



DIGITALLY DRIVEN / SWEDEN

European Small and Medium-Sized Enterprises (SMEs)

*Transformation, Innovation, and Resilience
During the COVID-19 Pandemic*

Presented by  Connected Commerce
Council



Digitally Driven: Sweden - A letter from Jake Ward, President, Connected Commerce Council

European small businesses have been forever changed by COVID-19. Businesses closed, jobs were lost, and far too many communities badly hurt by a pandemic that caused massive upheaval. But even as small businesses continue their struggle, we can learn from many of them, across Europe, that ingenuity and agility can make them more resilient and likely to survive. Their experiences over the past year are lessons for the future. They will help speed communities' recovery and make their futures more sustainable.

This report goes deeper than previous research to understand the real impact of COVID-19 on European small businesses. It identifies what has driven surviving small businesses' success and resiliency: first and foremost, the 'Digital Safety Net' that is built on technology platforms and comprised of affordable and agile digital products and services. This Digital Safety Net has empowered millions of small businesses to shift resources, modify business plans, and continually evolve throughout the pandemic. These findings are consistent with similar reports we released focused on American small businesses ([link](#)).

For small business owners still struggling, this study highlights how the Digital Safety Net can improve business results and survival rates. For governments, NGOs and industry, the collective story of those who have persevered, and in some cases even thrived, should inform how we strengthen the 25 million small businesses that will power a fully recovered and more resilient Europe.

Digitally Driven: Europe reflects the realities and perspectives of more than 5,000 small businesses, who collectively lead us to three primary findings: First, digital tools are critical for small business resilience. Second, for digitally advanced small businesses, digital tools have allowed them to pivot quickly, maintain more pre-

COVID revenue, and hire many more employees. And third, there remain too many obstacles to broad adoption of digital tools by small businesses, particularly due to uncertainty about how to use and understand the value of technology in their business. We must address and solve this challenge.

For small businesses that embrace digital tools, the benefits are clear: greater revenue, stronger customer base, and a significantly improved outlook in an increasingly digital European market. To assist the digitally uncertain, policymakers and business leaders must create solutions, including investments that increase education, training and small business access to the Digital Safety Net.

The Connected Commerce Council thanks our members for their continued support, along with small businesses across Europe for their determination in the face of perilous odds. Finally, I'd like to thank our partners in the production of this report, Google, Greenberg and Catalyst Research.



Jake Ward, President,
Connected Commerce Council

Digitally Driven: Sweden - Introduction

The disruptive effects of the COVID-19 pandemic on small businesses have been reduced by a ‘Digital Safety Net’ that has enabled transformation, innovation, and resilience.

The broad impact of the pandemic is unprecedented in scale, presenting challenges to small and medium-sized enterprises (SMEs: businesses of 1-250 people) - 90% of them reported being disrupted by the pandemic in some way. Despite that, SMEs that use digital tools as an integral part of their operations (about 42% of all SMEs) reduced the worst of the pandemic’s effects, in some cases becoming more agile and stronger. Businesses and jobs were saved. And while other SMEs did not take advantage of digital tools at the onset of the pandemic, 80% accelerated their use of digital tools during the last year.

This Digital Safety Net - using digital tools to adapt, survive, and recover during unexpected shocks or disruptions like the COVID-19 pandemic - is real. Its benefits will persist in normal times. During the past year, a decade’s worth of digital transformation occurred, and innovation is required for the future success of SMEs. Everyone is living in the “New Normal” - we are not going back to a less-digital world.

→ Terminology

Digital Tools - Digital tools are the platforms, services, marketplaces, and other software that power the digital world. For simplicity, we refer to all of these as “digital tools.”

Digital Segments/Groups - Our analysis identified different groups of SMEs defined by their attitudes toward, and use of, digital tools. “Advanced” SMEs view digital tools as essential and use many of them, while “Uncertain” SMEs are the opposite. A third group, “Evolving” SMEs, are essentially in a transition between the two. These groups are further defined in the [main report](#).

