

NAVIGATING THE TECH LANDSCAPE

SME IT Adoption & Investment
Plans for 2024

INTRODUCTION

The evidence that businesses embracing technology grow faster, generate greater wealth, and create more opportunities is substantial. Numerous studies provide empirical evidence supporting the positive correlation between technology adoption, wealth creation, and growth.

Technology empowers businesses, particularly small and medium enterprises (SMEs), and positions them for sustained growth in today's dynamic and frequently challenging business environment.

SMEs can optimise their processes, reduce costs, and improve decision-making by adopting cutting-edge tools such as cloud computing, data analytics, and automation.

This report is based on a new study conducted for Beaming by researchers at Censuswide and older findings from Opinium, as well as our extensive experience supporting businesses in adopting new technologies. It charts SMEs' adoption of new technologies to help guide future choices.

In our increasingly digital world, adopting a strategic approach to technology investment helps SMEs stay agile and responsive to market trends, fostering the right kind of innovation and providing a solid foundation on which to seize new opportunities.

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THE LANDSCAPE FOR IT ADOPTION

We know that new technologies and ways of working can be incredibly beneficial for the prosperity and sustainability of individual businesses and the wider health and wealth of the economy and the society it underpins.

But how advanced are 1.4 million UK SMEs in adopting new technologies?

Beaming has tracked adoption rates for various new technologies since 2011¹. Our research shows that SMEs' use of automation, AI, cloud productivity software and cloud telephony (VoIP) has increased by at least 1,000% since 2019.

The COVID pandemic, in particular, moved many new technologies from being the preserve of innovators and early adopters to becoming mainstream tools.

Businesses now investing in tools such as AI and cloud productivity software have clear goals: primarily to improve productivity. They are cautious of fads and only buy proven products.

SME Tech Adoption 2011 - 2024



Source: Beaming, Censuswide & Opinium 2024

¹ Beaming has run its survey of business leaders since 2016 with research specialists Censuswide and Opinium, gaining insight from a panel of SME leaders about their use and adoption of technology going back to 2011. Beaming did not run its survey in 2021 or 2022. Data for these years in the chart are estimated based on 2020 and 2023 figures.

Connectivity and other technologies supporting the secure and resilient use of these new tools' have also rocketed. Our research reveals a nearly 2,000 % increase in SMEs' use of dedicated ethernet lines and other connectivity capable of delivering Gigabit internet speeds, plus rapid adoption of more sophisticated cybersecurity and networking technologies to support more secure home working and site-to-site data communications.

Technology Adoption Rates by Sector

		Construction	Finance	Hospitality	IT	Retail	Manufacturing
AI	2019	8 %	19 %	3 %	8 %	5 %	16 %
	2023	44 %	71 %	58 %	66 %	43 %	71 %
Automation	2019	3 %	13 %	0 %	3 %	2 %	8 %
	2023	54 %	63 %	63 %	64 %	43 %	64 %
Cloud Productivity Tools	2019	44 %	44 %	45 %	41 %	30 %	43 %
	2023	67 %	75 %	50 %	69 %	57 %	61 %
Cloud Telephony	2019	18 %	22 %	17 %	26 %	13 %	27 %
	2023	59 %	59 %	54 %	60 %	29 %	57 %
Data & Analytics	2019	13 %	31 %	3 %	23 %	14 %	30 %
	2023	62 %	71 %	63 %	70 %	57 %	86 %
E-commerce	2019	8 %	28 %	10 %	30 %	25 %	35 %
	2023	54 %	60 %	71 %	72 %	63 %	79 %
Ethernet/Gigabit Connectivity	2019	3 %	16 %	3 %	8 %	6 %	11 %
	2023	56 %	65 %	71 %	63 %	34 %	75 %
Managed/Provate Networks	2019	15 %	16 %	7 %	8 %	17 %	19 %
	2023	51 %	69 %	58 %	65 %	37 %	64 %
Network Perimeter Firewall	2019	33 %	44 %	31 %	41 %	31 %	30 %
	2023	56 %	72 %	71 %	66 %	49 %	75 %
Public Cloud	2019	38 %	47 %	41 %	45 %	39 %	32 %
	2023	54 %	74 %	54 %	62 %	54 %	68 %

Source: Beaming, Censuswide & Opinium 2024

Manufacturers are most sophisticated in the use of new technologies

-  At least half of the manufacturers surveyed now use all the key technologies we analysed, indicating adoption has reached even cautious businesses who wait for something to become well-established before buying.
-  For data analytics, a key enabler in the move to smart factories, our research indicates that even industry laggards with no interest in technology are investing.
-  The finance sector, which includes accounting firms, is hot on the manufacturers' heels, followed by IT / Computing specialists and the hospitality industry, which our research suggests has made the most significant progress since 2019.

