

DIGITAL READINESS OF MICROENTERPRISES

ONLINE SEMINAR



SZÁZADVÉG

30.04.2021

ONLINE FINANCIAL AND ADMINISTRATIVE SERVICES USED BY MICRO-ENTERPRISES

USER BEHAVIOURS, ATTITUDES
AND THE IMPACT OF THE COVID-19 PANDEMIC



SZÁZADVÉG

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THE RESEARCH METHODOLOGY



The research methodology

- + The target group of the survey: self-employed persons and micro-enterprises (<10 employees) based in Hungary
- + Sample: nationwide representative by region and industry
- + Number of items: N=1000
- + Data collection method: CATI (Computer Assisted Telephone Interview)
- + Survey length: 15 minutes
- + Time of data collection: March 2021





DETAILED RESEARCH RESULTS

Equipment availability and internet access

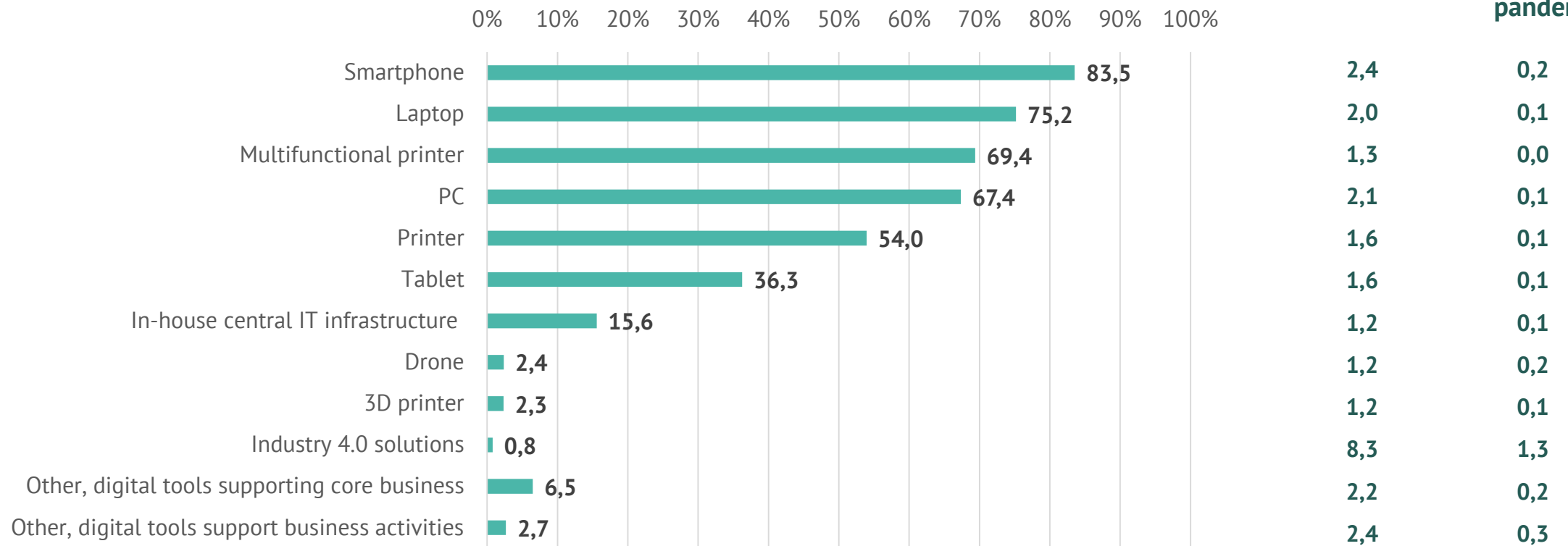


Availability of equipments

Which of the following assets does your business have?

Average number

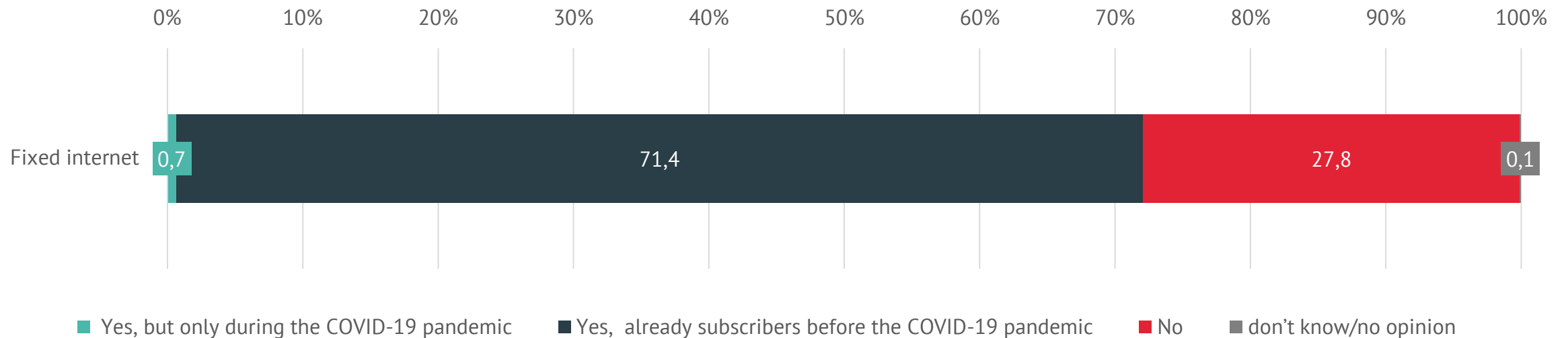
Of which the following were purchased during the pandemic



The vast **majority** of the micro-enterprises have a **smartphone** and/or a **laptop**, as well as a multifunctional and/or basic printer and **PC**. The take-up of central IT infrastructure and the use of Industry 4.0 solutions is very low. All segments are somehow **affected from COVID-19**, but Industry 4.0 solutions stand out with a massive, 15 percentage growth rate.

Fixed internet access

Does the business have a fixed internet subscription? If so, do you plan to keep the subscription after the crisis is gone?

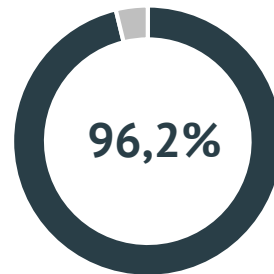


The pandemic has not had a significant impact on the take-up of fixed internet subscriptions among micro-enterprises: the majority of respondents (71%) already had a subscription and less than 1% of respondents subscribed to a fixed internet service during the pandemic. They all intend to keep their subscription later.

Mobile internet access

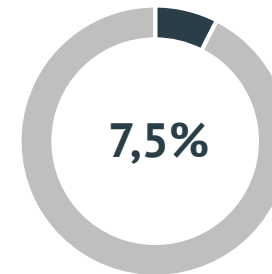
How many of your smartphones have a mobile internet subscription? How many of them had a mobile data subscription during/because the COVID-19 outbreak?

Has mobile internet



2,2

Data package purchased during the COVID-19 outbreak



0,2

Businesses with **smartphones** typically subscribe to mobile internet on all devices (average: 2.2 mobile internet / 2.4 smartphones per business). During the pandemic, 8% bought a mobile broadband subscription.



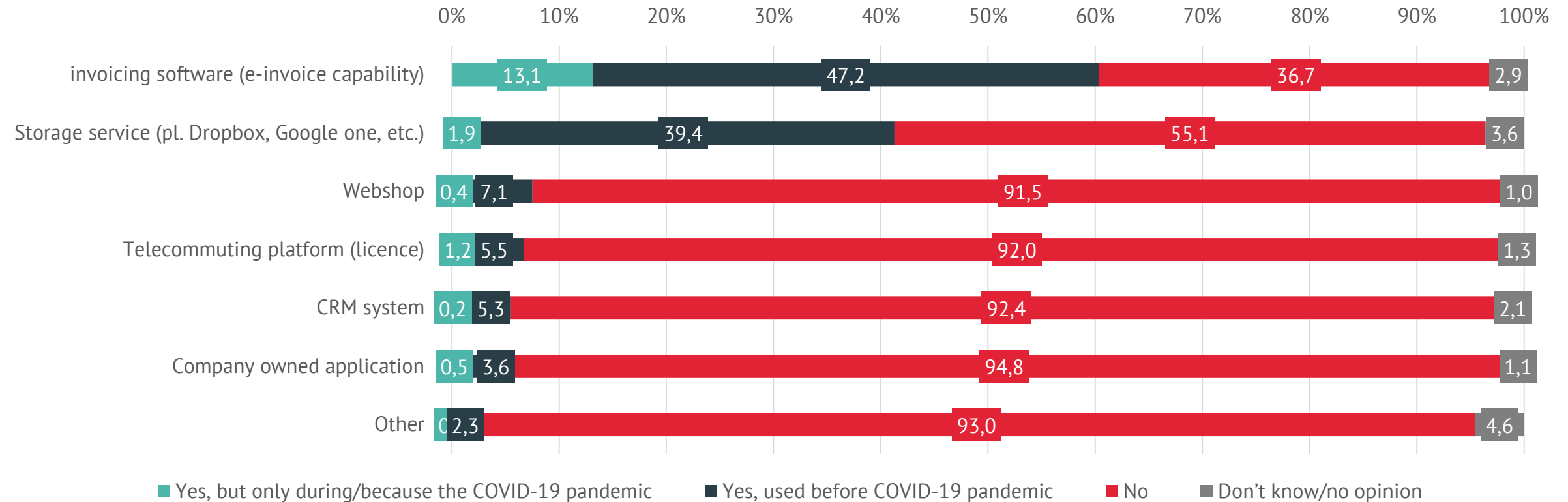
DETAILED RESEARCH RESULTS

Use of digital solutions and services



Softwares, apps, other digital solutions

What software, application and other digital solutions does your company have?



