

The impacts of Internet use by businesses on productivity



<p>What we were asked to do</p>	<p>We were asked by Google New Zealand and Internet NZ to explore the impacts of Internet use for private-sector firms outside of the ICT sector.</p> <p>The work was a contribution to the efforts of the Innovation Partnership, a collaborative endeavour of entities interested in boosting productive use of the Internet in education, in business and in government.</p>
<p>How we approached the project</p>	<p>The project had six parts:</p> <ul style="list-style-type: none">• Quantitative estimates of the impact of high use of Internet services on labour productivity in businesses across the economy• Scenarios of the economic value added if firms that are currently low users of Internet services were to become more like high-using firms• Interviews with firms in four focus sectors: tourism; retail trade; dairy/agriculture; and professional services, to explore how the quantitative impacts we see come about• Creation of four case studies (one from each sector) that explore in more detail firm use of technology• An analysis of what is known already about New Zealand business use of the Internet, and• A review of the local and international literature on the impacts of the Internet. <p><i>continued over</i></p>

Our findings

We found that:

- Across the economy, firms that make more extensive use of Internet services are 6% more productive than average firms in their industry. This is a significant positive impact. According to Statistics New Zealand (2013) labour productivity growth in New Zealand averaged 1.5% a year from 1996 to 2012.
- If firms currently making low use of Internet services became more like high-using firms, it could be worth an additional \$34 billion in productivity impacts, initially for those firms and through them for the economy as a whole.
- In all sector interviews, we were told that the Internet is already having substantial positive productivity impacts, and that there are more to come.
- The impacts of Internet use are very diverse. We talked to people who were using the Internet for precision irrigation on farms, for collaboration tools between engineers in different countries, for online accommodation booking systems, to provide an alternative to a physical law library, or to build online communities to attract customers into a retail store.
- Practically all businesses are already connected to the Internet. So the policy challenge of connectivity is already solved. The real challenge now is how to encourage productive use. The size of the economic gains available from Internet use depend crucially on how much firms use it to improve their business processes.

Link to the report

www.innovationpartnership.co.nz