



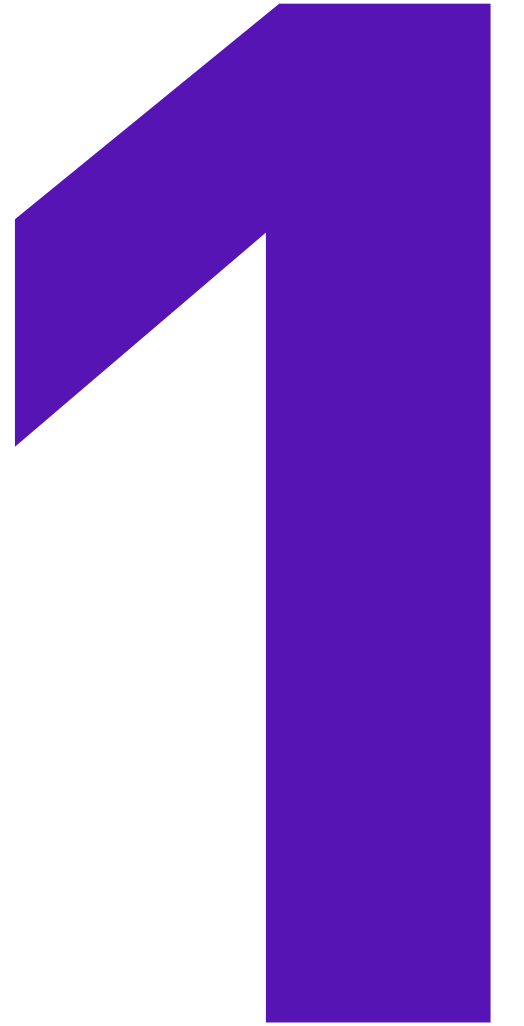
The Future in 2020

Small and medium-sized businesses

Why SMEs risk falling behind unless they
embrace emerging technologies

Research conducted by **YouGov**

Introduction



Small businesses are the beating heart of the UK economy. But they risk falling behind their competitors if they're unable to embrace powerful emerging technologies like 5G and artificial intelligence (AI).

We worked with YouGov to survey 1,006 business leaders from across the country.

Specifically we asked about 14 innovative technologies (see full list on page 17) that can change the way businesses operate. Which of these do they use? Which might they use? And how will they decide?

We discovered a clear digital divide, with smaller companies both less likely to have adopted innovative tech – and also less convinced about its potential benefits.

The pressures of running an SME were already high before coronavirus ripped through the global economy. Right now, many small business owners are focused on making it through the next few weeks. Investing in new technology may seem impossible. But emerging tech can help in the short, medium and long term, by driving innovation, flexibility and efficiency.

A report by Capital Economics and Sage¹ found that if SMEs were able to overcome financial issues and invest in technology, it would deliver £325 billion in revenue and support 2.7 million jobs. How can we support these vital businesses to thrive now, and in the future?

¹ Sage: Investing for Recovery – Supporting SME Jobs and Growth through Digital Adoption. October 2020.