The most commonly used digital solutions are **invoicing softwares** (more than 60% of businesses have one) and various **storage services**. Less than 10% of the businesses have a stand-alone webshop, remote working platform, CRM solution or an own application.



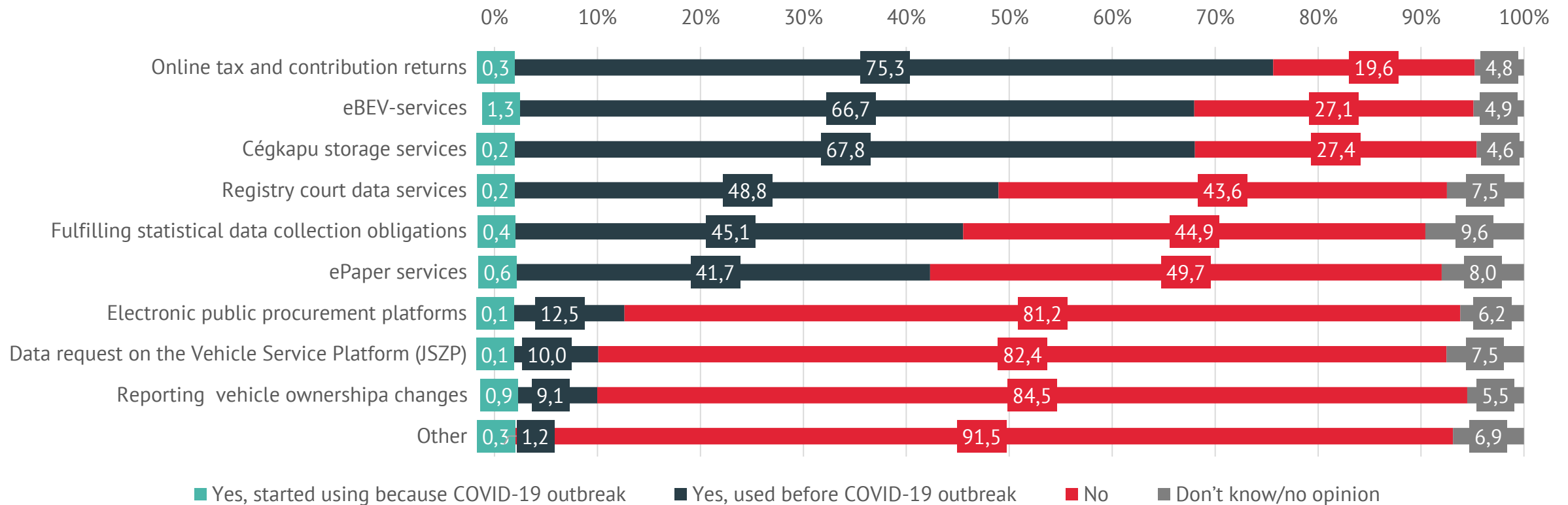
DETAILED RESEARCH RESULTS

Use of digital services



Use of eGovernment services

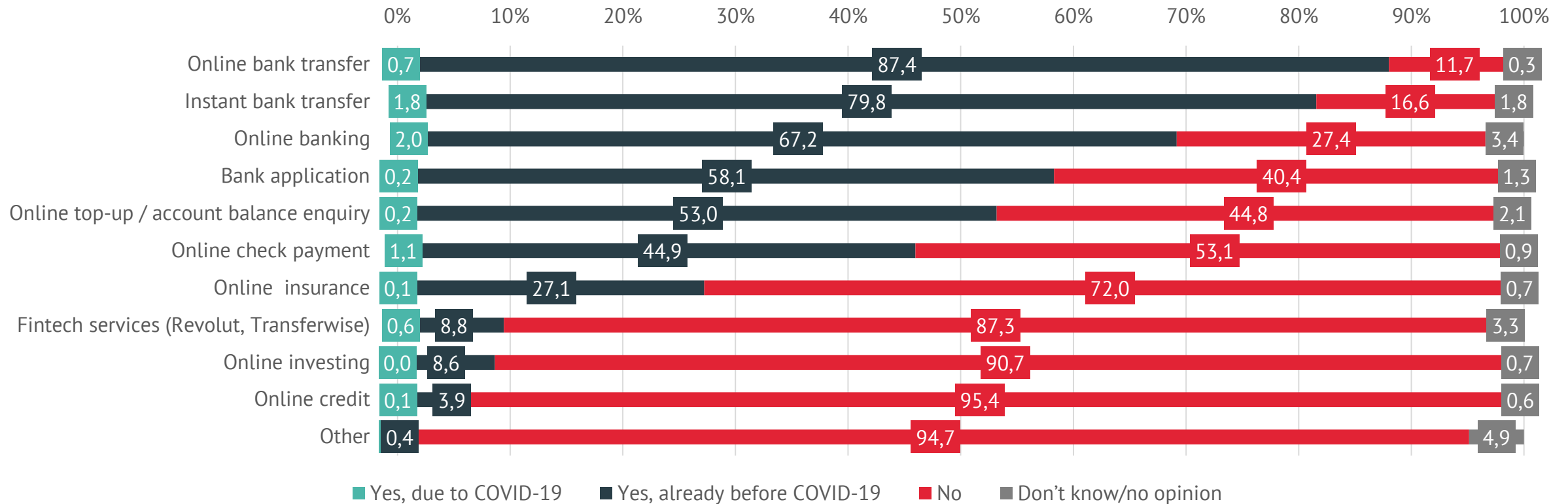
Is your company in the practice of using the following eGovernment services?



The majority of micro-enterprises are using **online tax and contribution declaration solutions**. There has been no significant increase in the use of digital platforms as a result of the COVID-19 pandemic.

Use of electronic financial services

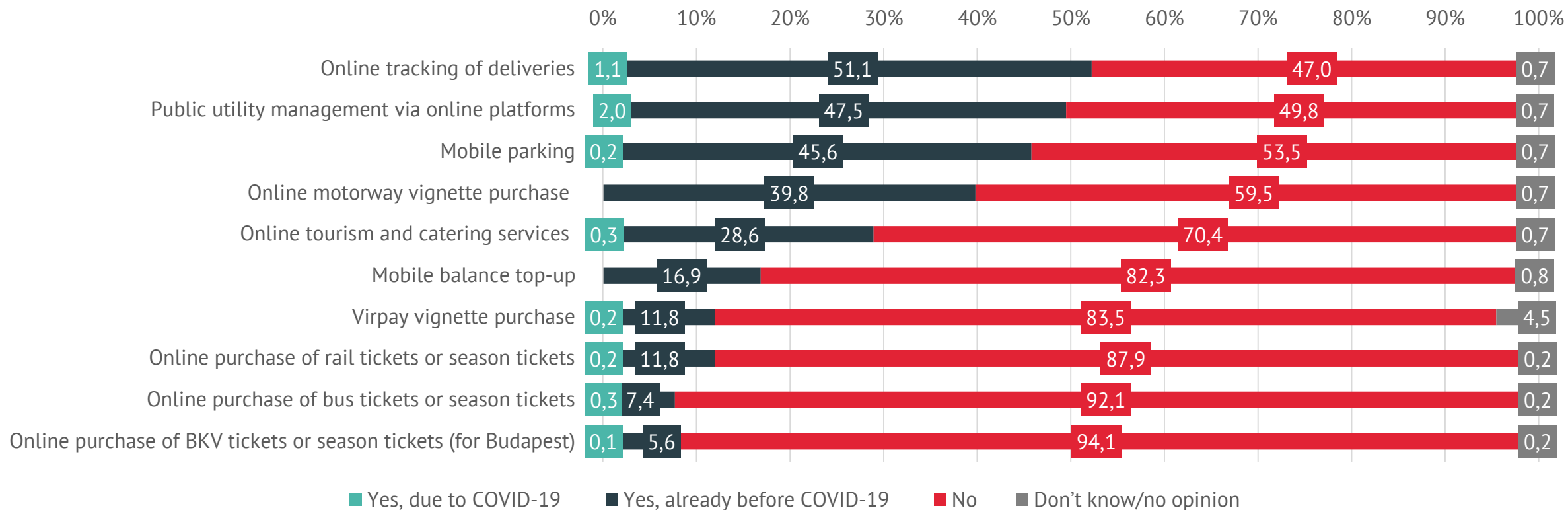
Has your business used the following electronic financial services?



