



Small Business Digital Exclusion

Research Report Executive Summary

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Prepared for: Cwmpas, Digital Communities Wales
Prepared by: Research Works Limited

This summary covers research commissioned by Cwmpas and conducted by Research Works Limited, aimed at identifying small business' understanding of digital inclusion in Wales and what the impact of digital exclusion is for small and medium enterprises. The main research report provides full details of findings summarised in this document.

Almost 30 years after the launch of the World Wide Web, many people are still excluded from digital services. They still lack the equipment, connectivity, motivation, and digital skills needed to make full and confident use of the online services and other opportunities offered by the internet. The small private business sector in Wales is no exception, comprising of an estimated 217,200 businesses across the whole of Wales. This presents an opportunity for small businesses and the communities they serve to benefit from further digital inclusion.

Currently Cwmpas delivers Digital Communities Wales: Digital Confidence,



Health, and Well-being programme (DCW) which aims to reduce digital exclusion in Wales by providing options such as digital skills training, device loans, consultancy, and a wide range of support to organisations that directly support those who are not online. The programme does not currently have a specific offer for Welsh, private sector SMEs.

Small Businesses: There are 8,500 small businesses in Wales of which the majority operate in the health, accommodation and food, wholesale production and education sectors.

Micro Businesses: There are 208,700 micro businesses in Wales (businesses with 10 or less employees) which make up 97% of the overall small and micro business sector.

Where we are now: Research shows that digital exclusion in Wales' small and micro business sector affects businesses across sectors and geography, with higher levels of engagement within small businesses, and lower levels across micro businesses.

- **Agriculture and construction micro businesses** – are the least digitally engaged overall
- **Covid-19 was a key driver** – small businesses that are more digitally engaged are more likely to have their own website, social media and use cloud-based solutions which allowed them to survive during the pandemic
- **Small businesses create job opportunities** – there is a demand for skilled workers with industry-specific software knowledge

1. Barriers facing small and micro businesses

- **Time:** Small and micro businesses cannot afford the time off from normal business duties to train staff.
'We've talked about going electronic, but it's just time' (retail business)
- **Cost:** With the current cost-of-living crisis creating tough trading conditions many small businesses are unable to invest in digital equipment and software
'We are so challenged monetary wise, every shift has the bare minimum staff, there are no spare resources' (accommodation business)
- **Connection:** Small and micro businesses in rural areas reported a lack access to broadband
- **Knowledge:** Small businesses lacked motivation in seeking knowledge required to digitalize their businesses
- **Lack of confidence:** Small and micro business owners are unsure of the right digital solution best suited to their business, fearing that new software may disrupt their business
- **Lack of skills:** Small and micro business owners lack skills which prevent them from using the most accessible digital solutions. Employees lack basic skills as they are employed based on their personal skills
- **Data management and cybersecurity:** Small business owners are concerned with their own lack of skills in this area
- **Untapped Potential:** Small businesses were unaware of the potential benefits of using digital solutions with some opting to use third party software to win business
- **Missing opportunities to grow:** Stakeholders, small and micro business owners felt that their businesses are missing out by not engaging with digital technology
- Across both sectors businesses are **worried about the negative impacts of digital solutions rather than the positives of engaging with it;** There is a perception that staying up to date and managing data is an added pressure to businesses



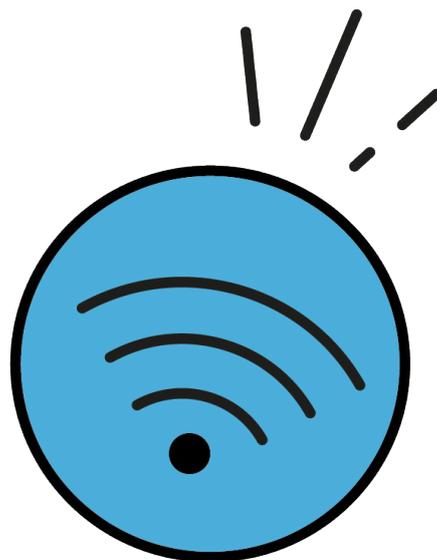
2. What small and micro businesses want

Business owners and managers across the sector wanted to improve in these areas:

- **Greater productivity** – businesses reported not knowing if their processes could be more effective
- **Knowledge sharing between members of staff** – reducing reliance on individual team members
- **Increased security to safeguard business continuity** – reducing the risk of cyberattacks and data breaches
- **Better staff experience** – easier communication between staff and a higher degree of professionalism
- **Time saving** – ease of access to systems
- **Cost saving** – cutting out commissions to third party brokers with a digital platform

3. What the small and micro businesses need

- **Prompts** to engage with digital technology
- **Support** to engage and understand which technology to use
- **Support to develop confidence and basic skills;** information about what digital technology is available and is relevant to their business
- **Knowledge of the specific benefits digital technology** will bring to their business
- **Accessible technology** that they can explore themselves; providing a flexible solution that is cost and time effective



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