SMEs are
lagging behind
in adopting
emerging
tech

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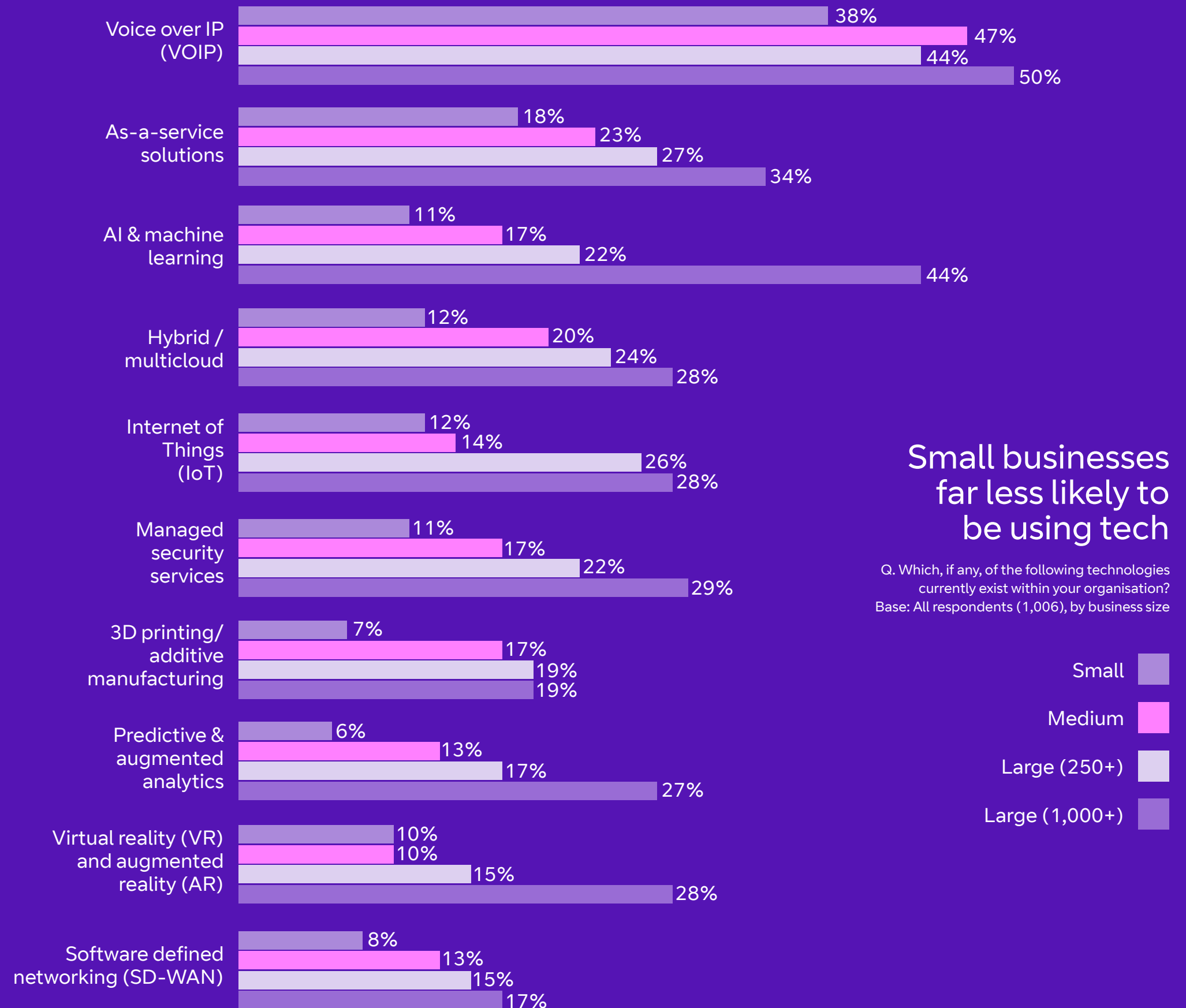
We found that across the board, uptake of emerging technologies is patchy.

44% of businesses we surveyed had adopted VOIP (using the internet for voice communications rather than a phone line). But below that uptake peaks at 25%. Excluding VOIP, almost a third of businesses aren't using any emerging technologies. This jumps up to 44% among small businesses.

Smaller companies are less likely to have heard of this emerging tech and less likely to be using it. At times, the divide between large and small companies is significant. 27% of big companies are using predictive and augmented analytics against just 6% of small companies. 44% of big businesses are using AI – only 11% of small businesses are.

There are many reasons for this divide. Smaller businesses may lack the finances, the skills and the know-how that bigger businesses can call on. Forced to focus on their bottom line – especially in this very difficult economic climate – they may not have time to research new technology, and not know where to start.

It's important that SMEs are shown how this tech revolution applies to them too. As the 5G rollout continues, it will have a huge impact on businesses of all sizes' ability to make the most of emerging tools like Internet of Things (IoT) and VR/AR. 5G will boost productivity, create new business models and open up new customer experiences.



Small businesses far less likely to be using tech

Emerging
tech can
contribute
to your main
business goals



Our survey suggests small businesses don't appear to see a link between many emerging technologies and achieving commercial success.

The main priority for SMEs in the next 12 months is to increase revenue – 60% of small companies said this was their main objective.

Their next priorities are reducing operational costs, boosting productivity, optimising customer experience and enabling flexible working.