The majority of micro-enterprises have already been using the most typical online financial services (i.e transferring money, online banking, banking apps) regardless of the pandemic. The increase due to the pandemic situation is not significant.

Use of online utility and convenience services

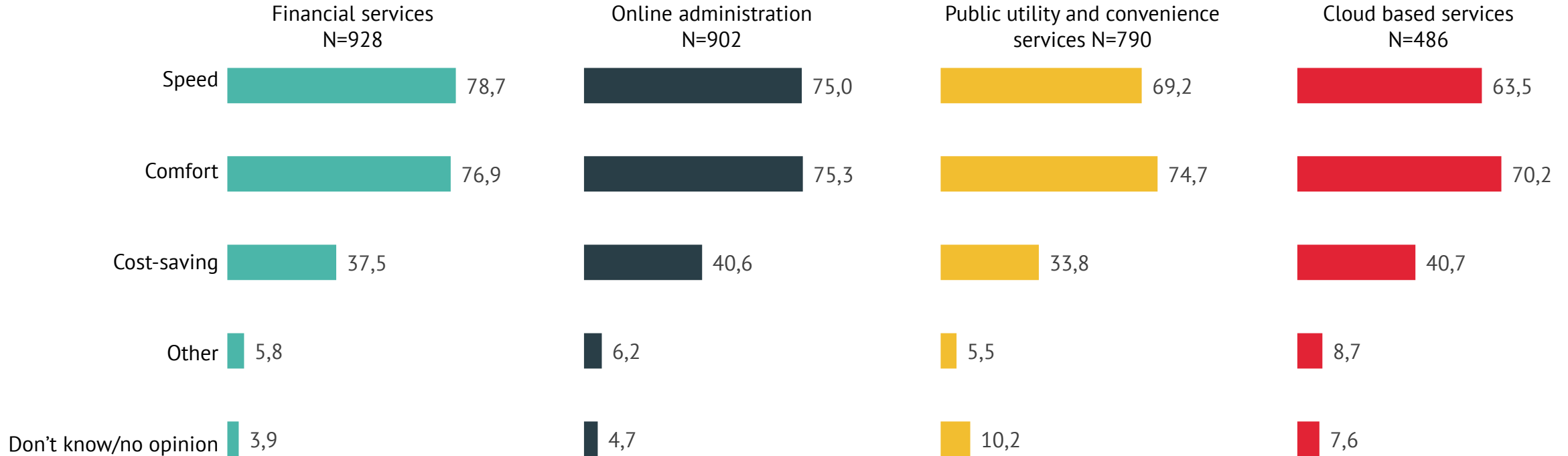
Are you in the habit of using the following online utility and convenience services?



The use of the services listed here is typically **very low**. The only service used by more than half of the businesses is online tracking of shipments/deliveries.

Benefits of digital services

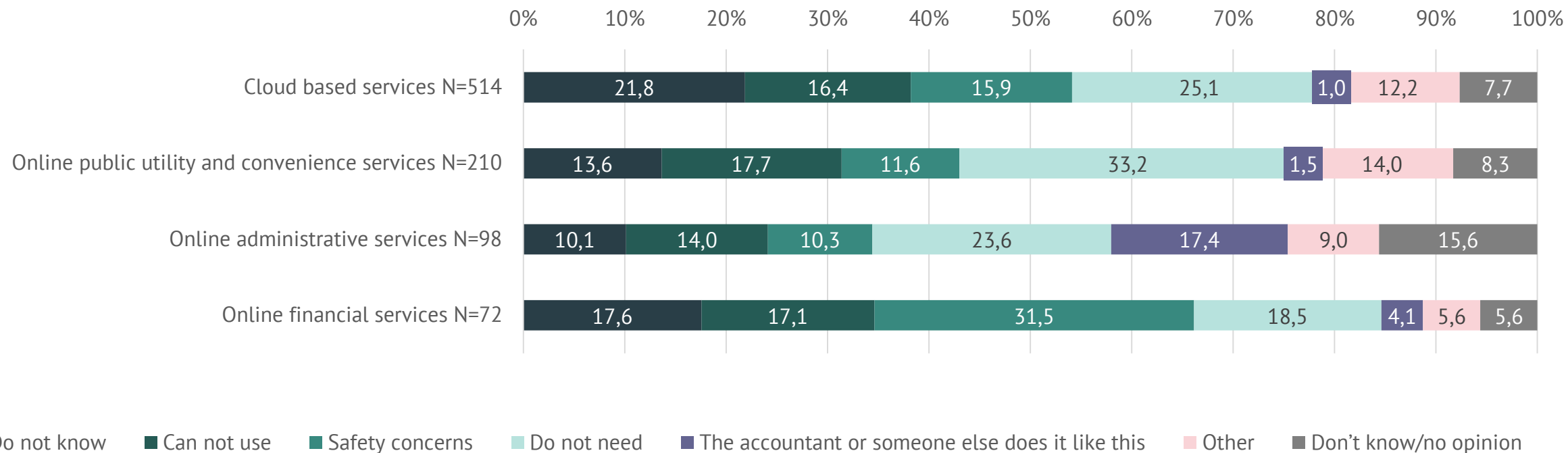
If you are using the following services, what benefits do you attach to them?



The most commonly associated benefits are the **speed and comfort**.

Reasons for not using digital services

If you do not use the following services, what is the reason?

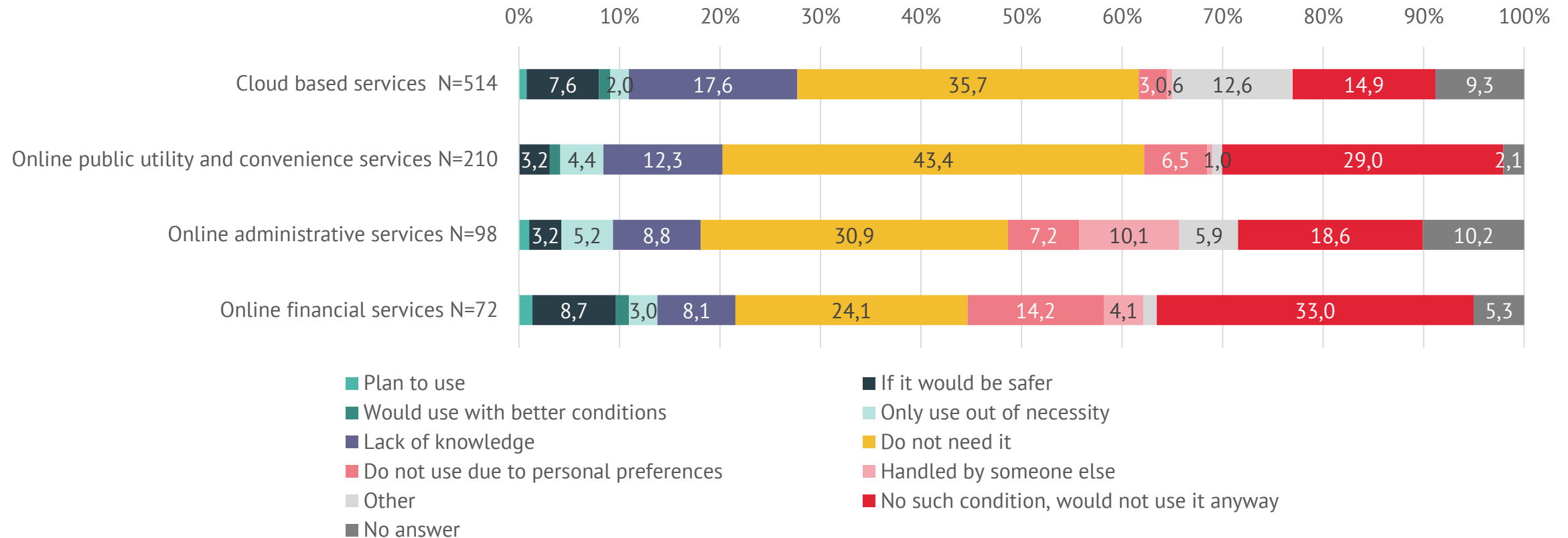


The most common reason for not using digital services is that the businesses do **not have the need** to use them. Also common response is that businesses are **not familiar** with these services or **can not use** them. Significant factor among the non-users are security concerns as well.

