

Digitally Driven

**The digitalization of SMEs during the recovery – how could we do more?
(the case of Slovenia)**

8 July 2021

Acknowledgements

Thank you to those involved in the creation of this report.



The Connected Commerce Council (3C) is a nonprofit membership organization working to promote small businesses' access to digital technologies and tools. 3C provides small businesses with access to digital tools, offers coaching to optimize growth and efficiency, and works to cultivate a policy environment that considers and respects the interests of today's small businesses.

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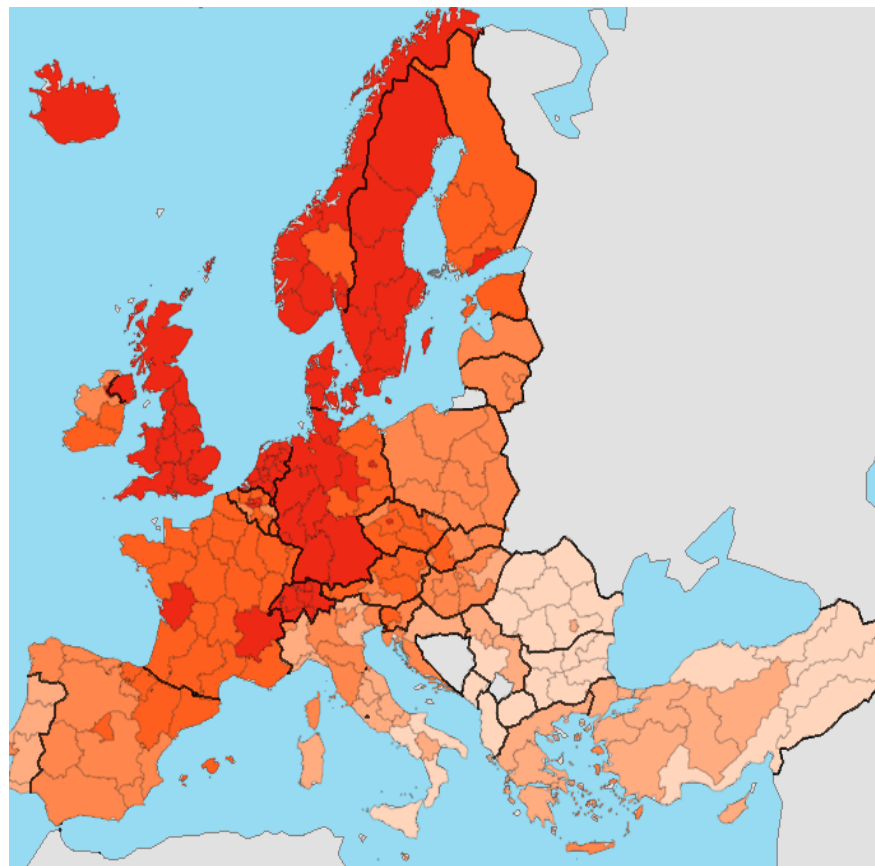
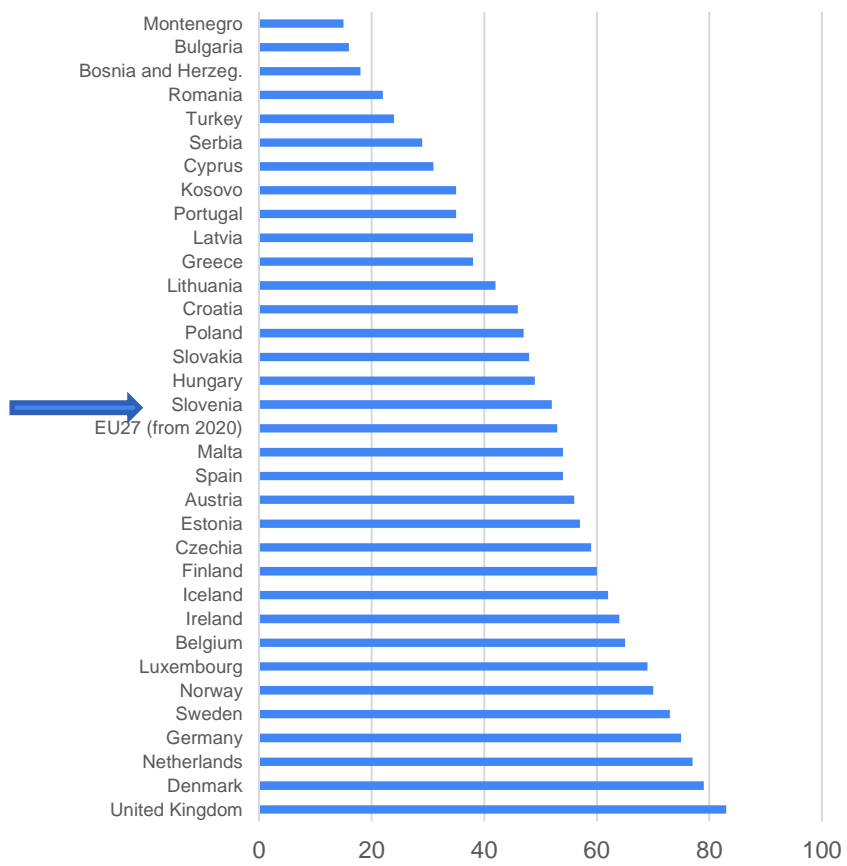
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EUROPEAN SMALL BUSINESSES FIND A DIGITAL SAFETY NET DURING COVID-19