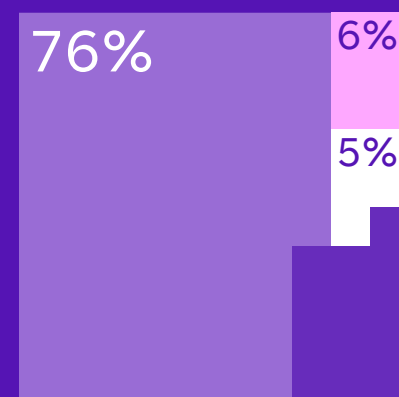
Transformational technology can contribute to all of these goals. Predictive analytics, for example, can help businesses spot new opportunities and anticipate their customers' needs. AI can analyse how a business operates and suggest savings.

But among businesses looking to boost revenue, only 18% believe that predictive and augmented analytics might be able to help. Of the companies looking to reduce their operational costs, just 1 in 4 think AI and machine learning might be useful.

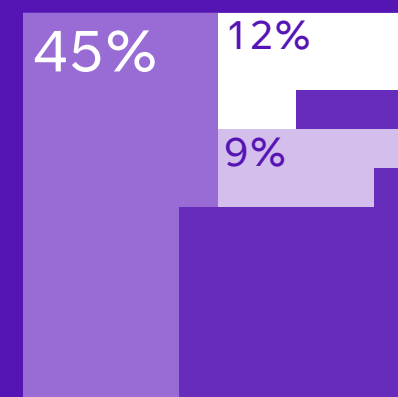
We asked businesses why they weren't going to invest in each of these key technologies. The most common response was that they simply weren't right or relevant for their business.

For some technologies, this makes sense. SD-WAN for example helps large companies stay connected, but would be of less use to a start-up. But for other technologies, it seems that businesses haven't yet grasped just how useful they can be.

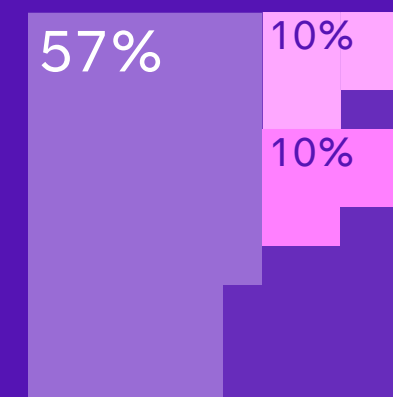
3D printing



5G



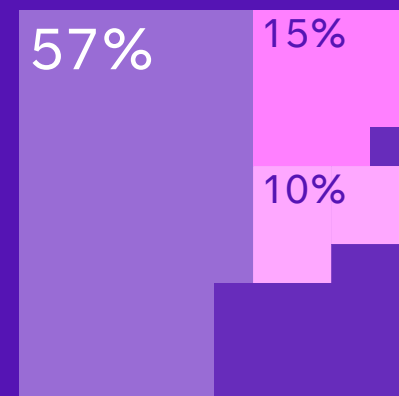
AI & machine learning



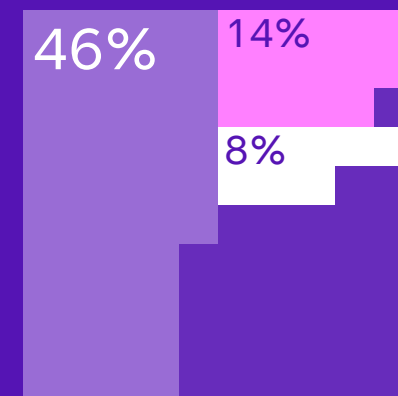
Why businesses don't plan to invest

Q. Which of the following reasons best explain why your business is not planning to invest in each of the following technologies in the next 5 years?
Base: 515 (Those NOT planning to invest in the technology)

