

Internet usage among Hungarian SMEs

Summary

In its analysis the Institute for Economic and Enterprise Research examined the practices relating to internet usage among domestic small and medium sized companies. The analysis is based on the data of the January 2017 SME Outlook survey of 300 small and medium enterprises that have at least 20 employees. Beside the most general uses (maintaining contact with clients, maintaining an own website, administration) the Hungarian SMEs mostly use the internet to seek information. Among larger companies, among those that have foreign ownership, and among those of the commerce and manufacturing sector internet usage is more prevalent than in the case of other types of companies. 84 percent of the SMEs have an own website and these are mainly maintained by a professional. A clear evidence of the importance of internet usage among domestic companies is that 90 percent of them claim that if the internet did not work at their company for a week, it would mean a serious problem for the functioning of their businesses. At the same time however, most of the responding companies invest less than 1 percent of their income in purchasing and maintaining IT devices.

Uses of internet among domestic SMEs

The Institute for Economic and Enterprise Research (IEER) in its January 2017 SME Outlook survey interviewed domestic small and medium enterprises about their practices of internet usage, whether they maintain an own website, and about the importance of the internet in the functioning of their business. The following analysis summarizes the results obtained from the replies of 300 SMEs with at least 20 employees.

Based on the results all of the small and medium companies asked use the internet in some way. The most common uses are maintaining contact with clients by email, maintaining an own website, and managing administrative matters (e.g. banking, administration) using the internet. More than half of the respondents seek information about market trends and regulations, and look for new business partners and suppliers on the internet. About 40 percent of the SMEs use the internet to recruit new employees, to seek business advices, and to monitor the prices and the business conduct of competitors. Advertising and selling products or services, and use of social media are less common uses among the domestic SMEs (see Figure 1).

Figure 1: Uses of internet among domestic small and medium enterprises, January 2017, percentage



Comparing the results of January 2017 with the results of the IEER’s same survey of October 2010 shows the same proportion of the SMEs (84 percent) maintains an own website. On the other hand the practices of internet usage have changed in the last 8 years among domestic companies. Less enterprises use online sale, monitoring of competitors and business partners than in 2010, but at the same time more of them recruit and seek information of potential employees using the internet.

Companies with a foreign ownership generally use the internet more than purely domestically owned ones. The difference is particularly large in the uses related to information-seeking like getting information about market trends and regulations, searching suppliers and business partners, seeking general business advices or looking for new employees. In terms of economic sector internet usage is more prevalent among companies in the commerce and in the manufacturing sectors than among those in the construction industry and in services. Looking for business partners, monitoring the competitors, and advertising and selling products and services using the internet is the most common among SMEs of commerce while recruiting employees or seeking information online about market trends and regulations is used in the highest proportion among manufacturing companies.

Own websites and investment in IT devices

84 percent of the Hungarian SMEs have an own website. As the other uses of internet maintaining an own website is more common among larger companies: while 89 percent of the companies with 100-249 employees and 91 percent of the companies with 50-99 employees have a website the proportion among the small enterprises with 20-49 employees is only 74

percent. The majority of these websites (81 percent) is maintained by an IT professional. Most of the companies that do not have a website (75 percent of them) claim that maintaining a website is not important regarding their business. Costs and lack of technical knowledge were not mentioned as reasons for not having a website.

In accordance with the prevalence of internet usage, almost 90 percent of the SMEs think that it would mean a serious problem in the functioning of their businesses if the internet was not working for a week. Despite the importance of the internet, however, more than half of the companies (52 percent) invest less than 1 percent of their income in purchasing and maintaining IT and communication devices.