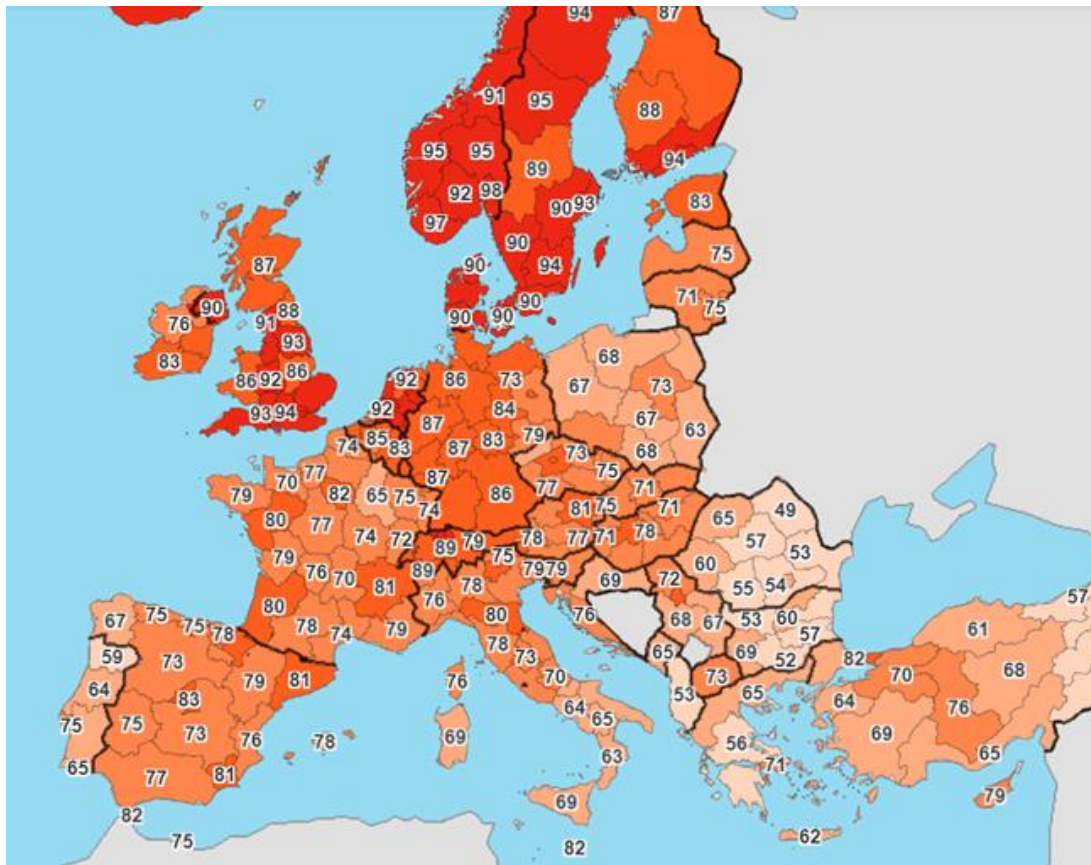
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Online purchases in the last 3 months preceding the survey, 2019 (% aged 16-74, NUTS2 regions).



