INDUSTRY PROFILE REPORT:
INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)
AIBS 2016
Detailed insights into Australia’s international business engagement

Austrade’s International Business Survey (AIBS) is an important source of insight into the activities and opinions of Australia’s internationally-active businesses (IBs). Supported by Austrade, Efic and the Export Council of Australia and conducted by the University of Sydney, AIBS 2016 is the third survey in the AIBS series and builds upon the work of its two predecessors to help inform our understanding of Australia’s international business engagement at the firm level.

While much analysis of Australia’s international economic performance takes place at the macro level and focuses on aggregates such as total exports and the trade balance, AIBS provides a window onto how individual Australian businesses are adapting to the changing global economy and our place in it.

AIBS 2016 is based on online survey work conducted during late 2015 and early 2016 and captures the responses of 913 Australian companies drawn from 19 industry sectors (and 93 sub-sectors) and operating across more than 100 international markets. Thirty-three per cent of respondents are from the manufacturing sector, which once again is the single largest source of survey participants, while around half of respondents are drawn from a range of services industries.

AIBS 2016 does a particularly good job of capturing the views of internationally-experienced small and medium-sized enterprises (SMEs): about 90 per cent of survey respondents have less than 200 employees while 63 per cent have been earning international revenues for a decade or longer.

More comprehensive background on this year’s survey participants is available towards the end of this Highlights Report as well as from the main survey report, which has been compiled by the University of Sydney.
INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)

This report provides the results of Australia’s International Business Survey (AIBS) 2016. This latest report follows AIBS surveys of internationally-active businesses published in 2015 and 2014.

A total of 47 information and telecommunications technology (ICT) companies participated in the survey, representing around 5 per cent of all respondents. Figure 1 shows that among these companies, around 77 per cent were mainly involved in the export or import of services in the past year. Around 53 per cent were involved in the export or import of goods.

**Figure 1 Main subsector – ICT**

<table>
<thead>
<tr>
<th>Subsector</th>
<th>Number of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer System Design and Related Services</td>
<td>14</td>
<td>30%</td>
</tr>
<tr>
<td>Telecommunications Services</td>
<td>13</td>
<td>28%</td>
</tr>
<tr>
<td>Internet Service Providers, Web Search Portals and Data Processing Services</td>
<td>10</td>
<td>21%</td>
</tr>
<tr>
<td>Library and Other Information Services</td>
<td>5</td>
<td>11%</td>
</tr>
<tr>
<td>Internet Publishing and Broadcasting</td>
<td>5</td>
<td>11%</td>
</tr>
</tbody>
</table>

**Figure 2 International activities – ICT**

Survey question: Over the past year, has your company been involved in any of the following international activities? Select options that apply.

- Export or import of services (n=36): 77%
- Export or import of goods (n=25): 53%
- None of the above (n=1): 0%

Number of respondents = 47

Note: Multiple answers permitted
The United States was identified as the top overseas market from which companies earned international revenue, obtaining around 23 per cent of responses (Table 1). Other top markets were the United Kingdom (22 per cent of responses) and Singapore (6 per cent of responses).

Table 1 Main overseas markets – ICT
Survey question: Top 10 countries from which companies have earned international revenue in the past year.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>No. of responses</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>United States</td>
<td>21</td>
<td>23%</td>
</tr>
<tr>
<td>2</td>
<td>United Kingdom</td>
<td>20</td>
<td>22%</td>
</tr>
<tr>
<td>3</td>
<td>Singapore</td>
<td>5</td>
<td>6%</td>
</tr>
<tr>
<td>4</td>
<td>Canada</td>
<td>3</td>
<td>3%</td>
</tr>
<tr>
<td>5</td>
<td>China</td>
<td>3</td>
<td>3%</td>
</tr>
<tr>
<td>6</td>
<td>Germany</td>
<td>3</td>
<td>3%</td>
</tr>
<tr>
<td>7</td>
<td>Malaysia</td>
<td>3</td>
<td>3%</td>
</tr>
<tr>
<td>8</td>
<td>New Caledonia</td>
<td>3</td>
<td>3%</td>
</tr>
<tr>
<td>9</td>
<td>New Zealand</td>
<td>3</td>
<td>3%</td>
</tr>
<tr>
<td>10</td>
<td>Papua New Guinea</td>
<td>3</td>
<td>3%</td>
</tr>
</tbody>
</table>

Number of responses = 90

Note: the sample consists of companies that identify above countries as either top 1 or top 2 country from which they have earned international revenue in the past year.
Companies in this sector are likely to service their major overseas markets directly from Australia, with 47 per cent of respondents indicating this as their preferred servicing mode (Figure 3). A smaller percentage of companies (23 per cent) prefer servicing the market through a foreign sales branch or subsidiary.