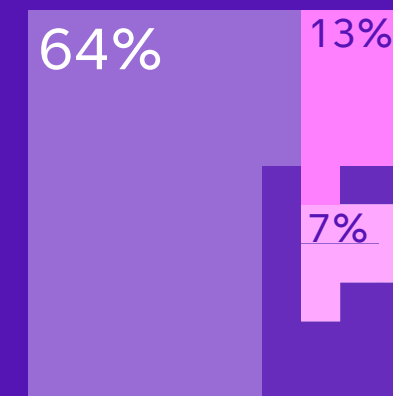
Blockchain



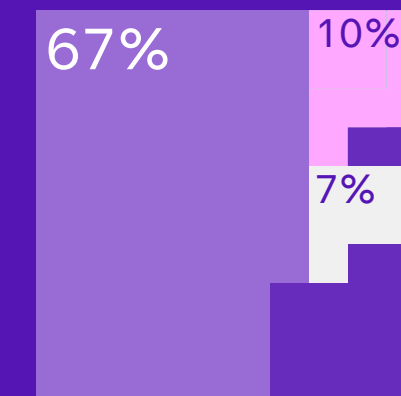
Edge computing



Internet of Things



VR & AR



Not right / relevant for my business

Limited integral potential

Lack of understanding

Too expensive

Current financial climate

Small
companies
don't have
big plans to
acquire new tech

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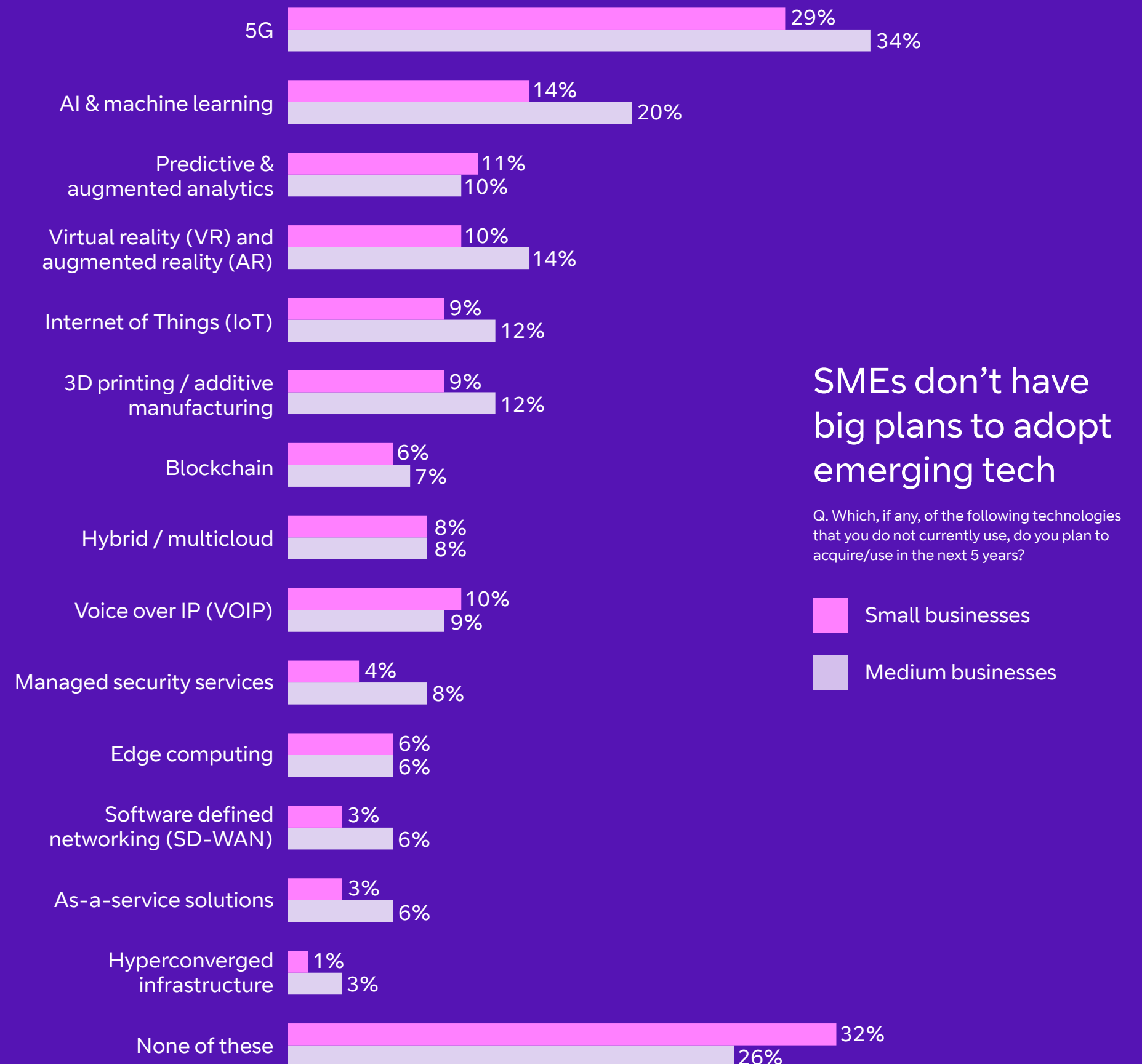
SMEs don't have significant plans to acquire new tech in the next five years.