Daily internet users during the three months preceding the survey, 2019 (% of people aged 16-74, by NUTS2 regions) EU27=77

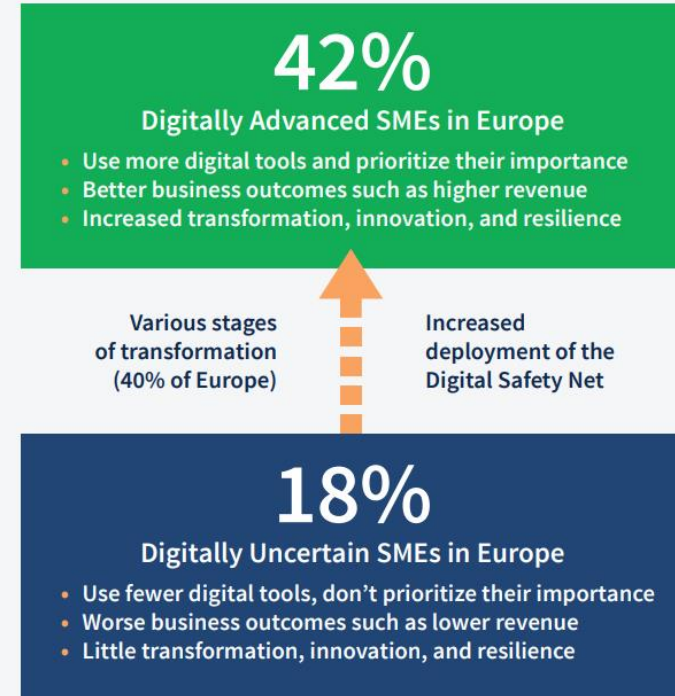


Digital Tools Create a Safety Net For European Businesses

In many cases, the pandemic's disruption has been diminished by a 'Digital Safety Net' that has enabled transformation, innovation, and resilience.

This report, based on a survey of over 5,000 SME leaders during Nov-Dec 2020, demonstrates that while 90% SMEs report that they have been negatively impacted by the pandemic, those that use digital tools as an integral part of their operations (42% of them) have diminished the worst of the pandemic's effects, and in some cases actually become more agile and stronger. Put simply - businesses and jobs were saved.

Explaining the SME Digital Safety Net



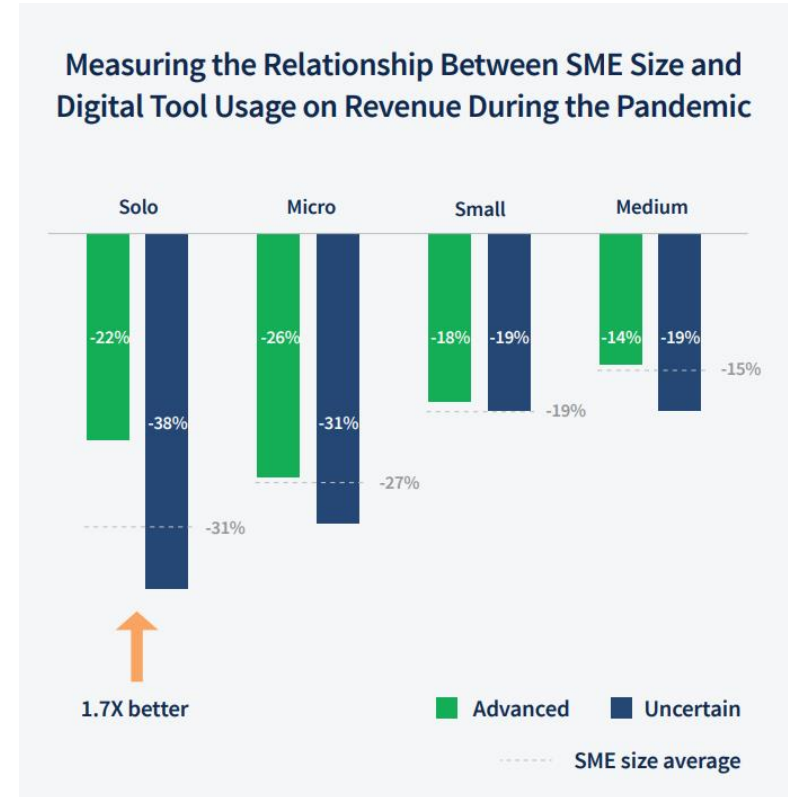
How has the COVID-19 crisis affected your business?