Base: those who do not currently use such services. Supported and spontaneous responses.

Start using digital services

Under what circumstances/conditions would you use the following services?



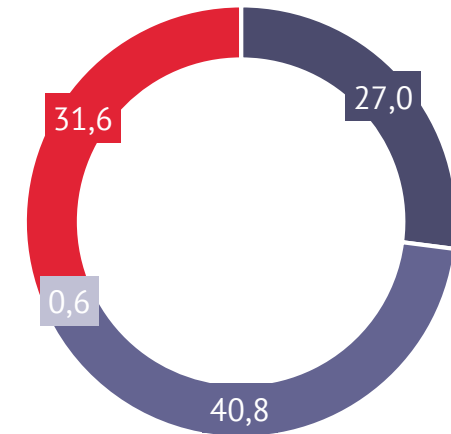
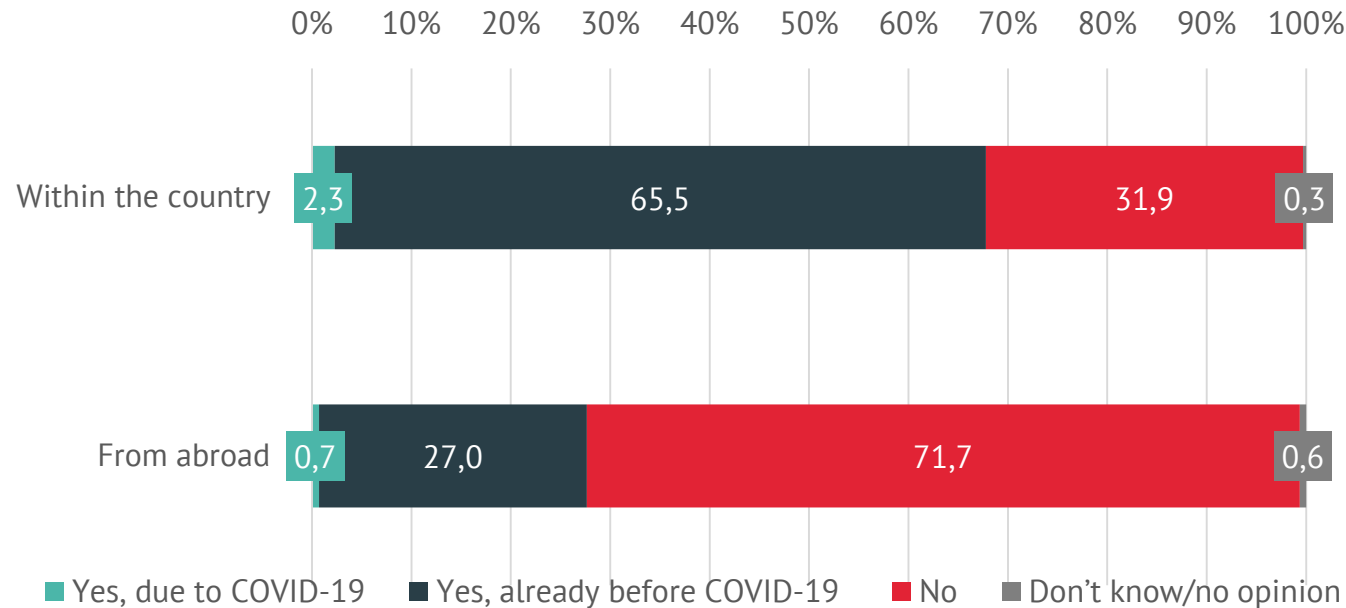
A significant share of businesses **are reluctant** to use digital services and another big proportion of them believe that **they do not need them at the moment**.

Base: those who do not currently use such services. Spontaneous answers.

Online procurement

Does your company buy online within the country?

Does your company buy online from abroad?



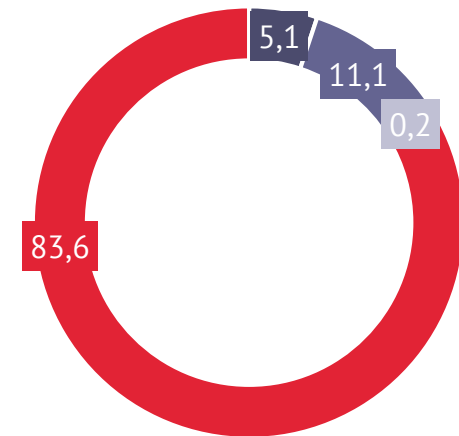
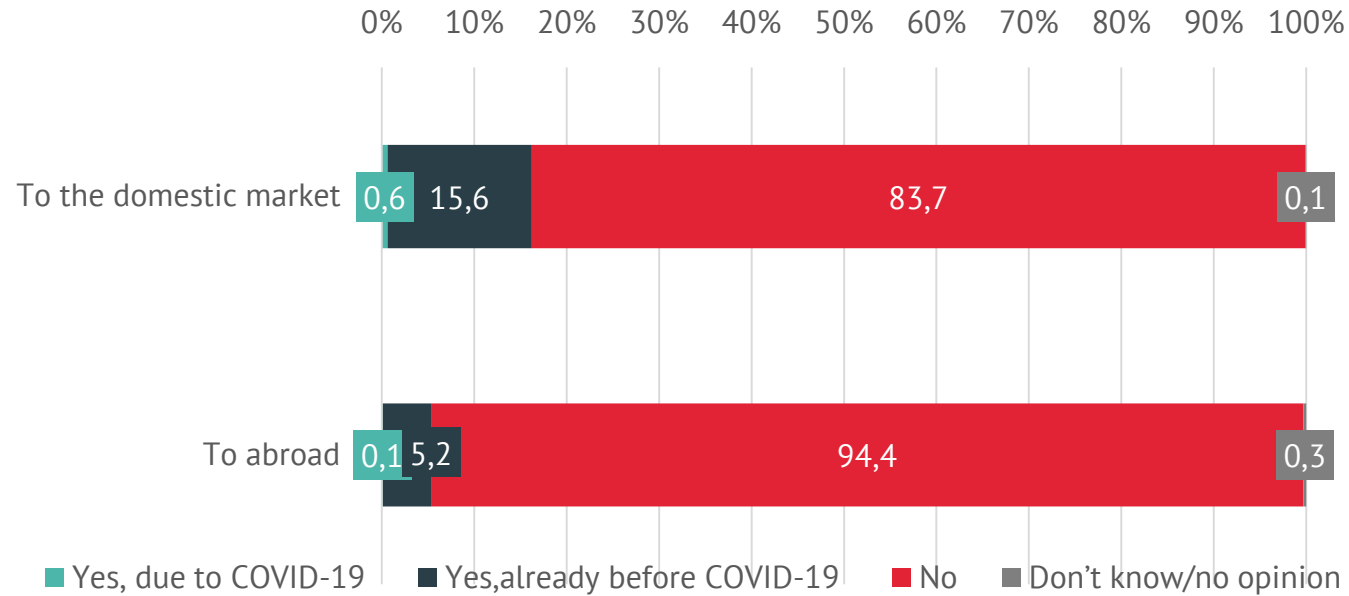
- Within the country and from abroad
- Only within the country
- Only from abroad
- None of these

While **two thirds of businesses** buy online **within the country** (except in *the agricultural sector*, below 50%), less than one third buy online from abroad (28% on average; slightly more common *in the industry*, 36%). **One third** of the respondents (32%) **do not shop online at all**.

Online sales

Does your business sell online to the domestic market?

Does your business sell abroad online?



- Also to Hungary and abroad
- Only to the domestic market
- Only abroad
- None of these

Only 5% of the businesses sell online (let it be domestic market or abroad), while 84% are not engaged in sales activities at all.