29% of small and 34% of medium-sized businesses plan to invest in 5G, which is encouraging. But elsewhere just 14% of small companies think they will acquire AI, 10% plan to invest in VOIP and just 3% in as-a-service solutions – services hosted in the cloud and accessed via subscription.

Understandably, smaller companies are less able to keep on top of new tech trends. Only 28% of them regularly evaluate new technologies, compared with 39% of large organisations.

This may explain why big companies are more likely to see new tech as critical to achieving their ambitions and staying competitive in the next five years. For example, 47% of big companies see AI and machine learning as critical, against just 18% of small companies. 30% of small companies said no emerging tech will be critical to their future plans – double the rate of large organisations that said the same.

Smaller companies are also less likely to have tech investment strategies in place. Just 20% of small and 31% of medium-sized companies have planned their tech spending for the next five years. All the signs point to the digital divide widening, leaving SMEs even further behind bigger companies.



SMEs don't have big plans to adopt emerging tech

Q. Which, if any, of the following technologies that you do not currently use, do you plan to acquire/use in the next 5 years?

Blue = Small businesses
Green = Medium businesses

Attitudes
and adoption
rates vary
between
industries

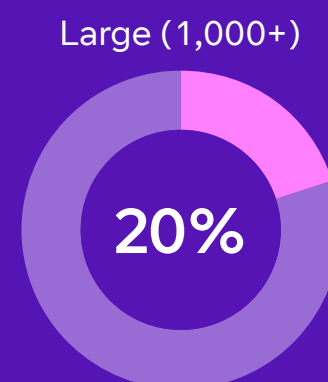
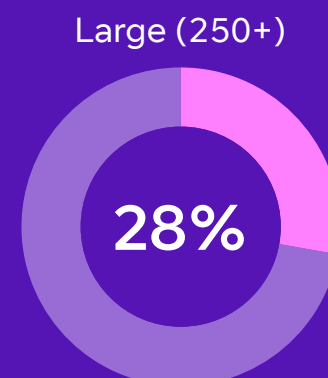
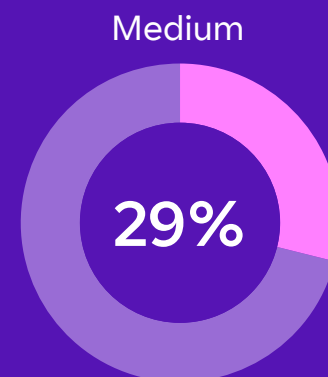
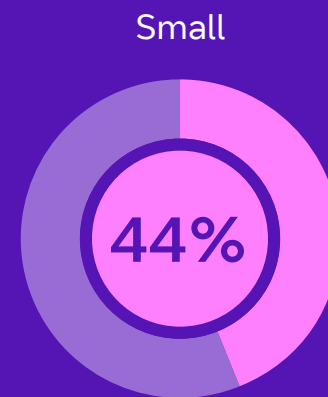
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There are striking variations between different industries and sectors when it came to using these transformational technologies.

At the top end, unsurprisingly, we find IT and telecoms out in front. Financial services and manufacturing both have slightly higher than average adoption rates. Elsewhere, hospitality and leisure lags way behind, as does medical, health and education.