Type of firm	Total	Digitally – Advanced SMEs	Digitally- Uncertain SMEs
Reduced capacity	79%	82%	75%
Closed location	51%	55%	40%
Opened a new location	11%	10%	11%
Stopped operating temporarily	35%	29%	46%
Consistently operated at full capacity	21%	18%	25%
Temporarily reduced capacity (reduced hours or services)	58%	59%	54%
Indefinitely reduced capacity (reduced hours or services)	22%	24%	21%

The Smallest SMEs Facing the Toughest Headwinds Benefited Most From Using Digital Tools

Because very small SMEs typically struggle to stay in business, we investigated how the Digital Safety Net helps SMEs of different sizes. Here, we segmented the sample of 5,000+ SMEs into four groups: Solo (single owner/operator), Micro (1-9 employees), Small (10-49), and Medium (50-250).

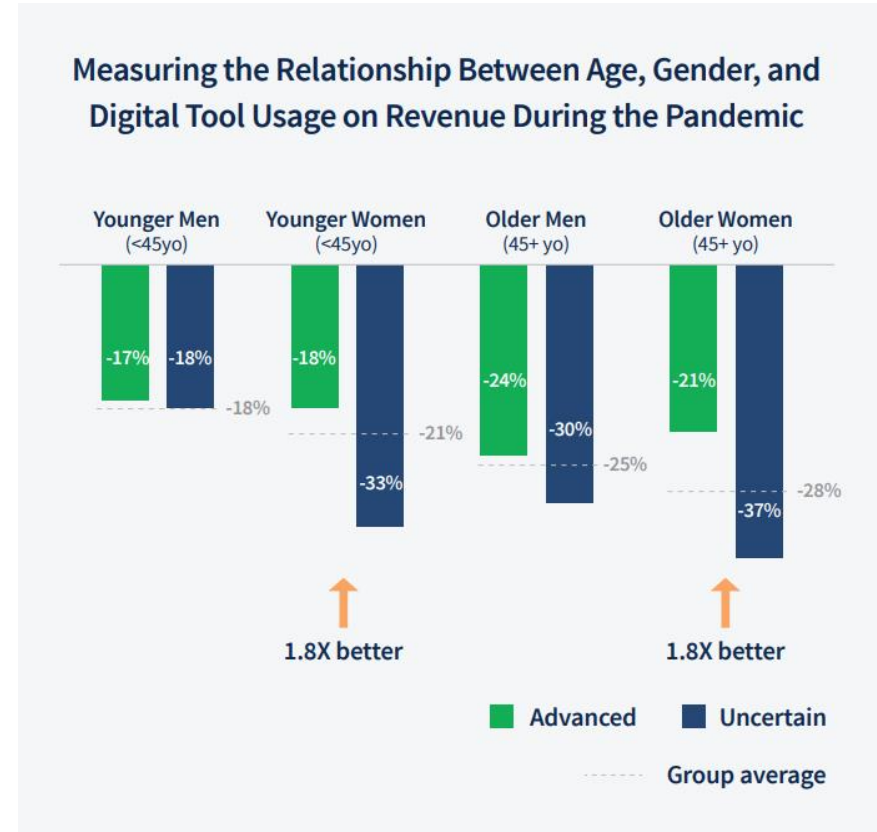
The Digital Safety Net is at work across all SME sizes, with Advanced SMEs always doing better relative to Uncertain SMEs. That said, the Digital Safety Net is benefiting Solo SMEs the most, with a large 16% (or 1.7X) advantage to those prioritizing and using more digital tools.



Female Leaders May Particularly Benefit From the Digital Safety Net

Since age and gender could be related to finding success at both entrepreneurship and use of digital tools, we investigated the relationship between these and the Digital Safety Net.

