

THE DIGITALISATION OF SMEs ACROSS THE EUROPEAN UNION



CHALLENGES AND OPPORTUNITIES



SME Envoy Network

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EXECUTIVE SUMMARY

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INTRODUCTION

At the initiative of France and Sweden, this report intends to provide an overview of the digitalization of SMEs across the EU and to identify obstacles to it. In the wake of the Commission's SME Strategy for a Sustainable and Digital Europe¹, adopted in March 2020, which top obstacles and solutions can be identified? The Covid-19 crisis has also highlighted the need to adapt businesses to digital. The work of the SME Envoy Network is only more important.

In late February 2020, a questionnaire was sent to each representative of the SME Envoy Network including representatives of business organizations present in the SME Envoy Network as observers. The purpose of this questionnaire was to provide an overview of the support to SMEs digital transition across the Member States. Cover the state of play throughout the EU will help **finding best practice examples that could serve as inspiration, but also examples of obstacles encountered by SMEs that could serve as a basis for discussions in the network.**

We also included questions about digital platforms that SMEs are using such as booking platforms, social media, sales platforms etc. Although platforms are generating a lot of opportunities for SMEs, it is also well-known that SMEs have been signaling difficulties related to digital platforms, such as unclear terms regarding rating, costs etc. We would like to feed into the discussion on this issue with a special focus related to the newly adopted EU-legislation of promoting fairness and transparency for business online services.”

- **Digitalisation and SMEs: issues and perspectives**

The Commission wishes to further develop the European policy framework and support programmes for existing SMEs. It is clearly expressed in the SME-strategy, and in the Small Business Act² of 2008, the initiative for start-ups and scale-ups, the COSME programme, the ESF³ and the ERDF. The strengthening of the network of SME Envoy is part of the Commission's desire to expand the resources and support for SMEs as part of the ecological and digital transition. The digitalisation of the economy will be partly supported by the financial contribution of the recovery plan.

¹ https://ec.europa.eu/info/sites/info/files/communication-sme-strategy-march-2020_en.pdf

² <https://eur-lex.europa.eu/legal-content/FR/TXT/PDF/?uri=CELEX:52008DC0394&from=EN>

³ <https://www.eesc.europa.eu/fr/our-work/opinions-information-reports/opinions/les-grands-acteurs-europeens-de-demain-linitiative-en-faveur-des-start-et-des-scale>

As announced by the President of the European Commission in front of the European Parliament⁴, 20% of the NextGenerationEU fund will be drawn towards digital and a common plan for digital Europe will emerge with clearly defined objectives for 2030 such as connectivity, digital skills and public services.

Digitalisation is a major challenge for European SMEs wanting to scale up and grow not only in local markets but also fully benefit from the single market. The internationalisation of SMEs involves digital products and services, participation in exchange platforms, know-how in cyber security, digital transactions, and intellectual property rights. But let us not forget that SMEs without internationalisation ambitions are also exposed to international competition.

The European Commission highlighted the **lack of knowledge on the protection of intellectual property and the use of data for economic purposes by European SMEs. As training in digital issues is essential, the strategy first provides for the inclusion of a component for SMEs in the Skills Pact, as part of the 2020 Agenda for Skills in Europe. The Digital Innovation Hubs will also provide support and advice to European SMEs, supported by the Digital Europe programme to strengthen investment support. Digital SMEs could also help traditional SMEs to engage in the digital transition, through local advisory structures to achieve better results.**

In addition, to help **SMEs develop and encourage them to innovate in disruptive technologies, the Commission** intends to dedicate a specific fund to them within the framework of the **European Innovation Council: EUR300 million for SMEs meeting the objectives of the Green Deal.**

As announced in the **European Data Strategy**, the Commission will work **on the accessibility of data for businesses and on improving data flows between administrations and businesses** (secure data sharing space).

As part of **digital training**, the strategy also provides for a necessary strengthening of the **local business ecosystem and local authorities, supported by Member States and stakeholders. Digital learning courses will be offered to employees of SMEs on artificial intelligence, cyber security and blockchain.**⁵ In addition, the **European Action Plan on Intellectual Property** will include measures to strengthen the protection

⁴State of the Union Address by President von der Leyen, 16/09/2020
https://ec.europa.eu/commission/presscorner/detail/en/SPEECH_20_1655

⁵Blockchain is a technology for the storage and transmission of information without a control organ.

capacities of SMEs, through better access to information and strategic advice. A **"digital volunteer" program will also be launched to enable** qualified young people to integrate SMEs to train employees in new digital skills.