- + **Adoption rates** of microenterprises are much lower than among SMEs.
- + Most micro-enterprises have a **variety of devices** (smartphone and laptop) which use mobile internet frequently, but fixed broadband adoption is low.
- + The take-up of **digital solutions, apps, softwares** is extremely low.
- + The use of **digital services** is rather uncommon, with the exception of some eGovernment services (where use is mandatory).
- + The majority of the businesses buy online but online selling is negligible, both data far below the performance of SMEs.
- + There is some **impact of the pandemic** realizable regarding the use of some digital equipments but no significant impact can be observed on the use of any of the reviewed digital services.





THANK YOU VERY MUCH FOR YOUR ATTENTION





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BNetzA's new role in the area of digitalisation, especially in the context of SMEs

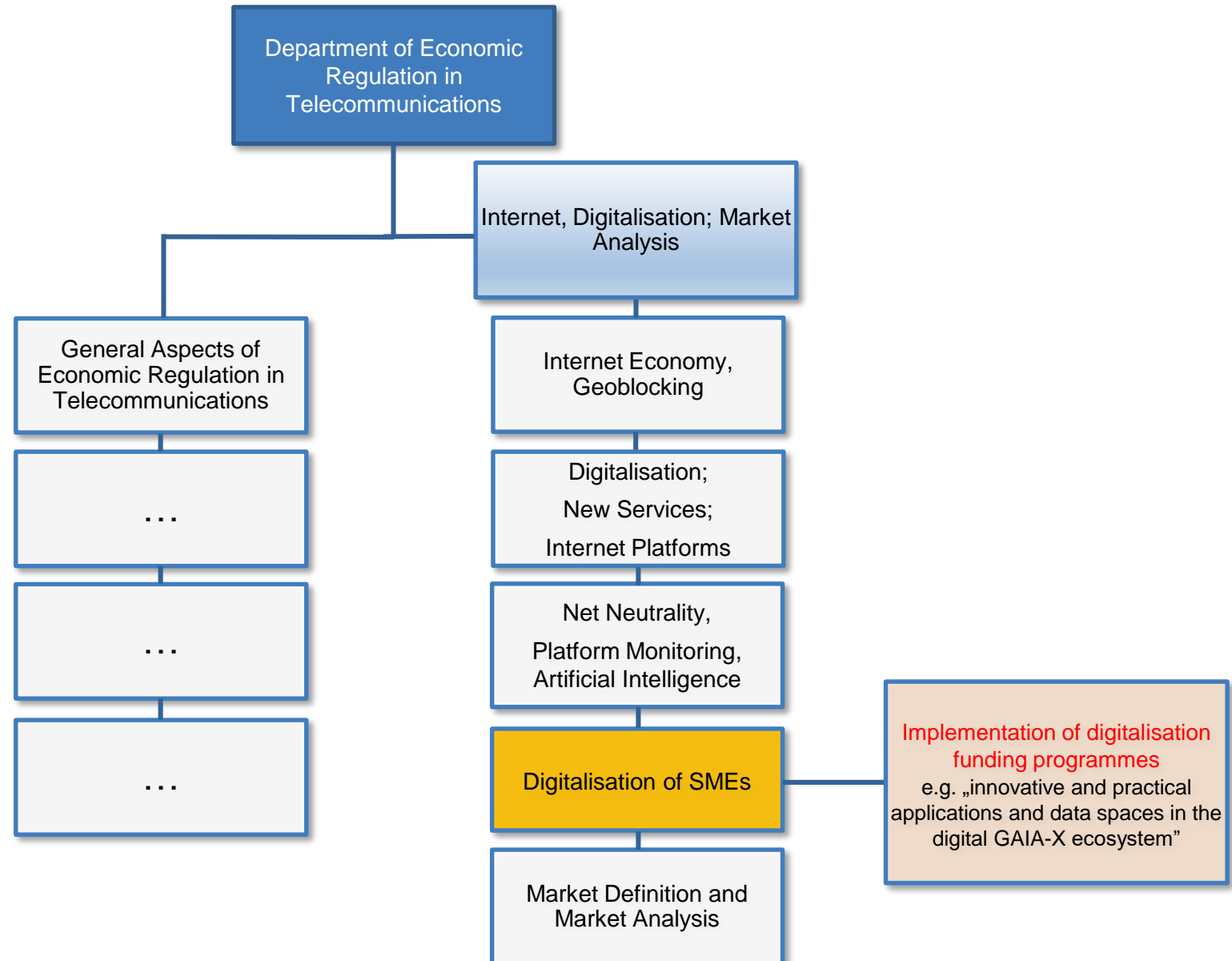
Yvonne Finger

Online Seminar: Digital Readiness of Microenterprises

30.04.2021



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- **Embracing the digitization in SMEs** is not only a key political priority, but also a major practical challenge;
- Digital transformation is essential for innovative and competitive SMEs and requires not only an overarching strategy at the company level, digital skills and investments, but also confidence in IT security and electronic data protection;
- **New BNetzA activities** aiming in particular at **accompanying the digital transformation of SMEs**, e.g.
 - monitoring developments in SMEs' digitalisation process
 - collecting and disseminating relevant information (e.g. best practice examples, results of studies and availability of funding programmes)
 - Provision of support to the Ministry for the implementation of relevant digital funding programmes
 - acting as a central contact point for SMEs and foreign delegations
 - Consolidation of information (one-stop-shop), matching, mapping
- Cross-cutting task which can build on BNetzA's existing digitalisation expertise; Further work needed to gain deeper understanding of SMEs' specific challenges and opportunities.
- Gradually establishing BNetzA as a competent body in the field of SMEs' digitalisation.



Framework conditions

- **Political priority:**
 - National SME strategy
 - National Digitalisation strategy
 - National data strategy
 - National AI strategy
- **Performant data infrastructure** (internet access, speed)
- **Data protection rules**
- **IT Security, standards**
- **Ability & willingness/ mindset to embark on a digitalisation journey**

Financial support

- Funding programmes at EU, national, regional & communal levels
- Dedicated loan programmes

R&D

- Scientific studies
- Knowledge transfer
- Promotion of use cases

Stakeholders

- Industry associations
- Research centers, universities
- Dedicated SME associations

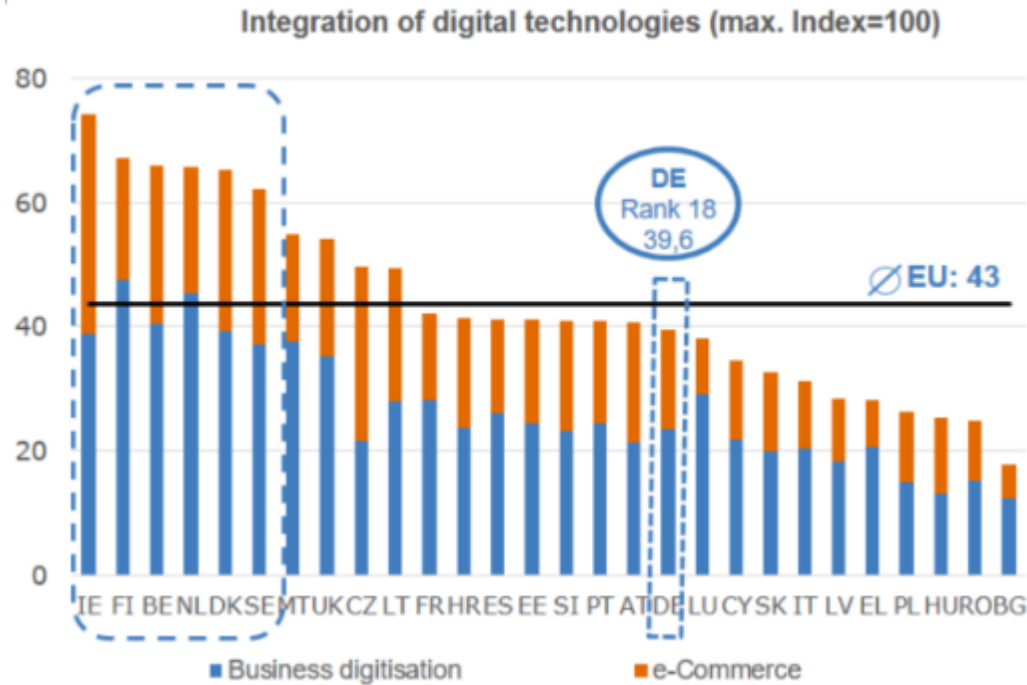
Digitalisation process in SMEs

Digital skills/ knowledge building

- SME specific offer of webinars and workshops about digitalisation technologies and their potentials (free of charge)
- Promotion of Best-practices
- Dedicated studies/ surveys
- Demonstration centers
- IT Trainer, AI-Trainer
- New university degree programmes focusing on digitalisation/ new professorships for AI