Newcastle leads the UK in tech adoption

Our research indicates that businesses in Newcastle upon Tyne lead the UK in adopting technology. Empowered by strong levels of fibre connectivity, businesses here have achieved the highest average usage rates across many of the sophisticated technologies we considered in our study and are particularly advanced in the use of data analytics.

Cardiff is home to the most cyber-secure businesses in the UK, with adoption across a range of advanced cybersecurity tools currently averaging 67%. However, the Welsh capital could soon lose its cybersecurity crown to Scotland's biggest city, Glasgow, where almost a third (30%) of businesses plan extensive investment in advanced cybersecurity tools this year.

Sheffield is emerging as the UK's 'cloud city'. Our research indicates average adoption rates of 75% across a range of cloud-based tools, enabled by businesses' joint highest use of fibre connectivity (69%).



Technology Adoption Rates by Sector

	AI	Data Analytics	Other Digital Tools	Cloud Computing	Fibre Connectivity	Advanced Cybersecurity
Belfast	80%	70%	54%	63%	60%	61%
Birmingham	64%	64%	65%	65%	69%	52%
Brighton	25%	38%	25%	29%	56%	20%
Bristol	19%	38%	38%	42%	38%	38%
Cardiff	65%	59%	71%	63%	65%	67%
Edinburgh	58%	67%	50%	36%	42%	54%
Glasgow	69%	46%	57%	69%	58%	58%
Leeds	40%	48%	47%	44%	44%	44%
Liverpool	35%	45%	42%	57%	60%	44%
London	59%	64%	60%	58%	58%	59%
Manchester	54%	68%	69%	66%	57%	64%
Newcastle	54%	92%	78%	62%	69%	62%
Norwich	55%	55%	49%	58%	59%	53%
Nottingham	34%	52%	52%	40%	31%	45%
Plymouth	33%	50%	55%	53%	54%	55%
Sheffield	50%	75%	63%	75%	69%	57%
Southampton	47%	65%	53%	61%	62%	61%

Source: Beaming, Censuswide & Opinium 2024

TECHNOLOGY ADOPTION IN 2024

When it comes to adoption rates, Beaming’s research shows that automation, AI and e-commerce capabilities are the top technology investment priorities for UK SMEs in 2024.



Automation

SMEs to invest £2.6 billion in automation during 2024

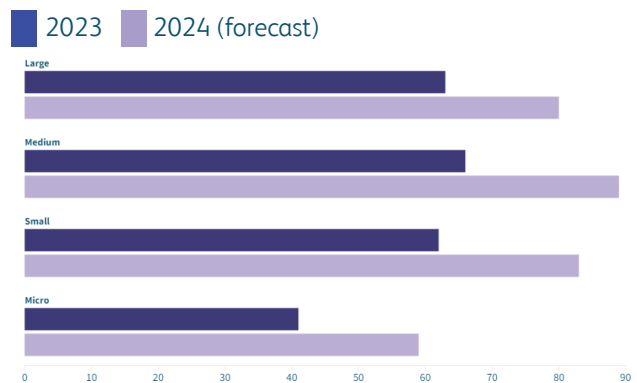
Almost half (44 %) of SMEs plan to automate to streamline tasks and enhance efficiency this year, our survey shows. This can include all manner of tasks once performed by people, ranging from automated e-commerce order processing and fulfilment and automated invoicing and billing to robotic process automation in manufacturing.

Most SMEs investing in automation have already adopted it in some capacity and will expand their use in 2024. However, one in five (19 %) will embrace automation for the first time. Automation could be used by 64 % of SMEs by the end of this year.

Automation will advance fastest in the manufacturing, IT and finance sectors. Two-thirds (66 %) of those in these sectors plan to invest in automation this year, with adoption topping 90 % of companies in the manufacturing sector.

By extrapolating the results of our study with business population data from the Department for Business & Trade, we estimate that UK SMEs will spend a combined £2.6 billion on automation in 2024.