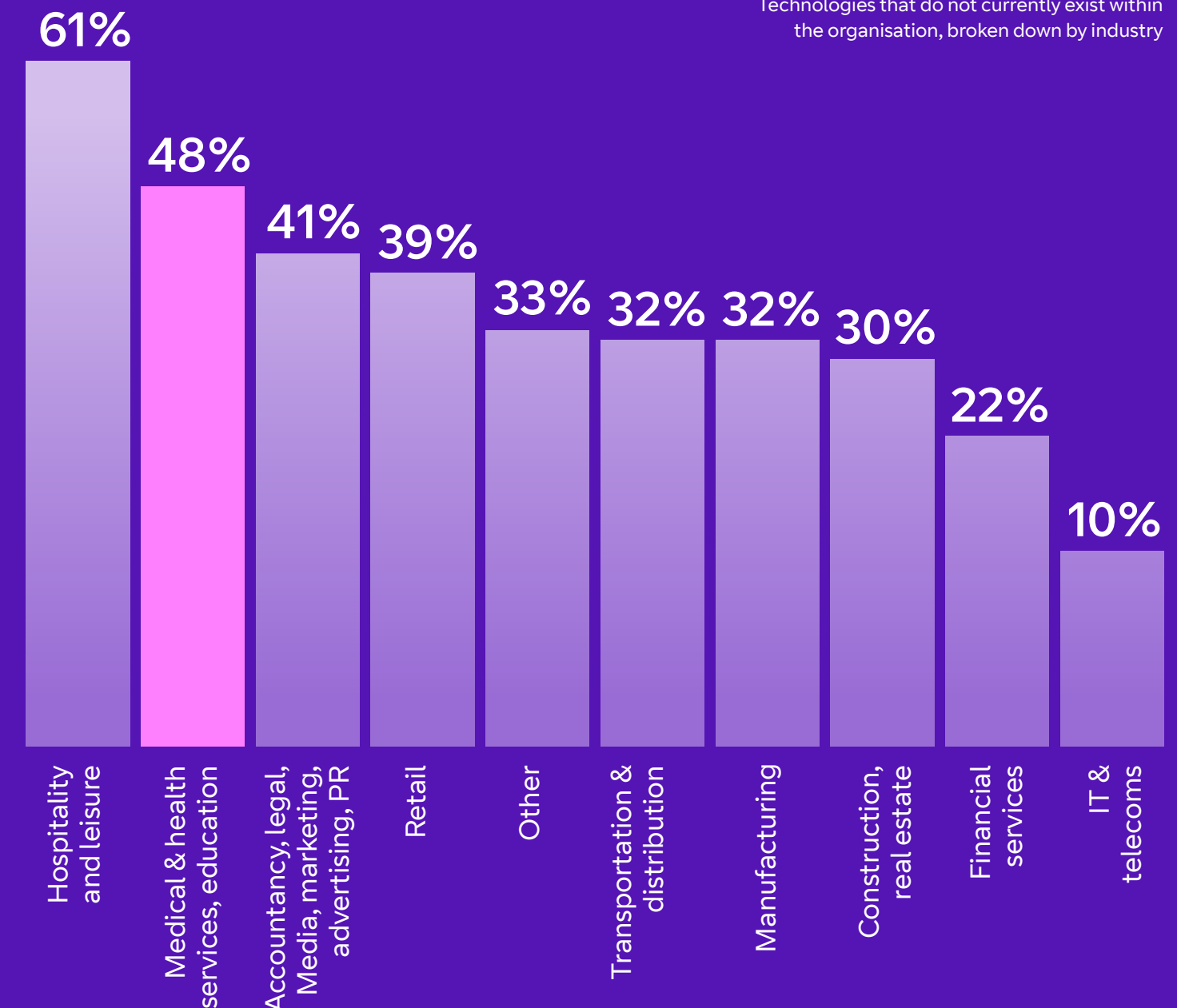
These sectors look likely to fall further behind. Excluding VOIP, nearly half (48%) of the medical, health and education respondents aren't using any of the technologies on our list. 43% of hospitality and leisure businesses don't plan to adopt any new tech in the next five years. 38% of those in the medical, health and education sectors said the same.

In the sectors where not many companies are investing in emerging technologies, there could be real advantages if SMEs adopt new technologies first.