The SME-strategy presented by the Commission plans to:

- strengthen and modernize the Enterprise Europe Network (EEN) to help SMEs engage in green and digital transitions;
- develop e-learning courses to train employees of SMEs in artificial intelligence, cyber security or blockchain issues;
- launch the "digital volunteers" program to allow qualified young people and experienced seniors to share their digital skills with traditional businesses;
- on the ecological transition of SMEs, the Commission values the digitalization of the economy as an opportunity for SMEs to reduce their energy consumption.

- **Consultation of the Member States and business organizations**

The purpose of our questionnaire was to provide an overview of the SMEs' situations in each Member State in terms of preparation and capacity to carry out their digital transition in line with the European industrial strategy developed on the 10th March 2020.⁶ We received replies from 17 Member States and a number of business organizations. Some respondents were more detailed than others which reflect examples that we highlight. The advances and difficulties highlighted by the respondents will serve to calibrate the needs and priority responses to be addressed to SMEs in their commitment to the digital transition. They can also serve as inspirations or lessons to be considered in the implementation of the SME-strategy.

The first question aims **to frame the challenges and needs facing SMEs** in order to achieve the digital transition.

A second group of items assesses how Member States take account of these challenges through the **development of regional, national or European programmes** as well as the promotion of **good regional or national practices** in favor of digitalisation. **A specific question on the clustering of aids and support structures for digitalisation into places/centers/hubs was also submitted to them.**

⁶ Industrial package

A third issue concerns the interconnection of the various programmes supporting the digital transition, in particular the integration **of national programmes into existing European programmes (regional or social funds, cohesion, COSME).**

Finally, the latest salvo of questions concerns the digital platforms that SMEs use, such as **booking platforms, social media, sales platforms, etc.** **The Member States are asked whether they are aware of the challenges that access to these platforms represents for SMEs, but also aware of the difficulties that some SMEs may experience in their collaboration with them.** In this regard, Member States are surveyed on how **they intend to implement Regulation 2019/1150 of the European Parliament and of the Council of 20 June 2019⁷** on the promotion of fairness and transparency for professional users of online intermediation services.

The first part of this report presents the key findings from the questionnaire as follow:

- I) Identification of the obstacles to digitalisation faced by the SMEs
- II) Fostering national digital initiatives
- III) The EU role in supporting digital transition of SMEs
- IV) Access to market through platforms

The second part will discuss the various options to overcome the challenges identified for SMEs and thus contribute to enhance the internal market.

⁷ <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32019R1150&from=FR>

SURVEY'S FINDINGS

- I) The barriers to the digitalisation of SMEs are many, with all respondents having identified several – which corroborates our initial assumptions. SMEs face the following obstacles:

1. The first obstacle identified by almost all the countries contacted is a **cognitive obstacle in that it reflects a lack of awareness on the part of entrepreneurs of the potential of technologies and of their beneficial impacts on the development of their business.**

According to the Netherlands, there is a large group of SMEs who are not innovation pioneers which lag behind digitalisation. These entrepreneurs generally do not know what digitalisation means for their business and what opportunities digitalisation can bring to them. As a result, these SMEs do not have a clear question/view of their digital needs and wishes, which prevents them from digitalising their businesses. Austria emphasizes a generational problem since it points out that many entrepreneurs are not digital natives and are therefore reluctant to invest in new technologies, which could be obsolete in the next innovation cycle. At their disposal, it is sometimes difficult to integrate new technologies into the business model of the most traditional or smallest SMEs. Moreover, as they are not directly exposed to international competition, they do not see the need to digitalise in order to be more competitive.

Finally Eurochambres underlines the need to adapt business models and learn about cyber security. They also underline difficulties for SMEs in finding qualified staff.

- ⇒ The first challenge for governments and European authorities **will be to demonstrate the added value of using new technologies in the activities of SMEs (e-commerce/electronics, AI, big data) and to raise awareness among entrepreneurs who**, have only vague ideas about the potential of available technologies and their application in their sectors of activity.