Automation Adoption by Size



Automation Adoption by Sector





AI

More than half of SMEs will use AI by the end of 2024

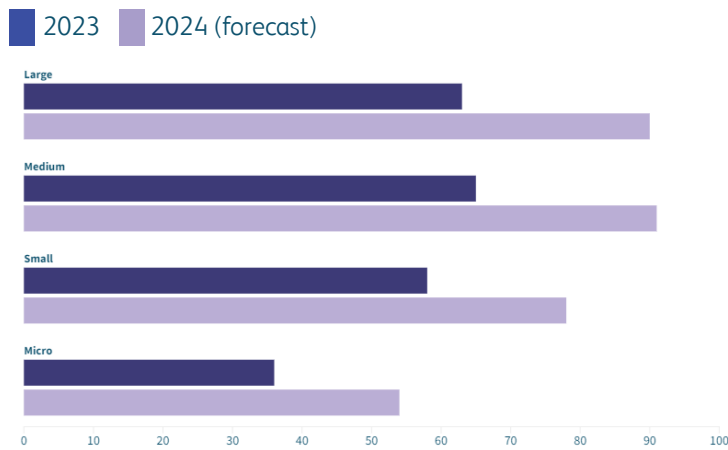
AI is also a big SME tech investment trend. Some 40% of UK SMEs used AI in 2023. Most plan to expand their use of AI in 2024, while another one in five (18%) SMEs will adopt AI for the first time.

Our research suggests that over half (58%) of SMEs could use AI by the end of 2024.

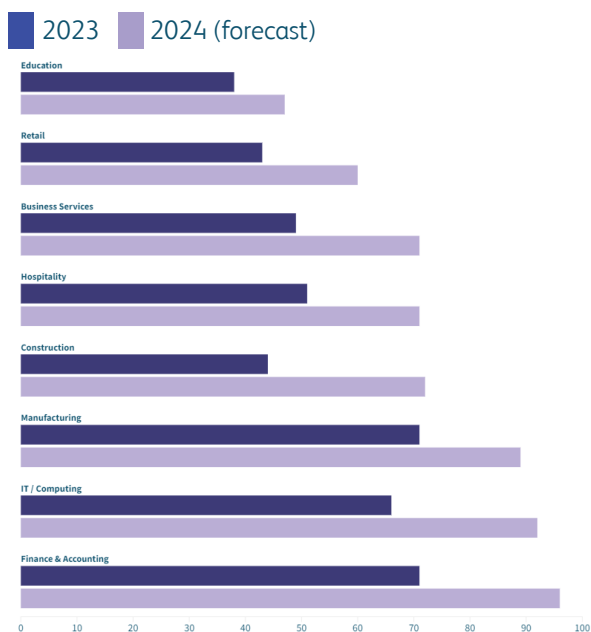
We estimate that UK SMEs combined will invest £1.8 billion directly in AI this year. However, with AI now integrated into most SaaS tools², the total SME spending on AI could be significantly higher.

AI investment will be led by the finance, IT and manufacturing sectors. Nine in every ten firms in these sectors will use AI by the year's end.

AI Adoption by Size



AI Adoption by Sector



Source: Beaming, Censuswide & Opinium 2024

²Panintelligence, 17 October 2023: The Artificial Intelligence SaaS landscape: Key findings from Panintelligence's report



E-commerce

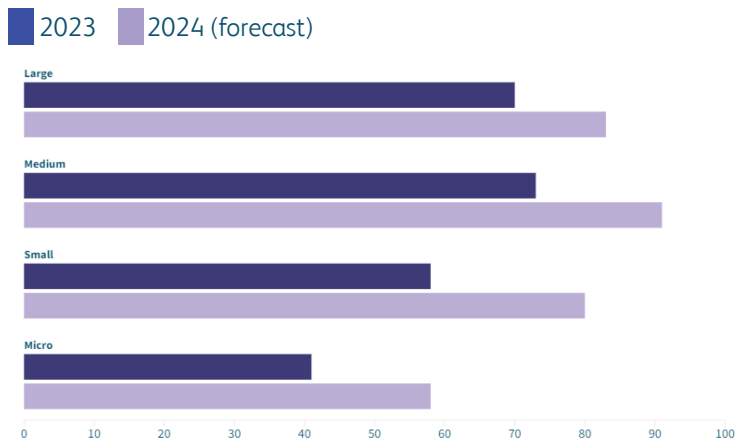
SMEs selling online to increase to 62 % in 2024

E-commerce will also enjoy widespread investment among SMEs in 2024. Our research suggests that the proportion selling online will increase from less than half (44 %) in 2023 to almost two-thirds (62 %).

