

THE OPPORTUNITIES OF THE DIGITAL ECONOMY FOR NEW ZEALAND BUSINESS

AN MYOB BUSINESS MONITOR
SPECIAL REPORT FOR
GETONLINE.CO.NZ

June 2012



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INTRODUCTION

In the modern communication age having a website is as important for a business as having a telephone. Yet despite 80%¹ of all New Zealand consumers searching online first before buying a product or service, just 32%² of New Zealand businesses own a website.

Getonline.co.nz is a new initiative from Westpac and MYOB. It is designed to help New Zealand businesses get online, offering a smart, effective website – free for 12 months for any New Zealand business. Created through the MYOB Atlas website builder, Getonline.co.nz provides a simple, step-by-step process that allows businesses to set up their own website in just 15 minutes, and be up and running with an e-commerce site in around one hour.

Through the Getonline.co.nz initiative, Westpac and MYOB aim to help 10,000 New Zealand businesses get online, where their customers are, in order to be found, sell more, and be more competitive.

Now any NZ business can get a free* website.

Having a website allows you to do business in your sleep. Stay open 24/7 and never miss a customer with this free solution from Westpac & MYOB.

* Free for the first 12 months.



MAKING IT EASIER FOR KIWI BUSINESSES TO GET ONLINE

Westpac and MYOB are proud to be working in partnership to help more businesses get online and Grow New Zealand.

As a country we have not yet fully embraced the opportunities provided by the internet. Businesses with an online presence not only enjoy a real competitive advantage by being available to more customers, they are open 24/7 and perform better across a wide range of areas. They typically achieve a higher level of growth, attract more customers, make more sales and reach more markets.

With so few New Zealand businesses operating a website, our lack of participation in the digital economy is an issue that we need to address. So, together Westpac and MYOB have created the Getonline.co.nz initiative to help more New Zealand businesses quickly establish an online presence to enable them to grow.

We have set ourselves an ambitious target for this initiative. We would like to see 10,000 businesses online with a new website in the next 12 months. To do so, our aim is to break down all the barriers to small business participation in the digital economy. We want to make establishing a website as simple and as efficient as possible. But perhaps most importantly, we wanted to cut out all the up front cost. That's why, through the Getonline.co.nz initiative, businesses will be able to make a fast, professional, search optimised website that makes them available to New Zealand and beyond and is free for the next 12 months.

Through Getonline.co.nz, any business – not just a Westpac or MYOB customer – will be able to set up a website and have it up online in just 15 minutes. And, they will be able to trade online with e-commerce functionality in just one hour.

We believe this initiative will help Grow New Zealand, break down the barriers of cost and complexity, and make it easy for them to be more effective in their marketing. Our simple message is 'Get Online, New Zealand' to take advantage of all the opportunities the internet provides.



Peter Clare
Chief Executive Officer
Westpac



Tim Reed
Chief Executive Officer
MYOB

NEW ZEALAND'S DIGITAL ECONOMY

According to the MYOB Business Monitor – a survey of over 1000 businesses across New Zealand, conducted twice a year for MYOB by Colmar Brunton – less than a third (32%) of New Zealand businesses have their own website they operate to promote or sell their products and services.

Regions

Auckland is New Zealand's most connected city, with 38% of all businesses in the city operating a website. In the major metropolitan areas, less than a third of businesses in Wellington operate a website (31%), while in Christchurch, website ownership has fallen slightly since the earthquakes to 27%.

Of the regions, the Bay of Plenty (36%) and Manawatu (35%) exceed the national average, while the Otago/Southland region has the lowest level of business website ownership in New Zealand.

Of the major regions covered in the MYOB Business Monitor, business website ownership in New Zealand is ranked as follows:

1. Auckland – 38%
2. Bay of Plenty – 36%
3. Manawatu – 35%
4. Wellington – 31%
5. Northland – 30%
6. Waikato – 28%
- Hawkes Bay – 28%
7. Christchurch/Canterbury – 27%
8. Otago/Southland – 26%



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Industries

The Manufacturing and Wholesale sector is New Zealand's most connected industry, with 53% of businesses operating a website, followed by Retail and Hospitality (51%). The industry with the lowest level of website ownership is the primary sector (agriculture, forestry and fishing) in which only 9% of business owners operate a website.