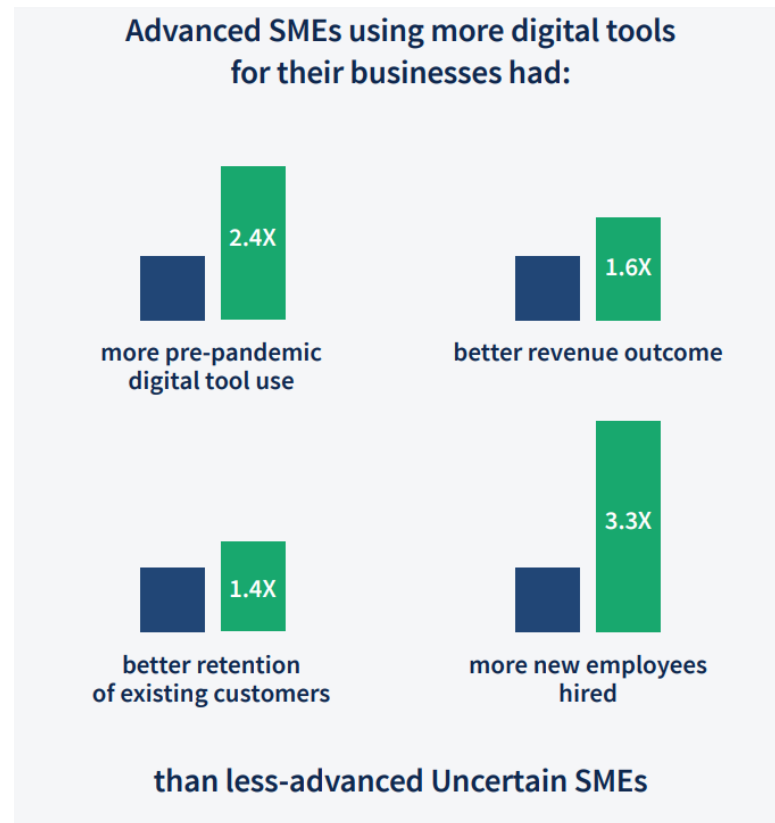
While across our entire sample men and women had comparable average revenue losses (men -21%; women -23%), and Advanced SMEs had better revenue outcomes than Uncertain ones, a deeper analysis of the relationship between age, gender, and digital tool usage