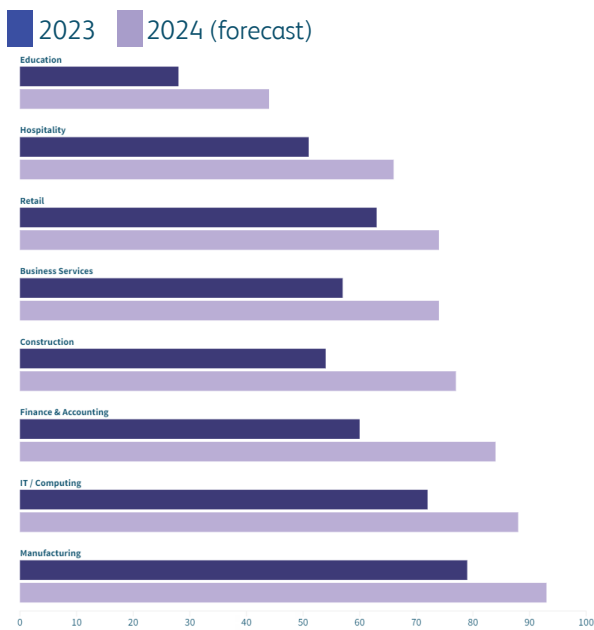
43 % of SMEs plan to invest in e-commerce this year. One in five (18 %) will embrace it for the first time, and a quarter (25 %) will enhance existing capabilities. We estimate that SMEs will spend £2.7 billion on e-commerce capabilities in 2024.

The manufacturing sector, where 79 % of companies already use e-commerce, will see adoption increase to 93 % this year.

E-commerce Adoption by Size



E-commerce Adoption by Sector



Source: Beaming, Censuswide & Opinium 2024

SME IT INVESTMENT STRATEGIES

We've already explored three key areas of tech investment – automation, AI, and e-commerce – which UK SMEs are adopting at the highest rate. This section, however, looks at how and where these companies are allocating their IT budgets in 2024.

We've looked at several technology categories to estimate the total amount of tech investment we can expect this year and what typical budgets look like by business size.

Allocating IT budgets

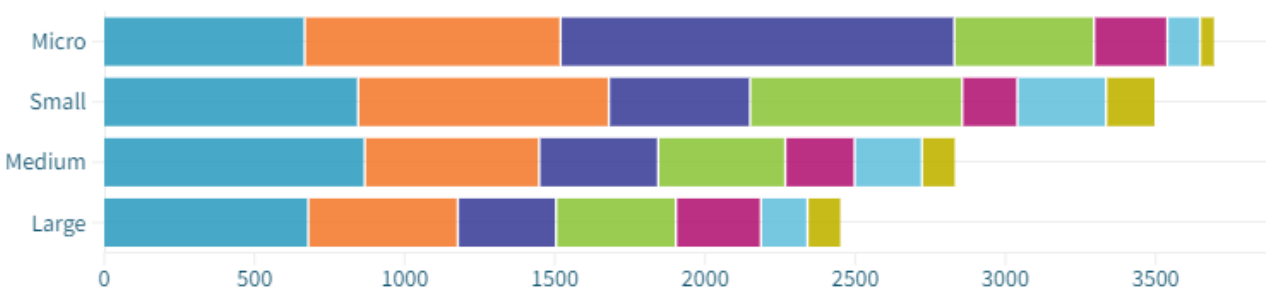
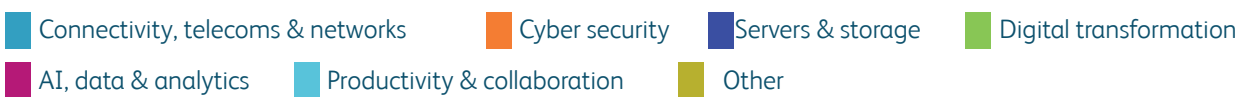
Our research indicates that, in total, UK SMEs will invest £60.3 billion in technology this year – 84% of what the UK's business population will spend as a whole (£71.9 billion).

SME IT spending ranges from £3,693 per employee at micro companies to £2,830 per person for medium businesses.