Digital Safety Net - The Digital Safety Net describes the positive financial and operational effects that digital tools have on SMEs, particularly to adapt, survive, and recover from economic or societal shocks.

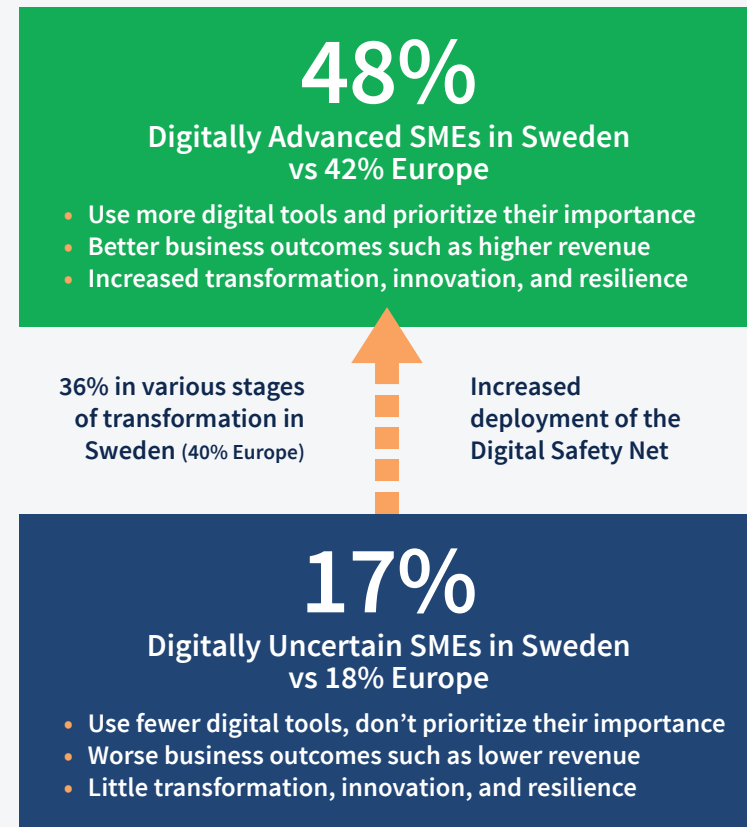
Digitally Driven: Sweden - The Digital Safety Net

Our research identified three categories of SMEs, based on how they characterized the pre-pandemic importance of digital tools to their business operations, and their actual use of digital tools entering the pandemic. Advanced SMEs place a high importance on digital tools and use many of them, while Uncertain SMEs do not. A third group, Evolving SMEs, is at various stages of transformation between the other two.

Advanced SMEs outperformed their Uncertain counterparts for a range of financial and operational business metrics during the pandemic: sales, revenue, maintaining their customer base, and hiring new employees. They have also been more aggressive in investing in new tools and training during the pandemic. In Sweden, we found an above-average number of Advanced SMEs (+6% vs. the Europe-wide average), and a slightly below-average number of Uncertain SMEs (-1%), with a somewhat below-average percentage of them in a transformational state.

Not all SMEs who use digital tools are the same. On average, sole owner/operators or women-led SMEs had an especially challenging time if Uncertain, but found outsized benefits if they were Advanced. Not all digital tools are equally helpful to European SMEs, either. E-commerce, data analytics, and employee management and collaboration tools conferred more competitive advantage on the SMEs using them.