demonstrates something subtle and important has been occurring during the pandemic.



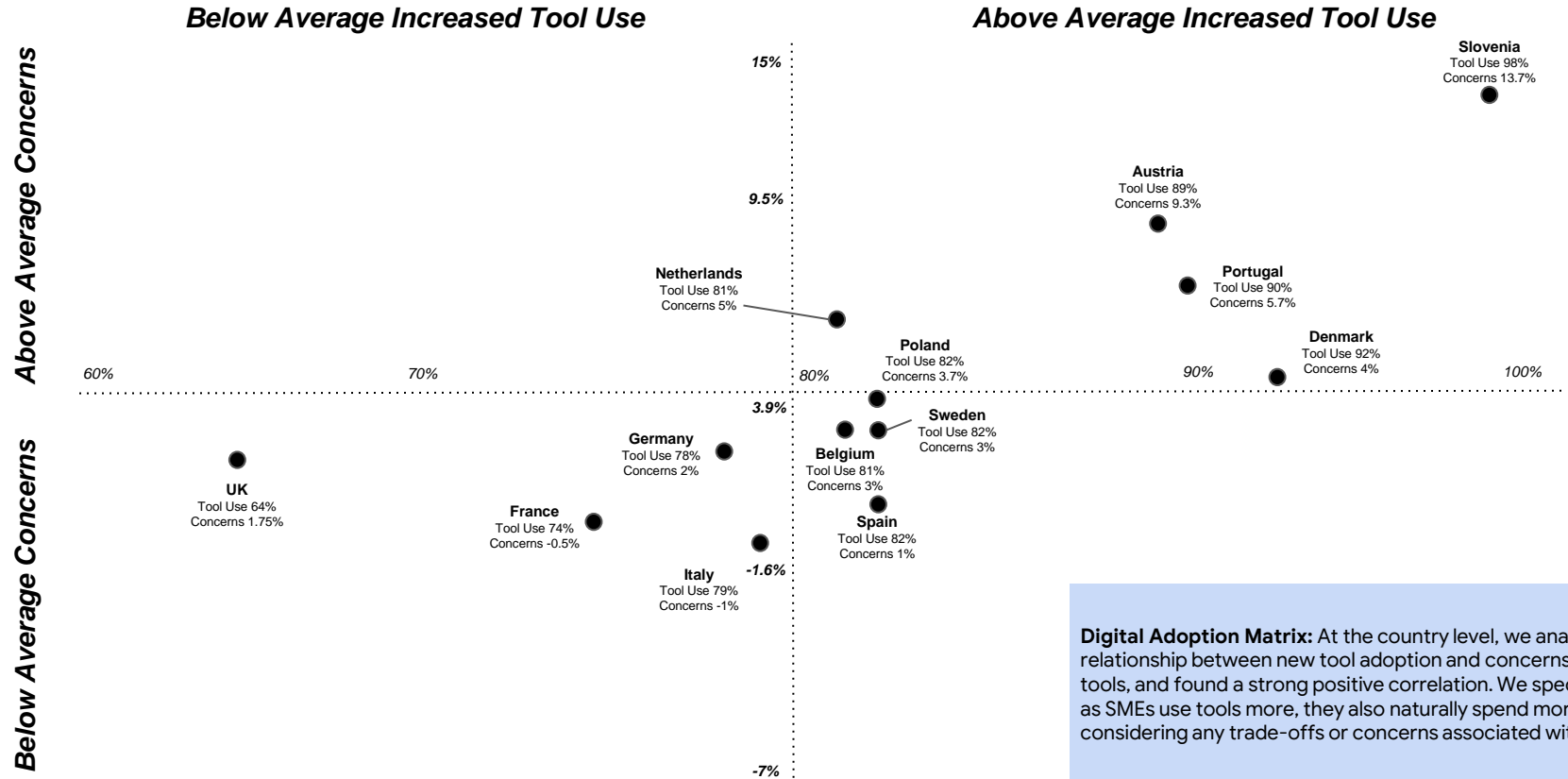
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The Digital Safety Net helped SMEs show better revenue numbers, customer engagement, and job creation during the pandemic.

