do to make implementation successful.

• Keep up-to-date on the latest cyber-security threats and report any suspicious activity. Business owners can also talk to their IT provider about ways to minimise the risk of a cyber-attack.

HOW DIGITALLY FIT IS YOUR BUSINESS?

Take a self-assessment using our Digital Mindset Tool
media.anz.com/digitalmindsets

The Australian Cybercrime Online Reporting Network provides several resources about reporting, addressing and preventing cyber-attacks. The ANZ Security Centre is also a great resource for keeping up to date.

Business Victoria has a range of digital resources available, including strategy templates

Sign up to the ACCC’s Scamwatch alert emails to learn about the latest scams. Scamwatch also offers practical tips on protecting yourself from fraud, reporting scams and getting help

Engage your team when developing a digital strategy to help uncover opportunities to address persistent operational and customer pain points

The Digital Economy: Transforming Australian Businesses | Page 30
SHIFTING THE DIAL

Digitally Confident SMEs are self-assured in their abilities to navigate the digital landscape and have a strong understanding of the digital options available to their business. However, it is important for them to continue to stay abreast of current and emerging trends and to review and assess what’s available.

Business owners can benefit from considering the following actions:

• Assess the return on digital investment to determine the next steps in a digital strategy.
• Identify ways to continue to develop digital expertise and explore the relevance of emerging technologies. Try new things and don’t be afraid to fail.
• Monitor and improve digital use, explore the full capabilities of digital tools and seek further return on investment.
• Maintain frequent internal communication and engagement to understand employee insights with regards to the effectiveness of digital tools. This includes assessing and communicating their impact on business performance and how they might be used differently to achieve business goals.
• Engage external support. This will help business owners to continue to build on their existing knowledge and expertise.
• Integrate digital strategy as part of overall business planning, rather than an add-on solution. Bring digital and business strategies together to ensure that digital becomes part of doing business.
• Access professional help to make sure you’ve implemented the right processes and systems to prevent a cyber-attack. More importantly – train staff to recognise subtle signs.

EMBEDDING INNOVATION

Digitally Advanced SMEs are already experiencing a significant return on digital investments including uplifts to both productivity and revenue. They have the opportunity to harness their digital curiosity to realise growth opportunities.

Business owners can benefit from considering the following actions:

• Assess return on investment from digital tools and allocate funding for future development, upgrades and training.
• Create an internal culture that promotes continuous curiosity with regards to digital. Hold regular forums where new ideas are encouraged and elevated. Allow for trials and failures, on the way to achieving positive outcomes.
• Celebrate how digital has brought success to date.
• Continue to look for ways to upskill staff.
• Continue to review and assess the relevance and outcomes of the digital strategy in line with the overall business strategy.
• Share expertise with SME peers, particularly those that are Digitally Dismissive and Digitally Tentative.
• Keep up to date with the latest scams, threats and cyber-attacks to ensure processes, procedures and employee training remain relevant.
METHODOLOGY

1. We surveyed 1,010 micro, small and medium businesses across Australia about their digital mindset, the benefits of digital offerings, their use of and interest in digital tools and the challenges they have experienced adopting digital.

2. We also interviewed 18 small business owners, operators or C-suite executives to explore issues relating to their digital adoption and strategies.

RESPONDENT PROFILE

**Average age**
- 52

**Gender**
- Male: 55%
- Female: 45%

**Location**
- Metro: 63%
- Regional: 37%

**Location by State**
- QLD: 23%
- VIC: 26%
- NSW: 29%
- SA: 8%
- ACT: 1%
- TAS: 4%
CONTACT US

1800 801 485

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