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Welsh Economy
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Yr Uned Ymchwil
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Superfast Broadband
Business Exploitation Project

Digital Maturity

Survey for Wales

2020 – Summary

Improving the efficiency of Welsh SMEs is critical to improving Wales' future economic prospects and responding to the COVID-19 pandemic.

The *Digital Maturity Survey for Wales 2020* provides evidence on how SMEs are responding to these challenges by adopting and using the digital technologies enabled by broadband access. It draws on Cardiff Business School's fifth annual survey (and final survey under the Welsh Government's Superfast Broadband Business Exploitation Programme) and illustrates the growing digitalisation of Welsh businesses and the impact that this is having on their performance.

In the 2020 period the regional (and global) economy has faced severe disruption associated with the COVID-19 pandemic. This resulted in periods of national and regional 'lockdown' in which economic activity declined, as many businesses either ceased trading or encouraged staff to work from home. These challenges have been reflected in Welsh Government's strategy 'Leading Wales out of the COVID-19 pandemic: a framework for recovery' as well as the introduction of new business support and funding mechanisms.

SURVEY FINDINGS

The Survey findings continue to show that the majority of SMEs in Wales have

now adopted superfast broadband, with some 61% of businesses reporting access through a fixed connection (up 26 percentage points on 2016). These results have benefited from the increasing number of premises that now have access to superfast broadband, but also highlight the continuing potential for more SMEs to be connected and supported in future.

Use of cloud computing services by SMEs has continued to increase in 2020. Here the Survey results suggest that more SMEs are making use of foundational cloud computing services, with use by 70% or above of all businesses. While comparatively fewer businesses reported using

FIGURE 01 – Adoption of broadband by type (% of SMEs)

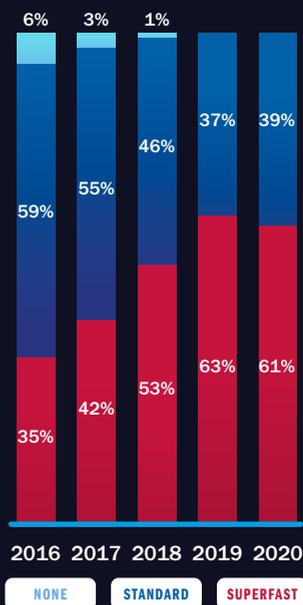
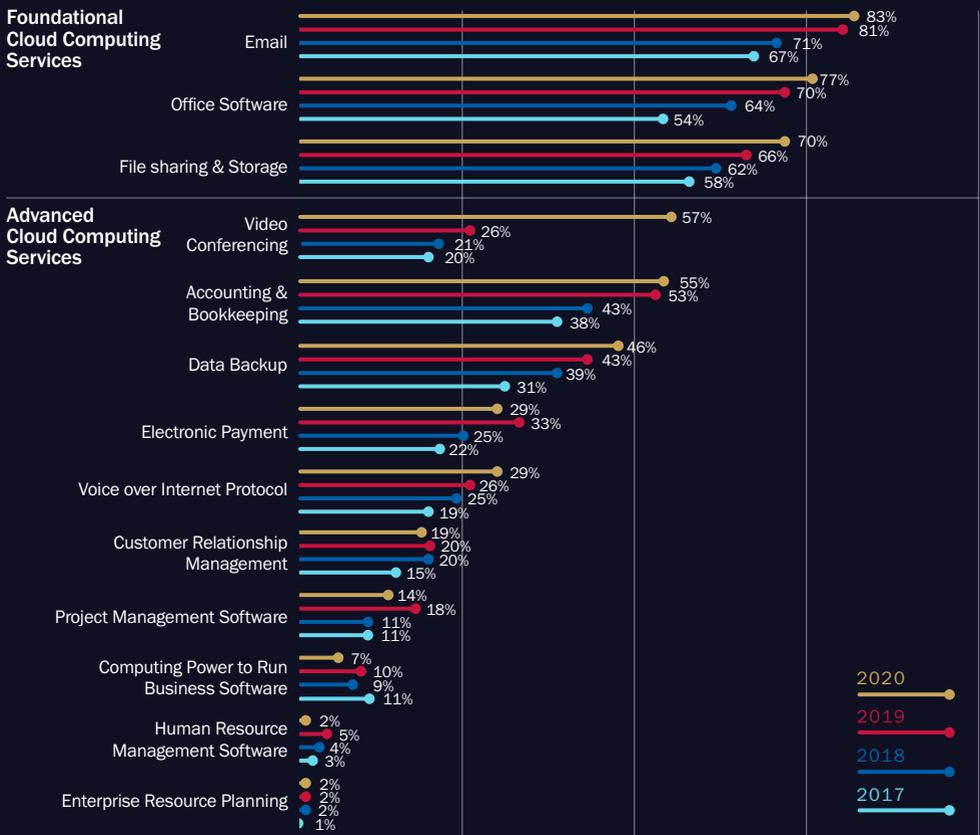


FIGURE 02 – Proportion of SMEs using cloud computing services, by category (% of SMEs)



more advanced cloud services, increases can also be observed over the period 2017-2020.