While all SMEs were disrupted by the pandemic, some adapted, stabilized, and even thrived much more than others. What we term Digitally Advanced SMEs (42% of the total) - those which proactively used digital tools and emphasized their importance pre-pandemic - outperformed Digitally Uncertain SME counterparts (18%) on operational and financial metrics.

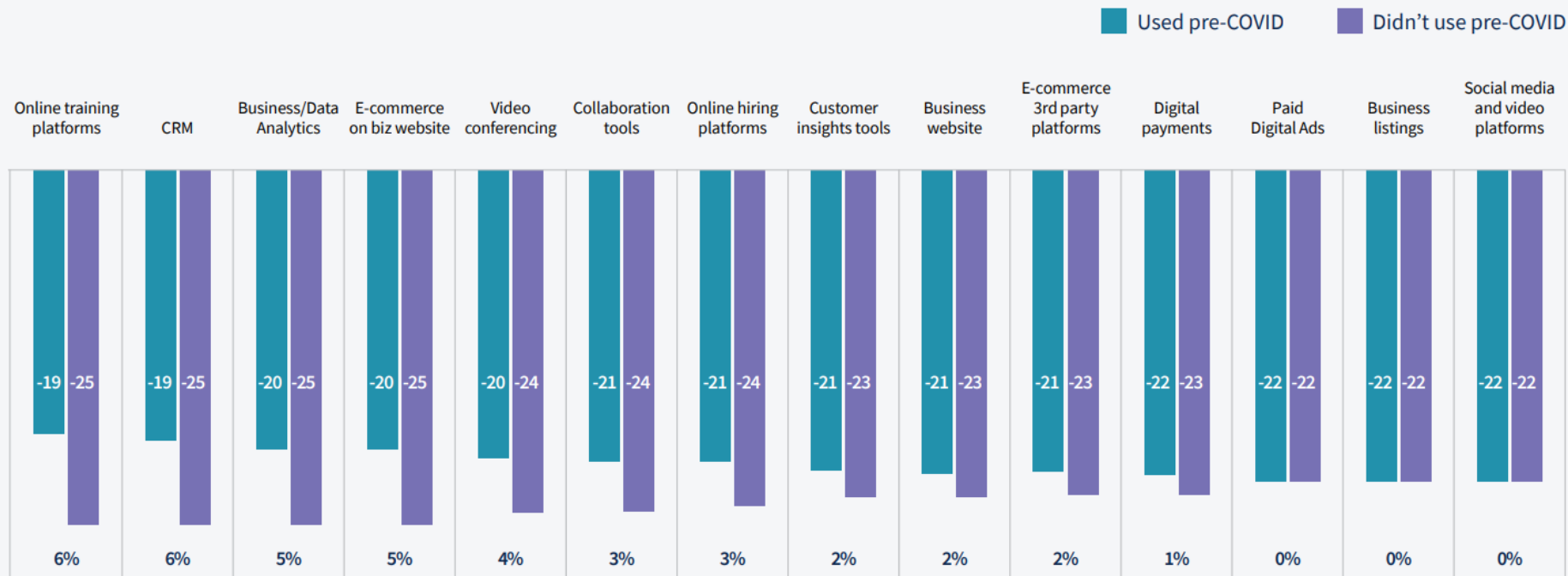


Digitally Driven: Digital Adoption Matrix



Digital Adoption Matrix: At the country level, we analyzed the relationship between new tool adoption and concerns about tools, and found a strong positive correlation. We speculate that as SMEs use tools more, they also naturally spend more time considering any trade-offs or concerns associated with them.

SMEs Utilizing a Specific 'Stack' of Digital Tools Pre-Pandemic Had Better Financial Outcomes

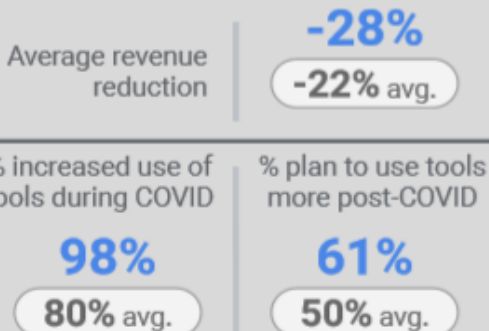
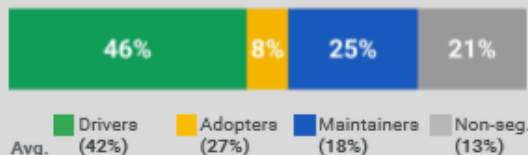


Regional Variation Across Europe

Slovenia

In line with their Maintainer-heavy characteristics, Slovenian SMEs experienced large reductions in revenue (-28% vs. -22% avg.), customer base (-24% vs. -16% avg.), and customer acquisition (-30% vs. -20% avg.). In response, they doubled down on their use of digital tools and intend to use more tools after the pandemic, at rates among the highest of all markets. Slovenian businesses' mix of tools used pre-COVID is unique compared to other markets, as they relied on Google Meet and Market Finder twice more than the average. Lack of skills, which is evident in their self-described limited levels of comfort with them compared to the average, is their top barrier to adopting further digital tools, along with cost concerns, likely driven by declines in revenue.

Segment distribution



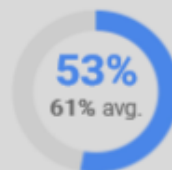
Top 3 tools used pre-COVID

- Google Ads (54% vs. 32%)
- Google Meet (36% vs. 18%)
- Market Finder (37% vs. 16%)

Top barriers to digital tool adoption



% comfort with digital tools pre-COVID



Top post-COVID-19 questions

How will I...

- Cover my expenses? (65% vs. 40%)
- Digitally prepare for the future? (48% vs. 39%)
- Grow my customer base? (40% vs. 41%)

Top 3 tools interested in adopting

- Online hiring platforms (13% vs. 9%)
- Local listings (10% vs. 9%)
- E-commerce platforms (9% vs. 6%)

Top 3 learning formats of interest

- Webinars or livestreams (46% vs. 43%)
- Step by step video tutorials (43% vs. 45%)
- Case studies about businesses like mine (40% vs. 34%)

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Embracing and utilizing the Digital Safety Net will have benefits for entrepreneurs, consumers, and economies beyond the current pandemic.