2. The second challenge will be to **transform this awareness of SMEs into concrete projects**, but again there are many **human, financial and administrative obstacles on this path.**

- Firstly, small businesses suffer from a **lack of knowledge and understanding of national/European legislation on the subject.**

Greece considers that the effort to research and understand national consumer protection legislation is a challenge for businesses to enter the market further. The existence of a single, clear and secure legal framework on the rights and obligations of both consumers and suppliers is considered as essential – concerning both electronic digital content markets and online purchases of goods and services. Therefore, to avoid any obstacles to digitalisation, regulations must be simple and specific in order to be easily understood by consumers and businesses. It is also important to simplify licensing procedures for firms and to ensure the best possible transparency.

Similarly, Belgium highlights the lack of understanding of the *General Data Protection Regulation*⁸ (GDPR) which can constitute an obstacle for the entrepreneur who is unfamiliar with the legislation while embarking on a digitalisation project. Finally, Austria raises a problem of lack of information on business transfers since SMEs often do not invest in digitalisation if they plan to sell or close the company in a few years.

⇒ It therefore turns out that the deepening of the single market would benefit both consumers and businesses in the harmonisation and simplification of digital regulations and data exchange/protection. Moreover, given the anthropocentric nature of many small enterprises, special attention should be paid to them.

- Most respondents agree that **SMEs face a shortage of skills and human resources to carry out their transition.**

The first difficulty – identified jointly by the Netherlands and Belgium – is for SMEs to find good ICT⁹ partners to support the digital transition, which is not easy because new technological innovations are being put on the market at an extremely rapid pace. For SMEs, it is difficult to follow this rapid alternation of innovations, and to know where to find expertise in the market. Moreover, commercial IT companies are often too expensive for SMEs. As far as ICTs are concerned, the Netherlands notes that the demand for ICT knowledge workers exceeds supply, leading to an increase in the price of their work or a shortage of IT experts to carry out this transition. Finally, there is still a need to train the staff of SMEs to be able to work with digitalised systems, which requires training efforts and a

⁸ <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32016R0679&from=FR>

⁹ Information and Communication Technology

period of adaptation, which SMEs often resent due to lack of time, motivation and organization.

- ⇒ It is therefore necessary for the EU, as proposed by Portugal, to commit EU structural funds to support the qualification and requalification of its workers. In addition, a strengthening of the European ICT market would be welcomed to enable SMEs to find players in the market to benefit from innovations appropriate to their digitalisation needs.
- Investing in the digital transition **entails a cost and risk that can sometimes discourage SMEs from engaging in the digitalisation of their business.** Member States have thus **identified several financial obstacles preventing the digital transformation of SMEs.**

First of all, Belgium notes a lack of preparedness for investment on the part of small businesses which have no experience or dedicated services and tools in this area. Indeed, little money is allocated to R&D when this at all exists. The profit earned by SMEs is not sufficient to commit the funds necessary to finance expensive equipment, invest in intangible capital or recruit dedicated staff. Moreover, their risk aversion is high, especially for large projects where the result of an investment in digitalisation is difficult to predict. They prefer investing in additional staff or opening another store rather than digitalising their business.

Several countries such as Belgium and Germany emphasize the banks' lack of confidence and support for SMEs wishing to make such investments. Compared to other investments, expenditure on digitalisation projects is less often financed by loans, as it is more difficult for third parties to assess them and banks view digitalisation projects as relatively risky.

As a result, the lack of investment by SMEs in digital technologies is a real obstacle to digitalisation. Germany notes that over the last fifteen years, the share of investment in information technology in relation to total investment has not increased for the country's enterprises.

- ⇒ If initiatives have been undertaken by the EU, such as the new *EU crowdfunding legislation*, access to finance for SMEs should be adapted to the current needs of start-ups who should benefit from structural funds for the requalification of workers, EIB loans and structural reforms in the European ICT market.

3. The third obstacle and challenge to be solved is to **close the growing gap between SMEs and large companies-and even within SMEs-in terms of digitalisation.**

On the one hand, the digital gap is widening between large companies that have digital services through which they place their business in large-scale markets, often internationally, and SMEs confined to local markets that do not have adequate tools to change scale. Generally, the smaller a business is, the less it uses digital technologies. However, as digital technologies partly condition the competitiveness of enterprises and their change of scale, the digitalisation of SMEs cannot be achieved without public intervention.