Networks/ Information platforms

- Digital innovation hubs
- Transfer-networks
- Centers of excellence (regionally distributed)
- Regional economic development agencies
- Dedicated networks/ Clusters for e.g. AI, or cloud solutions
- Matching apps (e.g. I2Match) and other cooperation schemes between established SMEs & digital startups



	Germany	EU		
	DESI 2018	DESI 2019	DESI 2020	DESI 2020
	value	value	value	Value
4a1 Electronic information sharing	NA	NA	29%	34%
% enterprises	2017	2017	2019	2019
4a2 Social media	16%	16%	23%	25%
% enterprises	2017	2017	2019	2019
4a3 Big data	6%	15%	15%	12%
% enterprises	2016	2018	2018	2018
4a4 Cloud	NA	12%	12%	18%
% enterprises	2017	2018	2018	2018
4b1 SMEs selling online	23%	19%	17%	18%
% SMEs	2017	2018	2019	2019
4b2 e-Commerce turnover	11%	9%	10%	11%
% SME turnover	2017	2018	2019	2019
4b3 Selling online cross-border	11%	11%	10%	8%
% SMEs	2017	2017	2019	2019



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BNetzA's new role in the area of digitalisation, especially in the context of SMEs

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Digital Services in the EU

The Agricultural Perspective

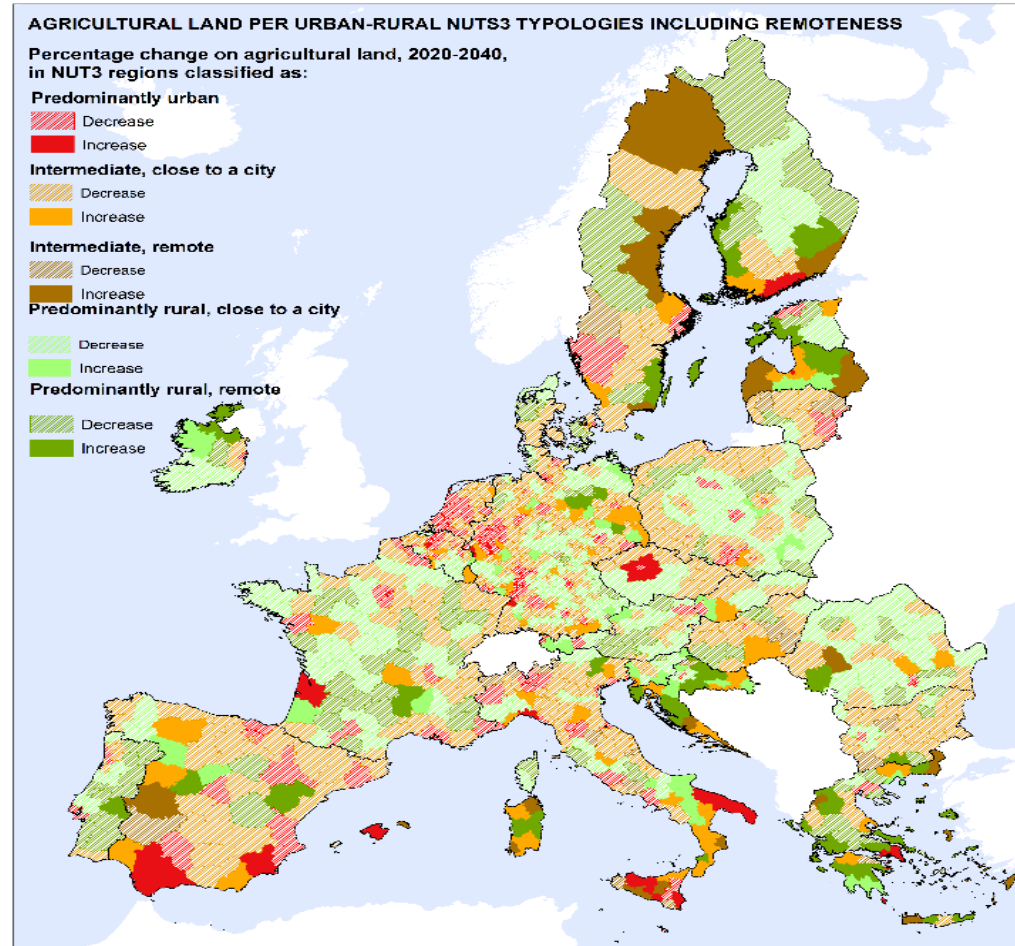
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Setting the frame

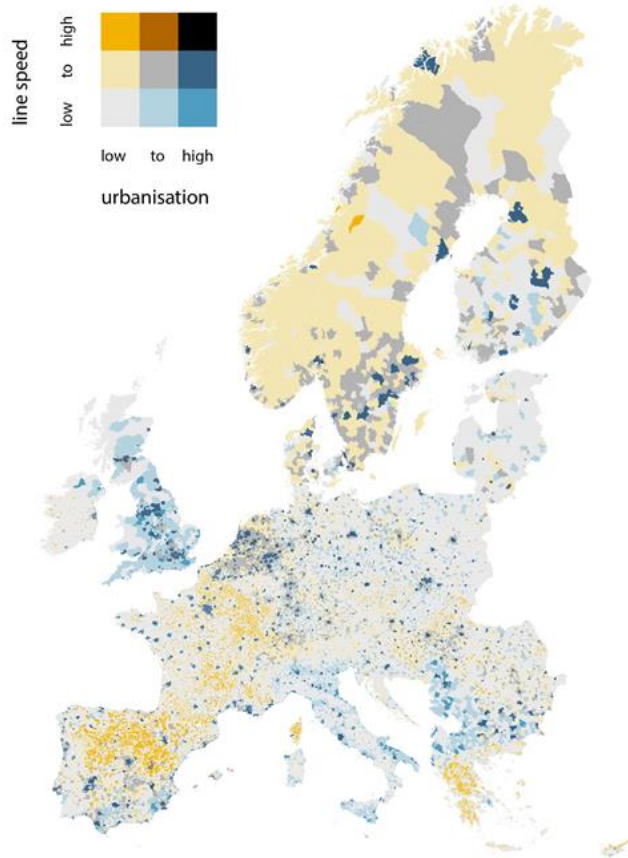
- ▶ Digital readiness as precondition to safeguard a way out of the crisis
- ▶ Certain sectors and territorial settings as specifically vulnerable → remote/ rural areas & agri-food sector – predominantly micro-enterprises (in terms of employment)
- ▶ Idea of catching up and connecting these sectors and areas → preventing brain drain, sustaining income by increasing competitiveness
- ▶ ... but what is the reality?

Potential for agri- micro-enterprises in the EU – the demand side of digital readiness

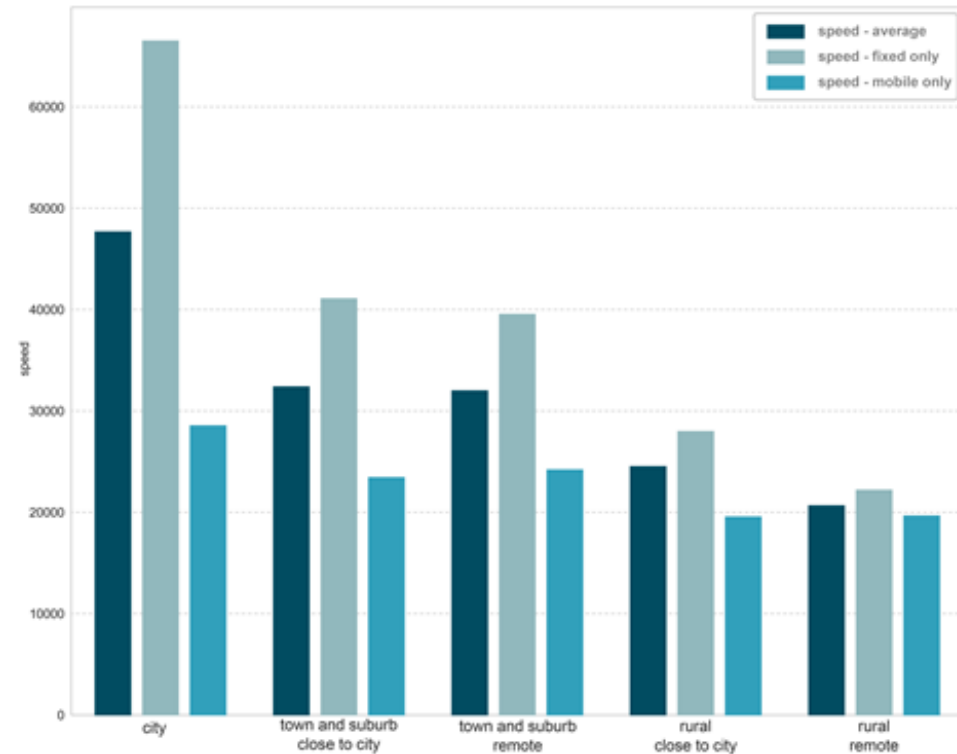


Change in agricultural land, 2020-2040
 (Source : LUISA)