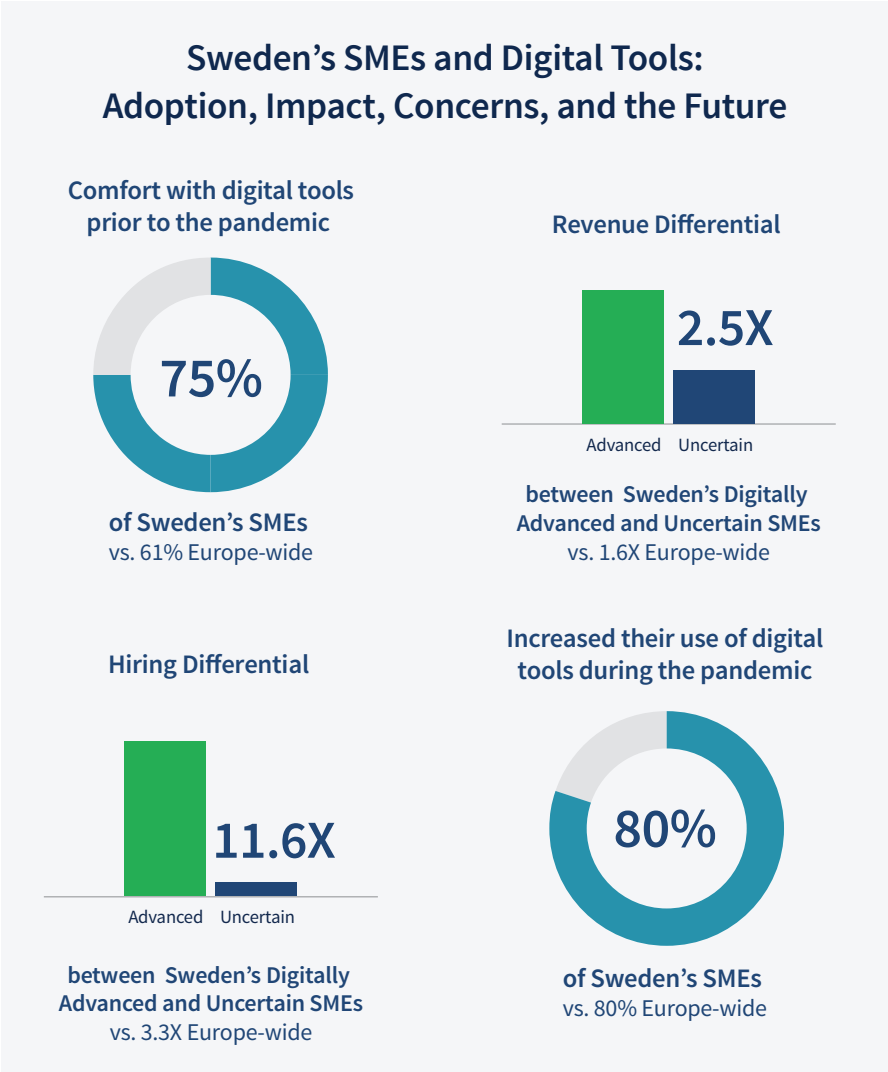
Explaining the SME Digital Safety Net



Digitally Driven: Sweden - By the Numbers

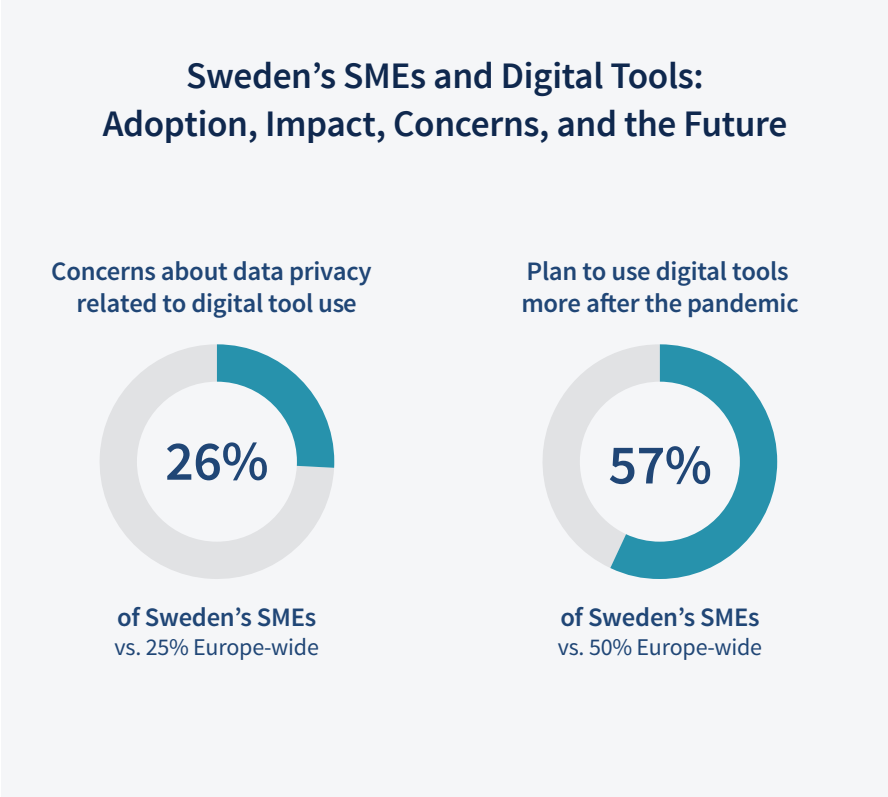
Sweden's SMEs feel relatively high comfort levels with digital tools, and those 'advanced' SMEs deploying them well had significantly better revenue and did more hiring than less-advanced peer SMEs.