Rate of digital transformation varies by industry

Base: All respondents (1,006), excluding VOIP.
Technologies that do not currently exist within the organisation, broken down by industry



Cost and
security pose
challenges
for SMEs



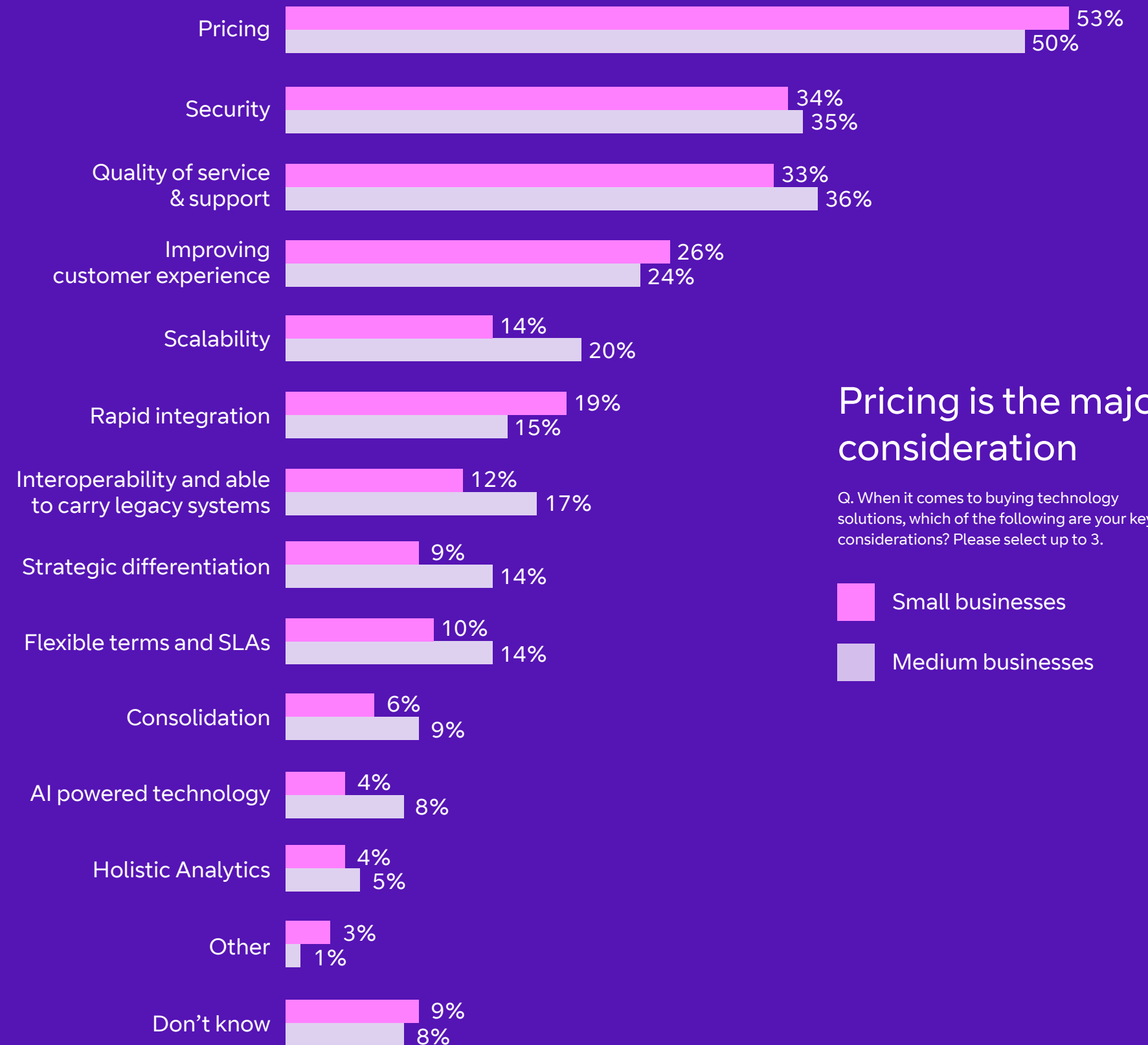
SMEs face specific challenges when it comes to implementing digital transformation.

Their main concern is the current financial climate, made worse, of course, by coronavirus. Against this backdrop, more than half, 53%, of small businesses see cost as the main consideration when acquiring new tech solutions.

The second main consideration is security. But small companies still need help understanding how emerging tech can help them address these challenges. 39% of small companies said none of this tech could improve the security of their digital infrastructure in the next five years.

Many of the new technologies on our list offer better security – helping companies keep sensitive information on the cloud, as opposed to physical servers for example. By embracing these new solutions, organisations can overhaul their cybersecurity measures and reassure customers.