Of the major industry groups, business website ownership in New Zealand is ranked as follows:

1. Manufacturing/Wholesale 53%
2. Retail/Hospitality 51%
3. Finance/Insurance 36%
4. Business/Professional/Property 32%
5. Construction/Trade 21%
6. Transport/Warehousing 19%
7. Ag/Forestry/Fishing 9%

NEW ZEALAND BUSINESSES AND THE INTERNET

Despite low levels of website ownership, New Zealand business owners are internet savvy, and engage with the online economy in a broad variety of ways.

Buying and selling

Businesses undertake a variety of commercial activities online, including:

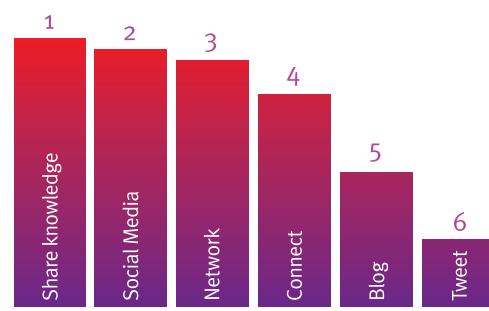
- 44% pay their bills on suppliers' websites
- 44% buy products and services
- 32% accept online payments from customers
- 26% sell products or services using other websites (e.g. eBay or TradeMe)

Direct online sales by New Zealand businesses, however, are low with only 17% of businesses selling to customers via their own website.

Communication and social media

The use of social media for business is growing in New Zealand, and more business owners are also sharing information through online networks:

1. 24% share business knowledge with other business owners
2. 23% use social media for business
3. 22% network with colleagues and clients on LinkedIn
4. 19% connect with customers and fans via a business page on Facebook, YouTube or Google+
5. 12% share news via a company blog
6. 6% of businesses communicating via the micro-blogging site, Twitter



Use of social media

Marketing

Some businesses are also directly marketing to customers via the internet:

- 31% use search engines to promote their business
- 27% conduct email marketing to their customers

Increasing use of the internet for sales and marketing

Over the next 12 months, more New Zealand business owners plan to increase their online sales programme (22%) compared to those who will invest in sales and marketing offline (19%).

The advertising mix will also change for a number of businesses this year, with 23% planning to increase the value of spending on marketing and advertising online in the next 12 months, compared to just 16% who will increase the value of their traditional advertising spend.

THE BENEFITS OF WEBSITE OWNERSHIP – ONLINE BUSINESSES DO BETTER

In over four years of research, the MYOB Business Monitor has consistently highlighted that businesses with a website ‘do better’ than those that don’t operate a website for their business.

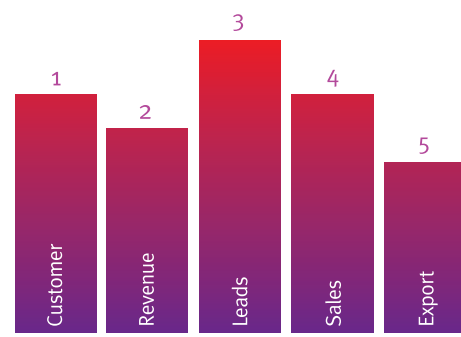
According to the latest MYOB Business Monitor, released in April 2012, 42% of New Zealand businesses with a website reported an increase in revenue over the last 12 months, while just 29% of businesses without a website saw improved revenue.

Over the coming year, 51% of New Zealand businesses with a website expect their revenue to increase, compared to 37% of business without an online presence.

Improved performance

According to the research conducted in the MYOB Business Monitor, New Zealand businesses with a website report a range of improved performance results which are a direct benefit of being online:

1. 35% have seen an improvement in their customer engagement
2. 30% have enjoyed increased revenue directly resulting from their online presence
3. 43% report more customer leads, as their website generates more interest in their business
4. 35% report a better conversion rate for their sales leads
5. 25% have been able to engage with international markets and sell their products or services globally as a result of operating a website



Benefits of being online

Competitiveness

Businesses with a website enjoy a considerable competitive advantage. According to the MYOB Business Monitor, 35% of New Zealand businesses say having a website has made them more competitive.