**Figure 3 Main mode of servicing – ICT**
Survey question: What is the main mode of servicing for the top two countries from which you have earned international revenue in the past year?

Number of responses = 86

Note: the sample consists of companies that identify above countries as either top 1 or top 2 country from which they have earned international revenue in the past year.
Seventy-seven per cent of respondents intend to expand to new international markets in the next 2 years, while 23 per cent have no immediate expansion plans (Figure 4).

**Figure 4  Plans for doing business in additional countries – ICT**
Survey question: Is your company planning to do business in additional countries in the next 2 years?

Number of respondents = 47
Among the companies that had plans to expand to new overseas, around 17 per cent expected the United Kingdom to be their most important market in terms of generating additional revenue (Table 2). Fourteen per cent expected China to be the most important, while another 8 per cent expected New Zealand to be their most important future market.

Table 2 Most important new country – ICT
Survey question: For your company, which new country do you expect to be the most important in terms of additional revenue over the next 2 years?

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>No. of responses</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>United Kingdom</td>
<td>6</td>
<td>17%</td>
</tr>
<tr>
<td>2</td>
<td>China</td>
<td>5</td>
<td>14%</td>
</tr>
<tr>
<td>3</td>
<td>New Zealand</td>
<td>3</td>
<td>8%</td>
</tr>
<tr>
<td>4</td>
<td>Singapore</td>
<td>3</td>
<td>8%</td>
</tr>
<tr>
<td>5</td>
<td>United States</td>
<td>3</td>
<td>8%</td>
</tr>
<tr>
<td>6</td>
<td>Germany</td>
<td>2</td>
<td>6%</td>
</tr>
<tr>
<td>7</td>
<td>Hong Kong, SAR of China</td>
<td>2</td>
<td>6%</td>
</tr>
<tr>
<td>8</td>
<td>Japan</td>
<td>2</td>
<td>6%</td>
</tr>
<tr>
<td>9</td>
<td>United Arab Emirates</td>
<td>2</td>
<td>6%</td>
</tr>
<tr>
<td>10</td>
<td>Afghanistan</td>
<td>1</td>
<td>3%</td>
</tr>
</tbody>
</table>

Number of respondents = 36
Around 51 per cent of respondents in this industry expect that their international revenue in the next 3 to 5 years will mainly be driven by sales of existing products or services in the markets in which they are currently operating. Around 23 per cent of respondents expect future international revenue to be driven by sales of existing products or services in new international markets, while 17 per cent expect revenue to be driven by sales of new products or services in current international markets.

**Figure 5 Drivers of future revenue – ICT**

Survey question: What do you think will drive your future international revenues for your business over the next three to five years? (Answer in percentage share terms, enter total to 100%)

Number of respondents = 47
Companies in this industry expect adverse exchange rate movements to be the top risk that their international operations will face in the next 3 to 5 years (cited by 51 per cent of respondents). Other future risks identified were high domestic costs in Australia (43 per cent of respondents), and technological change and innovation by competitors (cited by 40 per cent of respondents).

**Figure 6  Key risks – ICT**
Survey question: What do you see as the key risks facing your international operations over the next three to five years?

Number of respondents = 47
The outlook among companies in this sector is generally positive, with around 32 per cent of respondents expecting their international operations in 2016 to be better compared to 2015. Around 28 per cent of respondents expect their performance to be much better, while 38 per cent expect their performance to be around the same as last year.

**Figure 7  Outlook – ICT**

Survey question: What is the overall outlook for your company’s international operations in 2016 compared to 2015?

Number of respondents = 47

[Pie chart showing distribution of responses]

- Much better (n=13), 28%
- Better (n=15), 32%
- Same (n=18), 38%
- Worse (n=1), 2%
- Much worse (n=0), 0%
ABOUT AUSTRALIA’S INTERNATIONAL BUSINESS SURVEY

Australia’s International Business Survey 2016 is the follow-up to the inaugural survey of Australia’s international businesses published in 2014, and AIBS 2015. The findings of this report are distinctive and significant because they provide key insights into the nature, needs, concerns and future plans of the overall Australian international business community from the company perspective.

AIBS is one of Australia’s largest and most in-depth surveys of internationally-active businesses (IBs). AIBS 2016 is the latest survey in the series and introduces several new questions. AIBS 2016 reports on the views of 913 Australian IBs drawn from 19 industry sectors (and 93 sub-sectors) and operating across more than 100 international markets. AIBS 2016 was commissioned by the Export Council of Australia (ECA), with the support of Austrade and Efic (Export Finance and Insurance Corporation), and was conducted by the University of Sydney (USYD).

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