Again it seems that SMEs need help connecting the dots, to see how innovative tech can contribute to their plans and help them address key challenges.



Pricing is the major consideration

Giving SMEs
the confidence
to invest



SMEs can reap the many benefits of emerging technology if they're given the support, the knowledge and the confidence to invest.

Understandably, they haven't adopted as much new tech as bigger companies. But they also have some advantages over their larger counterparts. Being more nimble and agile, they can make quicker decisions and face less internal resistance. They also don't have to worry so much about rolling back legacy infrastructure.

It needn't be too expensive or too complicated, but their digital-first tomorrow needs to start today. So what happens now? Based on our vast experience of working with businesses of all shapes and sizes, here are a few pointers to kick start the conversation at your company.

It's good to listen

You don't need to start from scratch. Talk to your partners, suppliers and customers about their experiences with emerging tech.

It's about partnership

The solution is not in any one technology or any one partner. It's about bringing it all together. Your business will benefit the most from a network ecosystem to support your goals.

All eyes on 2025

In 2025 we are switching the UK over to fully digital networks. Businesses should think about how to make the most of the many opportunities this will create.

Always start with security

Bake security into any future plans from the outset. Identify your challenges and find the partners and services that can help.

Connecting the dots is crucial

Seek out real examples of how businesses like yours have embraced these technologies. Then think about your industry, your business model and how both might change.

There is no time like now

Emerging technologies are not a fad – they can directly contribute to your most important business objectives. Building a sustainable long-term business model should start straight away.

We can help

Choosing trusted partners is a vital part of your digital transformation journey. Our experts can help you understand which emerging technologies are right for you, and show you how to maximise their potential.

Useful links and further reading

10 ways to digitally transform your business

5G myths debunked

Productivity in the modern workplace
(2020 and beyond)

5 key artificial intelligence trends

How London's Royal Hospital for Neuro-Disability
automates routine checks with IoT devices

How Belfast Harbour uses Augmented
Reality headsets to carry out safety checks

How we're helping to build a world-leading
'living lab' for Scotland with 5G

Tips from trailblazing businesses who are
shaping the future

Full list of technologies

Tech List	Description
Virtual Reality (VR) and Augmented Reality (AR)	Solutions that enable immersive experiences by creating an artificial environment (VR) or enhancing a real-world view (AR), usually experienced through a headset
Edge Computing	Computing and data storage closer to the location where it is needed, to improve response times and save bandwidth
Internet of Things (IoT)	Smart devices that collect data and connect to the internet, without the need for human input (e.g. smart energy meters, sensors, wearables)
AI & Machine Learning	Intelligent behaviour by machines, that work and react like humans (e.g. chatbots, voice assistants, robots) whilst having the ability to continuously improve
Software Defined Networking (SD-WAN)	A network architecture approach that enables the network to be intelligently and centrally controlled, using software applications. This helps operators manage the entire network consistently and holistically (e.g. SD-WAN, SD-LAN)
5G	The next evolution of the mobile network, providing faster speeds and lower latency
Voice over IP (VOIP)	Using the internet to carry voice communications, rather than a traditional phone line/system
As-a-service Solutions	Services hosted in the cloud by third parties, enabling businesses to access them on a subscription basis (e.g. Google Apps, Cisco WebEx, Microsoft Office 365)
Blockchain	A list of transactions that are linked using cryptography, meaning they cannot be modified
Predictive & Augmented Analytics	Intelligent data analysis solutions, making it easier to get actionable insights
Hyperconverged Infrastructure	A software-defined IT infrastructure that virtualises conventional ‘hardware-define’ systems. E.g. virtualises computing, software-defined storage and virtualised networking.
Managed Security Services	Network security services that have been outsourced to a service provider
Hybrid / Multicloud	Using a mix of on-premises, private cloud and third-party, public cloud services with orchestration between the various platforms
3D Printing / Additive Manufacturing	Construction of a three-dimensional object from a CAD model or a digital 3D model



Research conducted by **YouGov**

YouGov completed 1,006 online interviews with C-Suite and business heads in small (305), medium (207) and large (494) UK businesses. Fieldwork was carried out between 21 August and 13 September 2020.