



Digital transformation: Survey finds lack of digital fluency in key areas, need for additional support

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Small Business Majority
1015 15th Street, NW, Suite 450
Washington, DC 20005
(202) 828-8357
www.smallbusinessmajority.org

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Introduction

The coronavirus pandemic has forever changed consumer behavior and how business is done. Larger companies were able to capitalize on this seismic shift, leaving small businesses with fewer resources behind, particularly those owned by women and entrepreneurs of color. To address this challenge, Small Business Majority is conducting a series of surveys and other research to examine how small businesses have adapted to challenges brought on by the Covid-19 pandemic.

This first survey specifically explores small business confidence in implementing digital tools and technologies, their digital literacy and their access to broadband. Additionally, the survey reveals the current state of small business growth and how this may impact their digital transformation. In the last quarter of 2022, small businesses experienced slight increases in revenue, expenses, and headcount, which points to a slow recovery for Main Street. A little less than half (45%) of small businesses noted that their revenue has increased, while more than half (56%) noted that their expenses have increased. Around 1 in 3 (33%) small businesses increased their headcount while more than half (51%) noted headcount stayed the same. A majority of small businesses (77%) are optimistic about their business prospects over the next six months, while only 12% are pessimistic.

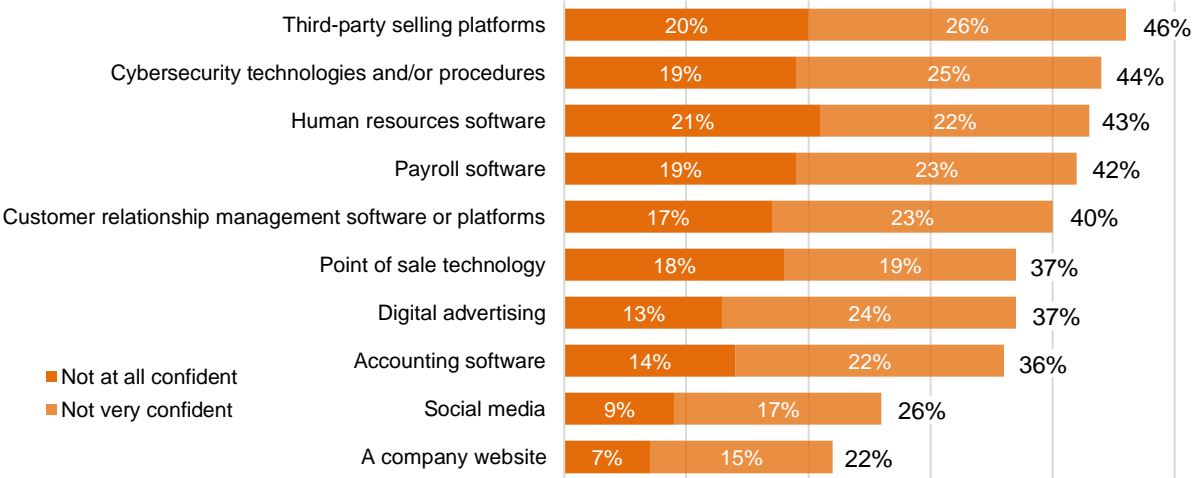
The demand for digital training

To keep their businesses afloat at the height of the pandemic and after, many entrepreneurs quickly adapted their operations by implementing digital tools. This survey shows that while many businesses feel confident about using some digital tools, there is still an urgent need for digital literacy training.

A substantial number of respondents lack core technologies for their business: 40% of respondents don't have a website for their business, more than half don't use social media (52%), roughly two-thirds (65%) do not invest in digital advertising, and three-quarters don't use accounting technology or software. BIPOC-owned firms were less likely to have a website or use accounting technology than white-owned firms (54% vs. 77% use a website and 19% vs. 40% use accounting technology or software, respectively). Of all respondents without a website, one-third (33%) say it's too costly to create one, 1 in 5 (20%) say it's too difficult to have one, 22% say they don't know how to create one, and more than a quarter (26%) say they do not need a website.