Average planned tech investment per company 2024

	Micro	Small	Medium	Large
Connectivity, Telecoms & Networks	£3,335	£24,932	£129,572	£210,508
Cyber Security	£4,258	£24,627	£86,889	£154,307
Servers & Storage	£6,557	£13,872	£59,140	£101,314
Digital Transformation	£2,323	£20,815	£63,180	£123,587
AI, Data & Analytics	£1,218	£5,419	£34,603	£87,880
Productivity & Collaboration	£544	£8,688	£33,444	£48,081
Other	£228	£4,750	£16,225	£33,637
All Areas	£18,463	£103,103	£423,055	£759,314

Allocation of IT budget per employee



Source: Beaming, Censuswide & Opinium 2024

WHAT'S DRIVING IT INVESTMENT

We asked business leaders about their motivations for technology investments. The most common goal, cited by over a third (35%) of SME leaders, was improving efficiency and productivity.

The UK has faced a prolonged productivity challenge characterised by sluggish growth since the 2008 financial crisis due to underinvestment, skills shortages, and disparities in technological adoption.

COVID-19 and Brexit exacerbated the labour-force issues for SMEs before rapid interest rate rises and inflation forced many to the wall. UK business insolvencies rose by 52% from 2021 to 2023, according to CreditSafe³. More than 30,000 companies were involved in insolvency action last year.

SMEs are fighting back by investing in technology to improve efficiency and productivity. The gains from these investments can help maintain or even improve their profit margins and provide headroom to deliver pay increases in line with inflation.

Objective of IT Investment

	Micro	Small	Medium	Large
Improve efficiency & productivity	36 %	25 %	42 %	47 %
Improve accessibility of IT systems	32 %	28 %	39 %	48 %
Improve team communication & collaboration	28 %	41 %	36 %	38 %
Improve security & integrity of IT systems	29 %	33 %	40 %	48 %
Enhance customer experience	28 %	33 %	34 %	33 %
Reduce cost	26 %	33 %	24 %	37 %
Transform products, services or operations digitally	22 %	36 %	31 %	40 %
Deliver some form of competitive advantage	19 %	28 %	27 %	24 %
Improve business oversight and decision making	17 %	30 %	38 %	33 %
Improve scalability of IT systems	17 %	29 %	32 %	49 %

Source: Beaming, Censuswide & Opinium 2024

³The Guardian, 6 January 2024: 'Everyone cites Covid and Brexit': number of UK businesses going bust rises 52% in two years

FUTURE PROOFING IT STRATEGIES



Diversification

Invest in a variety of technologies rather than focusing on a single one. For instance, combining AI with robust data analysis and automation can create a comprehensive and resilient technology backbone for your business.



Scalability

Prioritise technologies that can scale with the growth of your business. Scalable solutions accommodate increased data, user, and operational demands without a complete overhaul. Consider what your business will need in three years, not just the next three months.



Prioritise Cybersecurity

Cybersecurity is integral to safeguarding against evolving threats in an increasingly digital landscape. Invest in comprehensive cybersecurity systems encompassing network perimeter firewalls, advanced threat detection, and employee training.



Strategic Investment in AI

Strategic Integration: When adopting AI, focus on its integration into existing workflows rather than standalone applications. This ensures that AI becomes integral to decision-making processes and enhances overall operational efficiency.

We're Beaming, a specialist internet service provider (ISP) for businesses. We've been supplying organisations across the UK with fast, reliable, and secure voice and data connectivity, as well as managed services, since 2004.

We know that your business is unique, so we take the time to get to know you and your specific needs. We'll work with you to create a custom solution that will help you store data safely, run applications smoothly, and keep your business online.



Address Sustainability Concerns

More technology is likely to mean more energy use. Recognise the importance of sustainability in technology investments. Consider eco-friendly options, such as cloud or colocation services with energy-efficient data centres, to meet the expectations of eco-conscious customers and employees.



Data-Driven Decision-Making

Emphasise the importance of data analytics in decision-making processes. Equip your team with the skills and tools necessary to extract meaningful insights from data, enabling informed strategic decisions.



Regular Technology Audits

Conduct regular technology audits to assess the relevance and effectiveness of existing IT systems. This ensures your technology stack remains aligned with business objectives and evolving industry standards.

Our aim is to become a trusted advisor to you and your team. We're here to answer your questions and help you troubleshoot any problems.

If you're looking for a reliable ISP for your business, we'd love to talk.


Beaming

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