On the other hand, SMEs that are part of value chains (subcontractors of large companies) are exposed to international competition and are therefore forced to adopt digital solutions more quickly in order to remain competitive. Other SMEs that are not integrated into value chains are less inclined to engage in the digitalisation of their business. The digital gap is also widening among SMEs.

- II) To address these challenges, a number of national digital initiatives and practices have been driven, responding to needs at the national level. They aim to:
- **Foster business growth and competitiveness in ICT, research and digital innovation.**

In order to respond to the challenge of digitalising firms, we saw **that it was necessary to develop the ICT market** in order to benefit companies in the process of digitalisation. National programmes are moving in this direction. The key objective **of the CoLab programme in Portugal** is to create, directly and indirectly, skilled and scientific jobs in Portugal through the implementation of research and innovation agendas aimed at creating an economic and social value that can subsequently benefit SMEs who request it. **Slovakia subsidizes projects promoting the creation of a common expert base, cluster technology maps and expertise activities in the field of ICT.** **Greece** is improving its human capital performance by increasing the percentage of ICT specialists in total employment through **a steady increase in the number of ICT graduates.** In addition, a new programme for innovative Greek companies, "Business Innovation Greece", **was launched in March 2019.** This programme is specifically designed for Greek companies engaged in innovation in green industry, blue growth, maritime transport and ICT.

- **Strengthen research or point technology activities from industrial or service activities:** by pooling support and infrastructure into centres, places, hubs and/or through the establishment of an environment conducive to the transmission of knowledge, skills and the dissemination of expertise.

A dynamic ICT market is a necessary but insufficient condition to work for the digitalisation of businesses. It is necessary that there is **a discrepancy between advanced research or technology activities and industrial or service activities.** The majority of respondents **therefore seek to foster links between science, technology and the economy:**

- **By grouping support and infrastructure into centers, places, hubs.** Whether it is **"Sofia Tech Park"**¹⁰ in Bulgaria, **"Digital Innovation**

¹⁰ <https://sofiatech.bg/en>

Poles" or "Digital Innovation Hubs"¹¹ in **Austria, France and Greece**¹² resulting from a multi-partner regional cooperation between universities, industry associations, chambers of commerce, incubators and accelerators, regional development agencies and local authorities; "Technological Interface Centers" in Portugal; "Hackathons" in Latvia link IT companies with SMEs looking for solutions to improve their business through digital transformation.

- By creating an environment conducive to the transmission of knowledge, skills and the dissemination of expertise in the digital field. **Belgium** via its **VLAIO programmes**¹³ and its **6 "clusters"**¹⁴ offers to their members and to a wider community (industry, including SMEs and start-ups, academic and public partners) advice and guidance on business strategies, technological monitoring and market, coaching and visibility in the digital field. **In the Netherlands, SME-workplaces bring technology students** into contact with entrepreneurs from local SMEs who need advice or expertise in digitalisation. Students help these entrepreneurs formulate their business digitalisation needs and contribute to the development of digital solutions for them. **In France, the FranceNum platform** was launched in October 2018. It aims to develop content on digital transformation based on the daily needs of entrepreneurs and delivers testimonials from entrepreneurs in videos. More than an information platform, FranceNum is also proposing digital maturity diagnostics and is helping the SMEs to find the adequate sponsor (private consultants, public operators) to guide them throughout their digitalisation process. **In Belgium, the "Made Different Digital Wallonia" (MDDW) program supports individual companies with advisory services** in their transition to the factories of the future. **In Austria, the "Digital Pro Bootcamps" initiative develops practical expertise** in information technology in SMEs, which also benefit from nine weeks of specific information technology training for their employees. **In Denmark, the SME-digital programme promotes the development of digital skills** for

¹¹ Digital Innovation Hubs: Centres and networks offering technological services to businesses, in particular to support them in the digitalisation of the industry. These players are able to help companies (especially SMEs) have easy access to the expertise, technologies and test infrastructures needed to market their products.