A much smaller proportion of SMEs, however, are making use of the leading-edge digital technologies such as artificial intelligence, additive manufacturing (e.g. 3D printing) and internet of things (IoT) technologies.

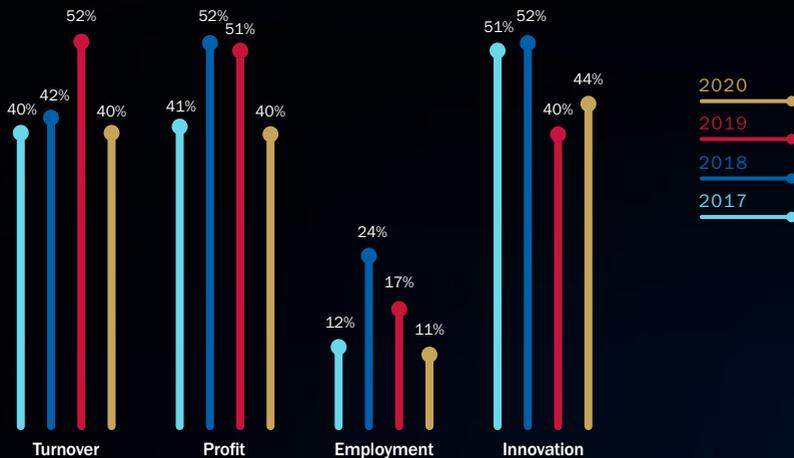
The use of digital technologies is highlighted by the growing

number of SMEs reporting e-commerce transactions. The proportion of SMEs reporting 76% to 100% of their sales being online was three-in-ten (29%) in 2020. This represents an increase of twelve percentage points from the equivalent figure in 2016 (17%).

The findings highlight that despite an increase in the number of SMEs reporting positive outcomes with respect

to innovation, from the use of broadband technologies (by four percentage points from 2019 to 2020), there has been a decline in all performance outcomes, other than turnover (which has remained static), over the 2017-2020 period. This points to the growing challenges faced by business in generating such outcomes, as well as the uncertain economic context in recent years.

FIGURE 03 – Performance of SMEs with superfast broadband
 (% indicating positive outcomes)



The data gathering phase of the Survey in 2020 was undertaken during the global COVID-19 pandemic. Further questions were asked on how access to broadband services allowed SMEs to respond. The results here suggest that

SMEs were most likely to report that their broadband services allowed them to respond to COVID-19 by enhanced use of video conferencing, with seven out of ten SMEs agreeing or strongly agreeing with the statement (71%). Further, just

over three-in-five SMEs noted that access to their broadband services enabled them to build confidence in future business practices (62%), and a similar proportion reported greater remote working by staff (61%).

FIGURE 04 – Broadband enabled services response to COVID-19

Response	% All SMEs “Agree” or “Strongly agree”
Enhanced use of video conferencing	71%
Building confidence in future remote business practices	62%
Greater remote working by staff	61%
Increased use of cloud computing services	47%
Minimising the decline of sales	41%
Helping the business to return to previous levels of sales activity	39%
Moving into new product/ service markets	35%

Four groups of SMEs are identified in the report, based on their level of digital maturity. The Survey shows that the proportion of businesses that are in the highest groups of

digital maturity – Digitally Embedded and Active Exploiters – have fallen back, with corresponding growth in the proportion of businesses that are less digitally mature.

This may point towards ongoing challenges for businesses, as well as the opportunities to improve productivity.

FIGURE 05 – Digital maturity groups in Wales (% of SMEs in 2020)

Digitally disengaged 19%	Passive Exploiters 38%	Active Exploiters 31%	Digitally Embedded 12%
Businesses tending to be standard broadband users, with a high proportion of employees with below average ICT skills. The majority do not use digital technologies and report no sales from online transactions.	Businesses tending to have standard broadband, but more likely to have staff with above average ICT skills. Make use of basic cloud-based applications, but their use of online platforms to generate e-sales is low.	Businesses likely to have access to superfast broadband and a high proportion of staff with above average ICT skills. Use a wide range of digital platforms and technologies. Nearly half report online channel as the main source of sales.	Adopters of superfast broadband with a very high proportion of employees with above average ICT skills. Use a high number of digital applications and secure most of their sales from online transactions.

Although the overall picture is one of businesses increasingly adopting and using digital technologies in Wales, the report shows that this is not a static canvas. There remain SMEs that are characterised by being relatively digitally disengaged and evidence

that there may be economic penalties connected with persistent disengagement. Moreover, business productivity in Wales still lags that in other regions of the UK. Our evidence base suggests that these lags might have been far worse in the absence of government

support for SMEs to engage with superfast broadband. The economic challenges facing Wales' SMEs, however, are more acute than they were at the beginning of the Programme.



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This annual Report is an integral part of the Superfast Broadband Business Exploitation (SFBE) programme, part-funded by the European Regional Development Fund (ERDF) through the Welsh Government.

Superfast Business Wales is a free business support service that helps eligible small and medium sized Welsh businesses make the most of online technology. Offering free master-classes, one-to-one advice and website review, their support could help your business save money, boost sales and profits, and improve productivity.

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