- **Pre-Pandemic:** In addition to slightly above-average Advanced SMEs, 75% of all of Sweden's SMEs felt comfortable using digital tools in their business, a remarkable 14% higher than the Europe-wide average.
- **During the Pandemic:** While SMEs generally reported revenue losses, Sweden's Advanced SMEs (-8% revenue) significantly outperformed (2.5X) their Uncertain counterparts (-20%). Advanced SMEs also hired 11.6X more new employees than Uncertain SMEs (11.6 vs. 1.0). These two differentials are evidence of the Digital Safety Net at work. Finally, 80% of Sweden's SMEs increased digital tool use during the pandemic, same as the Europe-wide average.



Digitally Driven: Sweden - By the Numbers

- **Digital Concerns:** Swedish SMEs have several concerns about adoption of new digital tools. Their top concerns are: protecting data privacy (26%, +1% over Europe-wide average); cost of tools (22%, -1%); uncertainty about return on investment (21%, -6%); and that digital tools won't work with current apps/services (21%, +3%).
- **Post-Pandemic Planning:** Looking to the future, a majority (57%) of Sweden's SMEs (7% above the Europe-wide average) plan to use more digital tools after the pandemic.



Digitally Driven: Sweden - Impact on Europe

SMEs embracing and utilizing the Digital Safety Net will have benefits far beyond the current pandemic.

The ability for SMEs to adapt, survive, and recover from disruptions large and small, and press their competitive advantage during good times, is both valuable to them and benefits the broader economy. SMEs who do not, however, remain more vulnerable to disruptions and are more at risk of closing. Thus, getting more SMEs to take advantage of the Digital Safety Net is good for them, consumers, and the economy as a whole.

Based on our research and publicly available government data, we asked, what would the economic effect be of transforming just the Uncertain SMEs into Advanced ones (there are roughly 4.5 million Uncertain SMEs in Europe, and about 121k in Sweden)? Roughly, that could generate 262.2€ billion additional sales (0.91% of European total), 67.4€ billion economic value added (0.93% of European total), and 3.76 million jobs (2.59% of European total employment). In Sweden specifically, this is an estimated 8.8€ billion additional sales, 2.5€ billion economic value added, and 604,446 jobs.

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



EUR 8.8 bn
in additional Sweden sales
EUR 262.2 bn Europe



604,446
in additional Sweden jobs
3.76 million Europe

Digitally Driven: Sweden - Top Recommendations To Enhance the Digital Safety Net

To achieve the vision of a digitally transformed and more resilient Europe by 2030, the European Union, national governments, technology companies, and SME leaders must communicate and collaborate with each other in new ways. Policymakers and tech companies should ensure that new innovations empower all types of SMEs, particularly disadvantaged ones for whom digital tools have an outsized positive effect, and continue work on education and training efforts. SME leaders should take advantage of this moment to reset, invest in training and tools to accelerate their digital transformation.

Major learning: The smallest SMEs of <10 people and women-led SMEs face more disadvantage if they are not digitally-driven, but see outsized benefits to their business if they are.