¹² <http://www.athena-innovation.gr/>; <http://ahedd.demokritos.gr/>; <https://www.thessinnozone.gr/>; <https://www.certh.gr/>; <https://praxinetwork.gr/el/>; <https://aalhouse.esda-lab.gr/index.php/en/>; <https://iied.eu/>; <https://www.dih-ntua.gr/services/>; <http://lms.mech.upatras.gr/>

¹³ Belgian public body: Flemish Innovation and Entrepreneurship Agency (VLAIO), <https://www.hetinternetookuwzaak.be/>

¹⁴ <https://hub.brussels/fr/services/clusters-entreprises-dans-votre-secteur/>

key executives and employees and provide advice on international market opportunities through e-commerce. Finally, **in Germany, the Digital Centers of Excellence for SMEs** help companies assess their own efforts in digitalisation, develop a digitalisation roadmap adapted to their individual needs and support them in the choice and implementation of specific actions. In addition, they also provide advice on whether a certain technical solution is economically sound and whether it requires additional security measures.

- **Allow companies to experiment with digital innovations and overcome blockages to digitalisation (risk aversion, banks' mistrust).**

In order to enable companies to overcome the risk aversion posed by the digitalisation of their activities and thus to embark on a permanent digital transition, some Member States have implemented **programmes to test and evaluate the application of technological innovations in enterprises**. **Belgium has created incubators¹⁵** within the framework of the **"Living Laboratories" program** allowing companies to discover and experiment with new technologies, and to test their products, solutions and concepts with end users. **In Germany** there are also **demonstration plants** where companies can test their own technical solutions. **Slovakia has created a technological fablab (manufacturing laboratory) for entrepreneurs** for digital manufacturing, production and prototyping in order to experiment with new processes and procedures, and to test innovative products and models using access to digital production equipment. Through the French recovery plan, an ambitious program of "formations-actions" sponsored by FranceNum is going to be implemented. This program will consist in workshops for SMEs focusing on their daily needs, and presenting digital solutions as an answer to their problems. More than a simple training, it will involve some use cases.

- **Provide direct financial assistance to the digital transition through subsidies, purchase orders, tax deductions.**

- In **Latvia, several grants will be available** for SMEs to help them improve the level of **digital skills of their employees**. In **Denmark, grants to SMEs for the purchase of impartial/independent private consultancy services on the digital transition and/or e-commerce** are provided.

¹⁵ <http://fablab.nl/fablabs-in-de-benelux/?lang=en> ;
<https://www.digitalwallonia.be/fr/publications/demonstrateurs-industrie-40>;
<http://www.technofuturtic.be>

- **Bulgaria** has put in place a system of **vouchers for the provision of (ICT) services to micro, small and medium-sized enterprises**. These vouchers can only be used by SMEs for the following services: web-based ICT services (platforms, applications, etc.), digital marketing, cybersecurity, management and implementation of logistics systems and processes. A similar system has been set up in **Belgium via "operational excellence cheques" or "digital transformation cheques and cybersecurity"**. In **Slovakia "cheques for the creative industry"** are distributed and can be used in the field of advertising, ICT or design (such as the design and launch of an e-commerce website) for a maximum amount of EUR 5000. France is financing the credit guarantee for SMEs implementing a digitalization project.

- Finally, Belgium has introduced at federal level a **tax deduction of 20% for digital investments by companies, for example**, to develop an online store.

- **Tackling the digital divide and promoting access to broadband**

In order to close the growing gap between SMEs and large enterprises – as well as between SMEs themselves – in terms of digitalisation, several initiatives have been prompted by Member States to reduce this digital and territorial divide.

- **France** has a **directory of 1 800 public or private advisers, the "Activateurs France Num" to help SPEs/SMEs in the territory and to target companies likely** to be affected by digital support programmes, in conjunction with professional federations and regions.

- **Sweden** has a specific programme **targeting microenterprises in rural areas with digitalisation initiatives**. Most efforts are aimed at strengthening support **structures** for these SMEs and working with each company individually to help them see how they can develop their business model and create better value for customers.

- **In Greece**, the focus is on the deployment of **broadband in the country's white rural areas¹⁶ with the RURAL project**. This EU-funded project provides broadband coverage in remote and sparsely populated areas (white areas) and has connected more than half a million people, providing affordable connectivity services.