...and the supply side for digital readiness



Average speed of broadband connection in kilobits per second



Average speed of overall, fixed and mobile broadband connection for the EU27 countries, measured in kilobits per second

Conclusions

- ▶ Digital readiness in micro-enterprises goes hand in hand with sector development
- ▶ Large gaps between MS and regions
- ▶ Future perspectives increasingly dependent on national interventions → discussion on importance and role of cohesion policy



Additional information

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Digital skills of workforce is key to SME digitalization

Vilmos Both

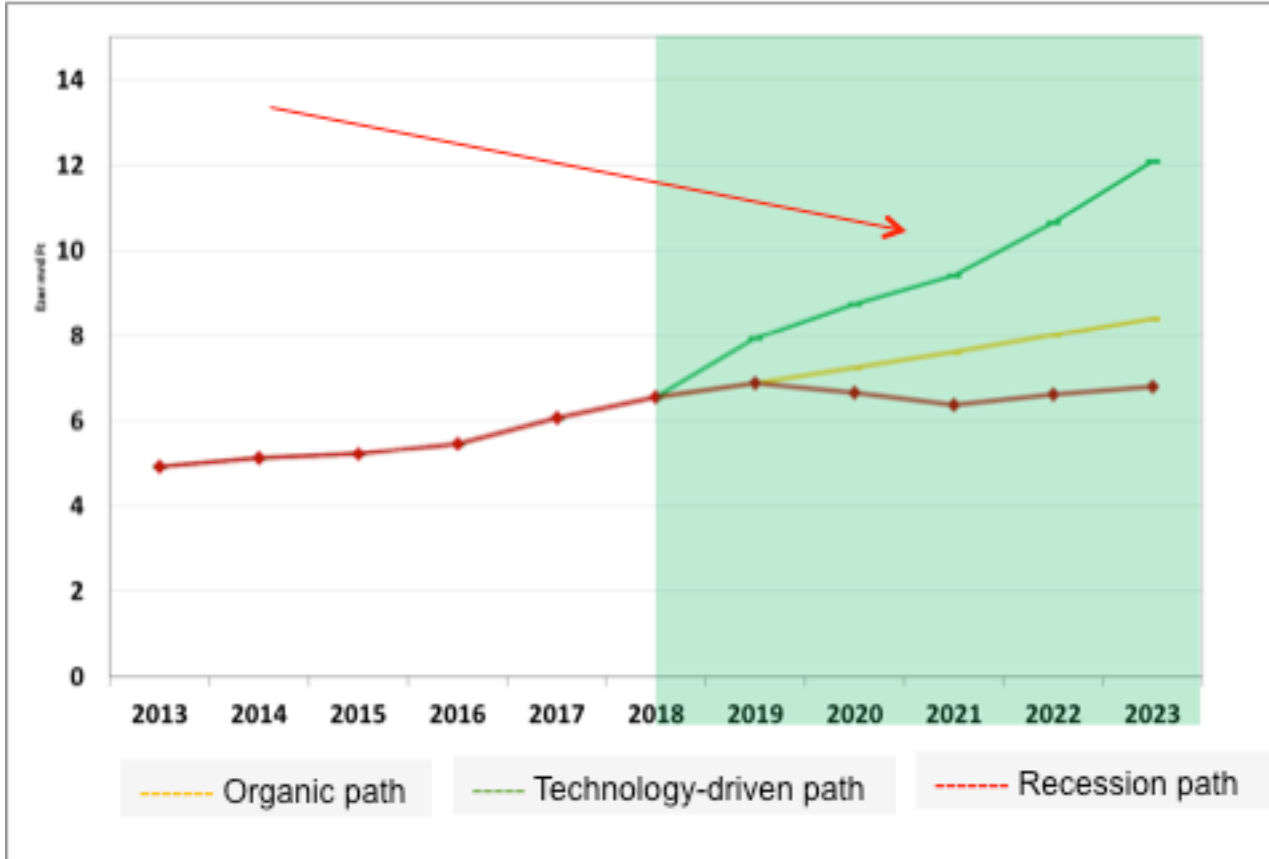
April 30th, 2021



THE ICT ASSOCIATION OF HUNGARY

- Digital economy could give a major boost to the Hungarian economy: in 3 years its **GDP contribution may be well above 25%**, providing an annual HUF 4k billion above the organic growth path.

- The groundbreaking research by Századvég underlined that digital transformation of micro enterprises and SMEs should be a focal point.

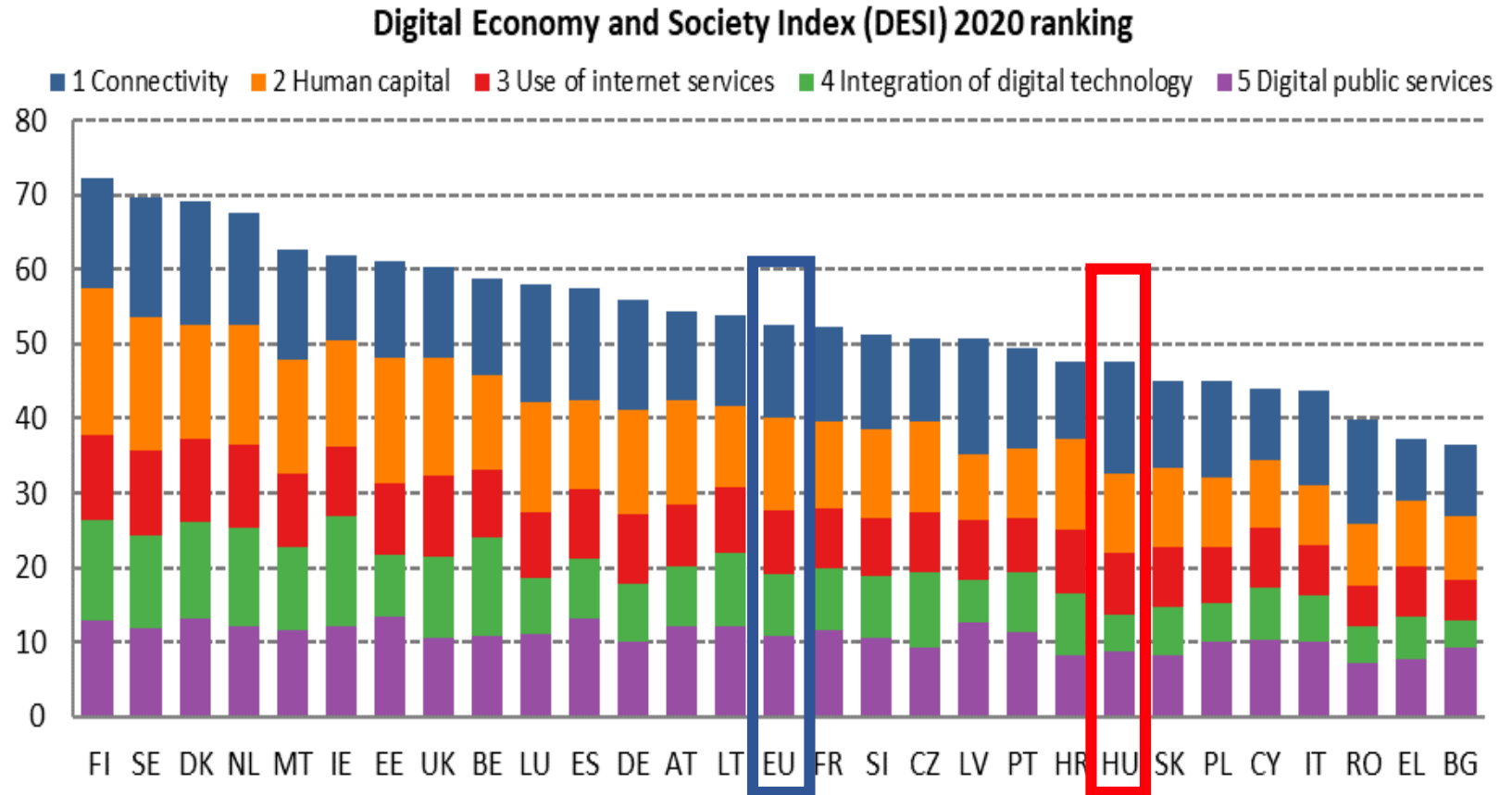


Key areas of intervention:

- Increasing digital skills
- Digital transformation of SMEs
- Digital infrastructure (fiber/mobile)
- Support the innovation and export activities of digital businesses.
- User-friendly digital public services.