→ For Policymakers

Access to capital and infrastructure: Governments can play a role as a financial safety net for self-employed citizens and entrepreneurs during tough economic times. If SMEs lack the basics, including secure and sustainable digital infrastructure, innovation becomes impossible. Create and make available grants, loans, public-private partnerships, or other programs to support the smallest and women-led SMEs which tend to face more disadvantages than other SMEs.

Access to training: Support inclusive access to training for SME leaders and employees at all levels of digital experience, mindful that entrepreneurs are incredibly diverse (nation, age, gender, race, and ability) and may take different paths toward becoming digital citizens. Such free platform-agnostic training should help SMEs understand and measure their return on investment. This is particularly important for early-stage entrepreneurs and digital novices.

Digitally Driven: Sweden - Top Recommendations To Enhance the Digital Safety Net

Major learning: A main reason some SMEs haven't accelerated digital adoption is not awareness, experience, or ability; rather, they don't understand how tools work together within a digital strategy.

Major learning: SMEs that are already digitally-driven also need access to capital, infrastructure, tools, and training so that they can continue to grow their businesses and thrive.

→ For Tech Companies

Access to tools: Companies can support SME leaders by helping them understand which digital tools make sense for their business, how to make the most of free tools, and how to ensure success and measure return on their investment. They should also continue investing in research and development to create new low-cost tools for SMEs. Companies should identify new ways to engage SME leaders - especially new entrepreneurs and those running tiny businesses - to grow awareness of the value of both free and paid digital tools, identify the right tools for SME needs, how tools support a business strategy, and provide personalized tool recommendations.

Access to training: Companies should offer inclusive training on digital tools, both at the introductory and advanced levels. Such training should include how different companies' tools work together as part of a comprehensive digital strategy. Training should be specifically tailored for SME owners, managers, and employees, with particular focus on the smallest and newest SMEs.

→ For SME Leaders

Access to tools: This is a perfect opportunity for all SME leaders to reset, pivot, and think big in order to evolve their businesses to match the digital expectations of a post-pandemic world. They should aspire to be skilled digital professionals - learning, experimenting with, and implementing digital tools as a part of their strategy. SME leaders should identify gaps and opportunities within digital strategies, toolsets, and skills, based on their business's unique needs, and invest time in learning about tools before investing significant capital in them.

Access to training: SMEs, particularly new ones and those which are solo-run or women-led, should seek out educational opportunities - or empower a digital lead in the business that should lead efforts to do so - about digital business advantages, and should also learn about important regulations such as data privacy. Owners, managers, and employees should learn about the advantages and risks of digital tools, and be trained to maximize the advantages and manage compliance risk.

Digitally Driven: Sweden - Methodology

→ Methodology

The following is a supplement to our main report, **Digitally Driven: Europe**, and based on a quantitative research survey of over 5,000 small and medium-sized enterprise (SME) leaders - including over 300 from Sweden - conducted primarily from Nov 16–Dec 21, 2020 with an additional survey in Sweden from June 7-29, 2021, where SMEs are defined as businesses of 0–250 employees. The survey was conducted by LRWGreenberg, a Material+ Company. In order to be included in the study, SMEs had to be in business at the time of the research (i.e., operational); thus, businesses that closed during the pandemic were not included in our work. We note that in some cases the sample sizes of the Advanced and/or Uncertain subgroups are

somewhat low but the data is nevertheless presented here for informational purposes. More detailed information can be found in the Methodology section of the main report.

The work presented here is a continuation of a large-scale global study of SMEs and their use of digital tools during the COVID-19 pandemic sponsored by the Connected Commerce Council (3C) and Google. During 2020-21, they published the **Digitally Empowered** and **Digitally Driven** reports with comparable results from the United States.

Digitally Driven: Sweden - Acknowledgements

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

The **Connected Commerce Council (3C)** is a non-profit membership organization with a single goal: to promote small businesses' access to essential digital technologies and tools. 3C provides small businesses with access to the market's most effective digital tools available, provides coaching to optimize growth and efficiency, and works to cultivate a policy environment that considers and respects the interests of today's small businesses.

Learn more at connectedcouncil.org/about/



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