¹⁶ A white area is, in the field of telecommunications, an area of the territory that is not covered by a given network, in particular by a mobile telephone network or by Internet.

- Finally, **in Portugal, the Supplier Club** (Clube de fornecedores) helps to integrate local players **into international value chains by taking advantage of multinational** companies located in Portugal. This integration promotes the entry of its SMEs into an environment more conducive to digitalisation (internationalisation, etc.)

III) The European dimension of the digital transition: the Commission's strategic guidelines and the allocation of European funds to national digitalisation support programmes.

- In order to unify the Member States' digital agenda, the European Commission initiated a number of initiatives **and mechanisms that are reflected in national strategies and practices.**

It should be noted that many national digital hub initiatives are directly linked **to the European Digital Innovation Hub (DIH) network**, launched in 2016 as part of the "Digital Industry" initiative. Indeed, the European Commission is launching DIH calls for proposals and the selected projects will be presented to the European authorities.

The aim is to create in each European region an emblematic DIH of the region and specialised in a particular field. In particular, DIH concentrates skills in the fields of artificial intelligence, security and high-performance computing.

This European programme therefore encourages the regionalisation of digital strategies and their matching in the form of a multi-stakeholder regional cooperation involving universities, industry associations, chambers of commerce, incubators and accelerators, regional development agencies and local authorities. According to the responses collected, this properly European model is currently in force in France, Bulgaria, Portugal, Greece, Austria and Belgium.

Moreover, European **framework initiatives such as Industry 4.0 help** to structure national digital programs. For example, Portugal has launched tools such as "SHIFT to 4.0", a self-diagnosis tool that allows companies to assess their state of digital maturity and to obtain a relationship with guidelines to facilitate their transition to Industry 4.0.

More broadly, we can notice a **congruence between European priorities and the specific measures deployed by Member States** a few months or years later, particularly in terms of AI, cyber security. The European Union therefore plays a major role in stimulating and raising awareness of digital issues across the Member States.

- In terms of **funding, we find various European funds and programmes broken** down at the heart of national initiatives.

The Cohesion Funds (ESF and ERDF) support the various national and regional initiatives. In 2018, **Latvia** allocated EUR37.6 million in funding through the EU Cohesion Fund programme for ICT, mechanical

engineering and electronics activities for companies and researchers. **In Sweden**, there are regional projects, co-financed by the European Regional Development Fund, which provide SMEs with access to digital knowledge and tools, such as 5G, 3D printing and automation. **In Germany**, the Länder have launched several programmes co-financed by EU funds to assist SMEs in their digitalisation process. The **Land of Brandenburg**, for instance, has created the “Digitalwerk”, an initiative of the ERDF programme which provides free support to craft enterprises and SMEs for the implementation of digitalisation projects. **In Denmark**, the European Structural Funds co-finance numerous programmes related to the digital transformation of SMEs, such as Digitalisation Boost, a programme focused on the recruitment of SMEs with the aim of supporting and accelerating the development of products, concepts and solutions, or “Digital roads to growth”, the aim of which is to realize the growth potential of SMEs through digitalisation, automation and innovation. Finally, **in Poland**, the Digital Poland Project Centre carries out tasks related to the implementation of programmes and projects co-financed by the European Union budget by providing support within the framework of the cohesion policy.

However, some countries, such as Belgium, the Netherlands, Estonia or Austria, pointed out that their regional and national programmes **were not really structured around European programmes. Indeed, the latter only come to join in a reactive and not proactive way with the programmes and devices designed by these Member States.** Although European and national programmes are not intertwined, these countries nevertheless wish to align their digital initiatives with European opportunities related to digitalisation.

- In addition to the funds allocated to defined projects, European programmes such as **Horizon 2020, Digital Europe and COSME select and support national initiatives in France** (under the FranceNum programme which covers the cost of the credit guarantee), and in **Belgium** (with the industrial project IoT4, and the Digi-B-Cube project), but they remain in the minority compared to the funds allocated to digital in the framework of cohesion and regional development policy.

IV) Market access *via* platforms (sales, booking, social media, etc.) as an important issue for the growth of SMEs.