What would the overall economic consequences be if all Uncertain SMEs were instantaneously transformed into Advanced ones? :

- EUR 262 billion in sales (0.91% of European total)
- EUR 67 billion in economic growth (0.93% of European total)
- 3.78 million jobs due to more hiring (1.20% of European total)

Transforming all of Europe's digitally Uncertain SMEs into Advanced ones represents an opportunity for



EUR 262 billion
in additional European sales

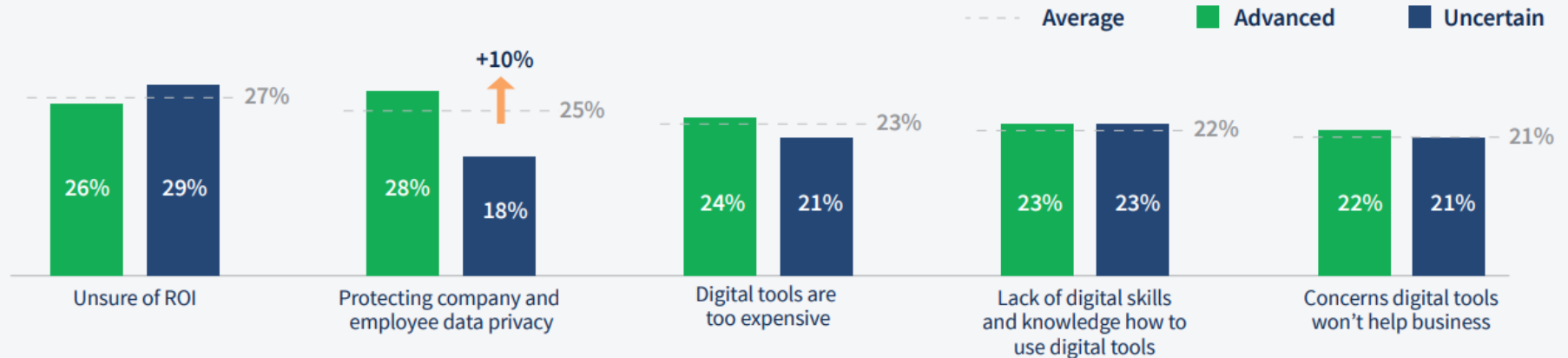


3.76 million
additional European jobs

SMEs Have Concerns About the Use of Digital Tools

Since many SMEs are not fully digitally prepared and are still learning about and adopting new tools, we investigated what common ‘blockers’ prevent them from using digital tools more in their businesses.

Below you can find 5 Top Advanced and Uncertain SME Leaders’ concerns about use of digital tools:



Do any of the following keep/discourage you from using new digital tools?

Answer	Total	Digitally Advanced	Digitally Uncertain
Information Deficit	53%	57%	45%
Costs	43%	44%	43%
Protecting company and employee data privacy	25%	28%	18%
Unsure of return on investment	27%	26%	29%
Digital tools are too expensive	23%	24%	21%
Lack of digital skills and knowledge how to use digital tools	22%	23%	23%
Concerns digital tools won't help my business	21%	22%	21%
They won't work with my current apps or services	19%	21%	16%
Not knowing what digital tools are available	20%	21%	16%
Not knowing where to start	20%	20%	19%
Digital tools are difficult to use	18%	20%	14%
Lack of fast internet access	18%	19%	13%
I do not have time	16%	17%	15%

Discussion and Recommendations to Policymakers on the Digital Safety Net

Access to capital: <u>Call to action:</u> Fund new forms of grants, loans, public-private partnerships, or other programs or assistance for SMEs and their leaders.	Access to tools: <u>Call to action:</u> Policymakers can support busy SME leaders by helping them understand which digital tools make sense for their business. Policy efforts are bringing together education, training, business and tech sectors.	Promoting Diversity in Learning tools: <u>Call to action:</u> Support the smallest and women-led SMEs.
Access to training: <u>Call to action:</u> Provide platform-based training (hotlines, financial and mentoring support) on the use of digital tools and strategy that helps SMEs understand and measure their return on investment in them, particularly for early stages of entrepreneurship.	Access to mentoring and other help : <u>Call to action:</u> Create and widely promote grants, contests, mentoring and other programs whose goal is to make digital tools, training. marketing ways - or finding ways to help businesses learn about tools and how to use them?	Feasible investment: <u>Call to action:</u> Invest in low costs tools (if funding not enough) as well as raising awareness. How to make the most of free tools, how to make paid tools work for their business and deliver a return on investment.

Thank you for listening

<https://digitallydriven.connectedcouncil.org/europe/>

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