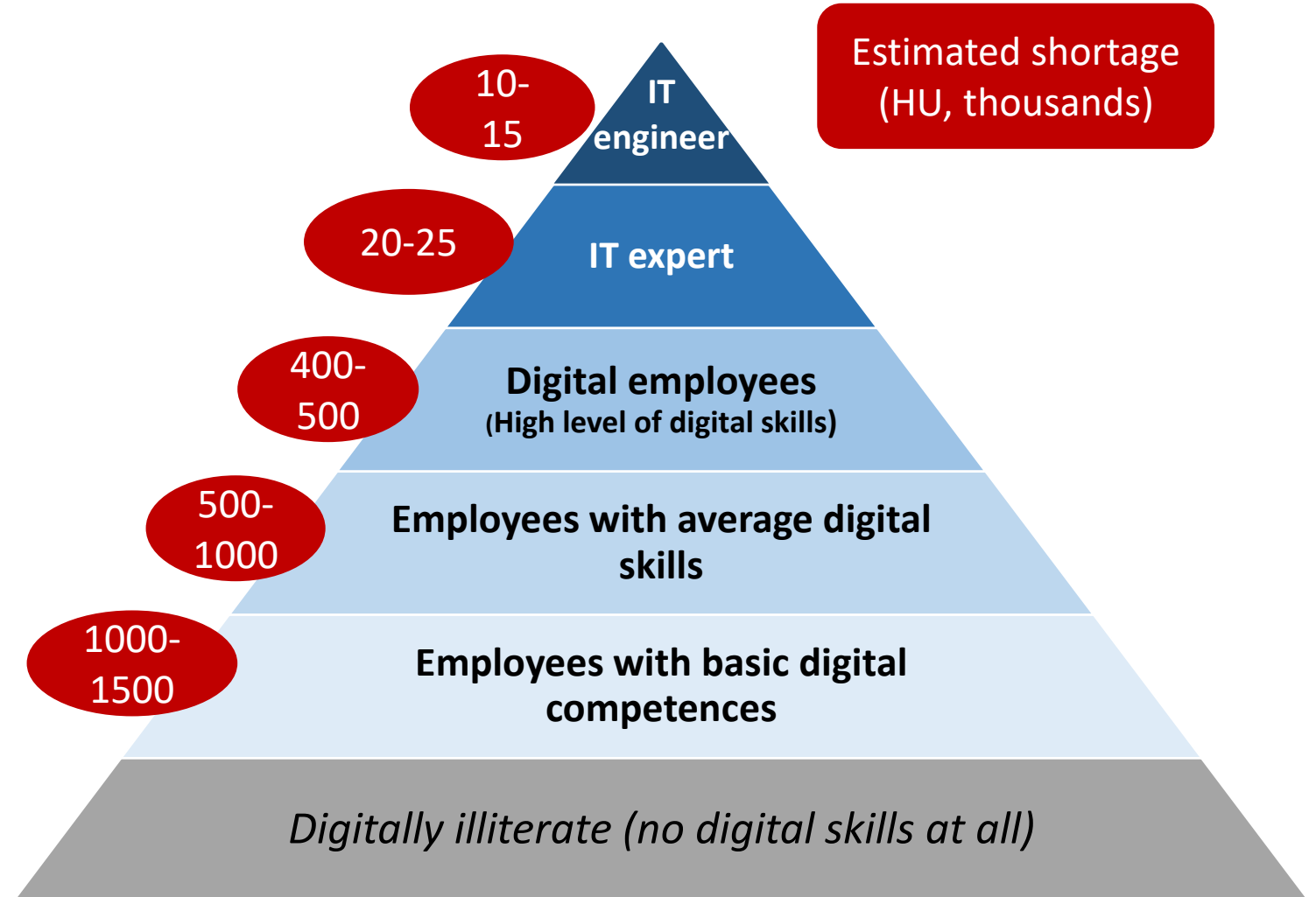
Lack of digital skills deprive SMEs of workforce AND costumers

- Millions of Hungarians do not have basic digital skills, and many more lack the proper digital competences for working in a digital environment.
- The problem is reflected in Hungary's mere position in the DESI index.
- International/large companies are outbidding SMEs in the quest for digitally skilled workforce



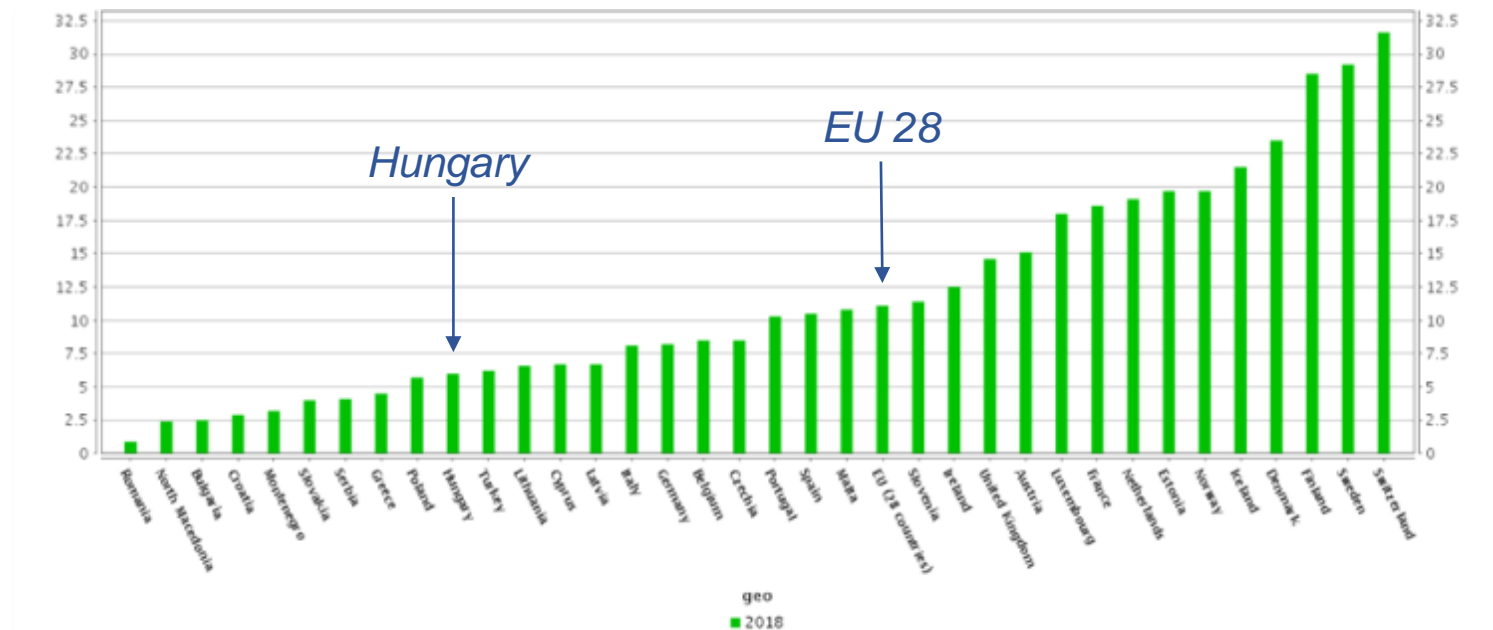
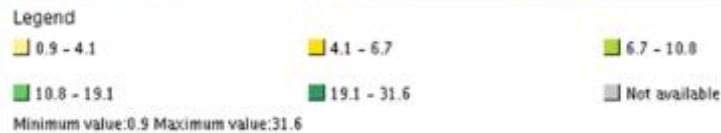
Source: DESI 2020

- The lack of digital workforce is **threatening the competitiveness** of all businesses in all sectors as well as the Hungarian national economy.
- This **shortage is growing** at all digital skill levels.
- The situation **will not improve without a comprehensive governmental intervention** at all levels of the educational system.



... but first we need to raise participation levels in adult education

Participation in adult education by country (ages 25-64)



Source: Eurostat

- Hungarians are less willing to take part in adult education
- Besides digital skills, many lack general basic competences

Conclusion: development of digital skills of the workforce is key to SME digitalization, as well as for a successful digital transition of the national economy.

Thank you for your kind attention!



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