The replies to the questionnaire show that the Member States are generally aware of the opportunities, difficulties and risks posed to SMEs by accessing the market *via* digital platforms (orders, purchases, marketing, sales, logistics, delivery, payment, etc.). It is based on these observations that some Member States intend to propose reforms and actions to be carried out at European level.

- First, Member States are aware of the opportunities offered by digital platforms for SMEs to boost and expand their activities.

The platforms allow companies to gain more visibility, optimise their production processes, and access new customers. Belgium takes the example of the food delivery platforms for restaurants: they represent a channel to reach new customers who, in any case, would probably not come to the restaurant systematically. There are also fewer direct costs related to orders placed *via* a platform (use of infrastructure and staff in restaurant rooms). The platforms thus promote access for SMEs to a wider market. The Danish Competition and Consumer Authority conducted a survey on the use of digital platforms by Danish companies in 2019. The survey showed that, of all companies using digital platforms, 87% felt that they had improved their online visibility through these platforms, while 82% felt that the platforms had enabled them to reach new customer groups.

It is also an opportunity for local entrepreneurs to establish themselves in sectors in which they could never have embarked on *via* a classic model, thus forcing market players to reinvent themselves in order to remain competitive. Access to digital platforms therefore stimulates the competitiveness of an economy through ever-increasing competition between economic players. However, this competition must be fair in order to produce the above-mentioned beneficial effects.

- There are risks and disadvantages for SMEs associated with the development of these digital platforms.

- Some platforms may pose a threat to “classical” enterprises insofar as they can completely transform their business model or put pressure on them, particularly on margins.

Belgium highlighted the hotel sector where platforms such as Booking.com have become almost essential for hotels but at the price of

a sharp reduction in the margins of reserved rooms. Not to mention platforms like “Air bnb” which pose a risk of unfair competition on the hotel industry.

- For **Greece, Slovakia, Austria and Denmark**, the dominant position of certain **platforms¹⁷** means that **they do not always deal fairly with SMEs, some being treated unevenly with large companies**. According to the Danish survey cited above, 66% of SMEs consider it difficult to negotiate general terms with platforms.

- Furthermore, **Belgium** is questioning whether these **platforms respect local/national regulations and their fair contribution to taxes**. The lack of clear regulation on the subject can lead to **tax evasion and unfair competition to the economy**.

- Finally, **French and Danish** studies show that there is a **differentiated need for access to platforms between SMEs and large companies**. According to **INSEE**, National Institute of Statistics and Economic Studies in France, small businesses make greater use of marketplaces. In 2017, the bigger a company is, the more it sells on the web on its own website, allowing it to benefit from autonomy in these activities, less constraint in terms of conditions to be respected and pressure on margins. For very small businesses, it is difficult to have enough resources to develop their own e-commerce platforms and to do online commerce, which forces them to set up on large platforms by agreeing to certain disadvantages (unfair competition, lack of equity in the treatment of businesses, inadequate platforms at the enterprise level...). **This causes distortions between SMEs and large companies in terms of equitable access and use of digital features**. As a result, 70% of companies using digital platforms would like to use digital platforms of smaller size, both in supply and in demand, but with fairer conditions, adapted to their activities and scales.

- In view of the risks and difficulties mentioned, it **seems essential to improve European legislation in order to ensure that SMEs fully benefit from all the potential of access to digital platforms**.

First, **barriers to the use of digital platforms by SMEs must be removed**. It is about **skills to use the platforms, but also knowledge about the value of data, the possibilities of data-based business models, and the processes that can be used on the platforms**. **Eurochambres** points that SMEs should have better access to data generated by the platforms.

¹⁷ Such as the American multinational technology company Amazon.

In Belgium, the VLAIO initiative aims to raise awareness among SMEs of the importance of investing in the digital potential of their company. VLAIO presents SMEs with the various digital opportunities to improve their business or digital sales (for example, focusing more on the omni-channel approach).