This is highlighted in particular by the disparity between New Zealand consumers’ use of the internet and the participation in the digital economy of local businesses. According to the Consumer Commerce Barometer, 80% of New Zealand consumers search online first for a product or service – a considerable commercial advantage for the 32% of local businesses that have a website.

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TARGET 10,000

Westpac and MYOB have set an ambitious target for the Getonline.co.nz initiative, targeting 10,000 new online businesses in 12 months.

This level of online engagement is designed to start a movement to establish New Zealand as one of the world's most connected economies and enjoy all the benefits this would bring the whole country. Westpac and MYOB's approach is to engage the business communities in towns and cities around the country, creating a nationwide network of highly connected business centres.





The MYOB Business Monitor is designed to research key areas of business performance, including profitability, cash flow and pipeline work, as well as business confidence and satisfaction in the support of Government.

This report presents the summary findings for key indicators from the MYOB Business Monitor comprising a national sample of 1,000 business proprietors and directors, conducted in March 2012.

The businesses participating in the online survey are defined as both non-employing and employing businesses with zero employees ('sole traders'), 1-4 employees ('micro businesses'), 5-19 employees ('small businesses') and 20-199 employees ('medium businesses'). Industries have been grouped (see next page) for the purposes of providing meaningful results based upon sample segments of reasonable size, and with a lower margin of error.

(The business weightings in this report are in line with Statistics New Zealand: New Zealand Business Demography Statistics: At February 2010: ISSN 1174-1988.)

This research report was prepared by The Financial Research Company and fieldwork was completed by Colmar Brunton (a Millward Brown Company) for Julian Smith, General Manager – New Zealand, MYOB NZ Limited julian.smith@myob.com | www.myob.co.nz

Industry, location and business size sample segments

The sample segments in this first MYOB Business Monitor of 2012 very closely parallel those in the last MYOB Business Monitor, conducted in September 2011. Their results have been reweighted to reflect their actual proportions of all GST registered businesses in New Zealand.

Industry	Reweighting	03/12	09/11
Agriculture, Manufacturing and Wholesale	23%	188	182
Construction, Trades, Transport and Warehousing	14%	207	173
Finance and Insurance	6%	30*	48
Professional and Business Services	34%	276	272
Retail and Hospitality	9%	106	113
Other Industries* (included in total results)	14%	193**	216**
Total	100%	1,000	1,004

(* Caveat: There is high margin of error of +/-15% @ 20% on this small base in 2012. Also note that the Finance & Insurance sectors and the Professional & Business Services sectors usually have very similar responses to questions.)

(**Other Industries, which have been combined to minimise their margin of error, include these sectors: Communication Services; Cultural & Recreational Services; Education; Electricity, Gas & Water Supply Services; Health & Community Services; Mining; and Personal & Other Services.)

The results of the responses from each of the areas of New Zealand have been reweighted to match population by location.

Location	Rewighting	03/12	09/11
Auckland	31%	375	353
Wellington	10%	88	103
Christchurch	13%	118	110
Rest of New Zealand	46%	419	438
Total	100%	1,000	1,004

The segments by business size (number of employees in the business) have been reweighted to their exact present proportions of all GST registered businesses in New Zealand, as below:

Number of Employees/Business Type	Rewighting	03/12	09/11
0 Employees/Sole Traders	69%	599	596
1-4 Employees/Micro Business	21%	257	270
5-19 Employees/Small Business	7%	116	102
20-199 Employees/Medium Business	3%	28*	36
0-199 Employees/Sole, Micro, Small & Medium Businesses	100%	1,000	1,004

(* Caveat: There is high margin of error of +/-15% @ 20% on this small base in 2012. For this reason, results for medium businesses are only reported as significant if they are above or below this margin of error in relation to other businesses by size.)