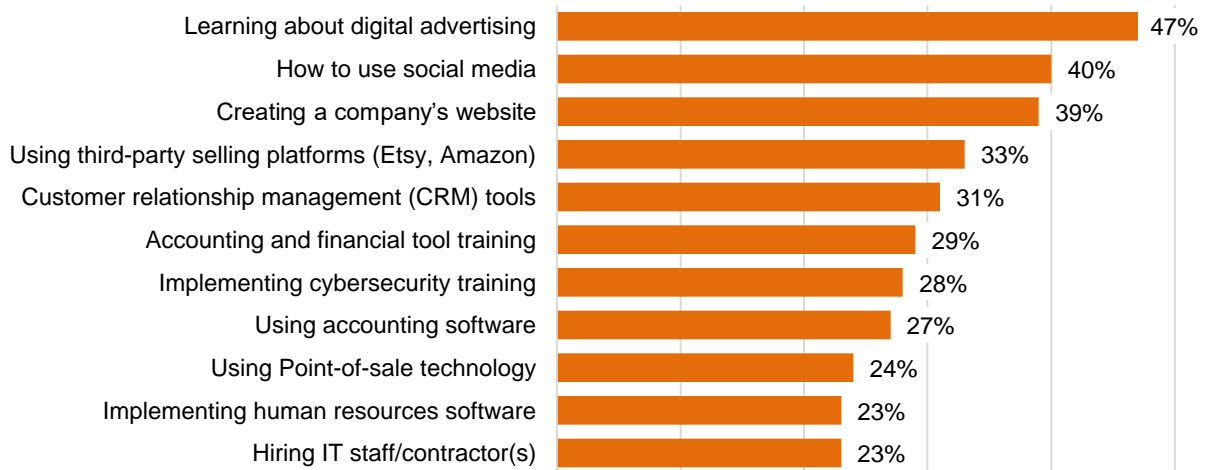
When asked to rate their digital literacy, more than half of small business owners responded they needed assistance understanding and implementing new technologies. More than 4 in 10 (42%) stated they are somewhat comfortable using technology and need some assistance, while 11% stated they are not comfortable using technology and need assistance. Among small businesses that are not confident in their digital literacy, third-party selling platforms, cybersecurity tools and human resources software pose the biggest challenges.

Figure 1: Small business owners rate their confidence using digital technologies



To boost their digital fluency, more than 7 in 10 (71%) respondents say they are likely to take digital training courses on a variety of subjects, with digital advertising (47%), social media (40%) and website creation (39%) being the most desirable training. Among the top reasons that would influence their decision to take digital literacy training are cost (36%), relevant subject matter (24%) and quality of the training (22%).

Figure 2: Small business owners rate their need for types of digital training programs



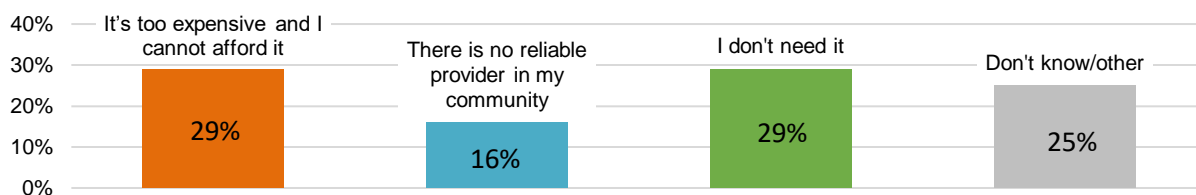
Most respondents don't have dedicated IT staff or contractors. Size of business, revenue and employee count are indicators of whether businesses are able to have that support. Only 31% of businesses with 1-5 employees were likely to have dedicated IT support, compared to 77% of businesses with 50-100 employees. More than two-thirds (68%) of respondents say they are likely to seek outside help for implementing new technologies or software for their business. When seeking outside help, businesses are most likely to turn to a technology or software provider (47%), closely followed by self-guided independent learning (46%).

Broadband access

Broadband access for small businesses continues to vary widely, especially for those in rural communities. A [recent report from the Government Accountability Office](#) shows that broadband access and internet speed may be insufficient in meeting the needs of small businesses and encourages the Federal Communications Commission to update its speed standards.¹

This survey finds that 1 in 10 respondents lack broadband access for their business, which severely impacts their ability to compete with larger and other small and mid-sized businesses that are already online. Of those without broadband access, 29% say it's because it's too expensive and they can't afford it, and another 16% say there isn't a reliable broadband provider in their community. The surveyed respondents in rural areas were twice as likely (20%) to lack broadband access, compared to roughly 10% of small businesses in urban and suburban areas.

Figure 3: Reasons why some small businesses don't have broadband access



For those with broadband access, while they generally believe their service is fast, broadband reliability is a challenge, with 15% saying they lose connectivity at least once a month.

Methodology

The survey reflects the opinions of 835 small business owners and decision-makers from Small Business Majority’s network and SurveyMonkey respondents between October 24, 2022, through December 26, 2022. The margin of error is +/- 3%. Survey respondents were diverse: Three-quarters were BIPOC-owned firms, there was an even mix of men and women-owned firms, and 68% were self-employed and employer firms with 10 or fewer employees. Six in ten (60%) BIPOC-owned firms reported revenues under \$100,000, compared to 45% of white-owned firms.

Download the full toplines from our website: <https://smallbusinessmajority.org/our-research/digital-transformation>

Acknowledgments

We are grateful to Wells Fargo for its support of this research.

¹ “Broadband: FCC Should Analyze Small Business Speed Needs”, 2021, U.S. Government Accountability Office, <https://www.gao.gov/products/gao-21-494>