It is also very important **to ensure fair competition online.** According to **Belgium**, public authorities could support **the development of small-scale competitive European online platforms and support existing platforms to help SMEs gain better access to the online market.** There is also a need to encourage the sectoral platforms available for SMEs. From the point of view of **Greece**, **a stable and understandable regulatory environment for relations between platforms and businesses should be created.** The new rules will ensure that companies offering goods and services in Europe are better informed about online practices. In addition, effective dispute resolution mechanisms should be created, providing fairer treatment and greater transparency when interacting with online platforms and businesses. In the long term, businesses, particularly SMEs, as well as consumers will benefit from the positive effects of the new rules. With the improvement of trust and legal certainty in the online business environment, the use of online mediation platforms is expected to lead to an increase in the number of companies operating there.

- As regards regulations, a **new Regulation (EU) 2019/1150 of the European Parliament and of the Council of 20 June 2019 aimed at promoting fairness and transparency for companies using online intermediation services was published on 11/7/2019** in the Official Journal of the European Union.

The aim of this Regulation is **to contribute to the smooth functioning of the internal market by laying down rules to ensure that companies using online intermediation services and users of websites of companies in relation to online search engines benefit from appropriate remedies in terms of transparency, fairness and efficiency.** This regulation therefore responds in part to requests for regulation made by many Member States on the subject.

Some countries have already implemented mechanisms to ensure its proper application in national law: France will specify in particular the competent supervisory authorities and the sanctions regime applicable to legislators' infringements; Belgium published a "good practice" guide last year and plans to launch a campaign to monitor e-commerce sites at the end of 2020; **Greece** will set up a legislative committee whose main task is

to draft and submit a legislative proposal to resolve issues concerning the practical implementation of Regulation 2019/1150; **Germany** will make minor amendments to the law against unfair competition; in **Denmark** the Danish Competition Council and the Danish Competition and Consumer Authority will be responsible for the application of the Regulation; **Poland** has designated the courts as the competent authority which will provide effective, proportionate and dissuasive measures to enforce it and, in the case of a situation where the infringement results from an abuse of a dominant position, the President of the Office for Competition and Consumer Protection has been identified as the competent authority to intervene.

CONCLUSIONS

- **Small and medium sized enterprises are lagging behind in the digital transition to a large extent due to a lack of awareness on what to do and where to start.**
- **Many SMEs in the process of business transfer are reluctant to invest in technical solutions that might soon become obsolete.**
- **SMEs in value chains are pushed to digitalise to stay competitive while SMEs operating mainly on a local market might not face the same pressure but are nonetheless exposed to competition.**
- **Member States have measures in place to help SMEs in their digital transition; ranging from voucher schemes to skills programmes, tax reduction, FABlabs etc. There is a rich source for benchmark among the Member States.**
- **Funding the digital transition is widely recognized as an obstacle. European Structural Funds represent an important source.**
- **Many Member States have established centers/hubs to help SMEs in their digital transition and innovation. Some mention the EU-programme Digital Europe and its Digital Innovation Hubs.**
- **Digital platforms for sales and marketing are widely viewed as an opportunity for SMEs to expand their markets and provide value to their customers. At the same time SMEs are signaling difficulties vis-à-vis platform companies about lack of transparency on terms and costs. A new EU-regulation has recently been adopted to tackle some of those problems.**

QUESTIONS FOR DISCUSSION

- > Which priorities should be addressed by the EU authorities? Which mechanisms could help to overcome these challenges?
- > What are your plans and expectations regarding the European Digital Innovation Hubs?
- > What are your plans for funding of SMEs digital transition? Are you planning to use REACT EU?
- > How do you view the new regulation on digital platforms? Has anything happened on the ground yet?
- > Concerning platforms' action in favor of digitalisation in the Member States, what cooperation/articulation with public authorities?
- > What are the appropriate Key Performance Indicators (KPIs) to be used to measure the progress of SMEs' digital transformation across the EU? Is the Digital Economy and Society Index (DESI) suitable for measuring the digitalisation of SMEs across Europe? Why?

ABOUT THE SME ENVOY NETWORK

The SME Envoy Network was set up in 2011 as part of the review of the Small Business Act. Each EU country has nominated a national SME Envoy to complement the role of the EU SME Envoy who chairs the network. The group of SME Envoys makes up an SBA advisory group that promotes SME friendly regulation and policy making in all EU countries. The SME Envoy is an active interface with the SME business community, considering their specific interests and needs in EU programmes and policies. The main objective of this function is to establish a close, direct link between Commission, SMEs, and their representatives.

