# Digital adoption could unlock £77bn boost for UK SMEs



UK small and medium-sized enterprises (SMEs) have a £77.3 billion opportunity within reach—if they embrace digital transformation. As customer expectations shift and competition intensifies, adopting new technologies is no longer optional but essential for survival and growth.

Roy Shelton, CEO of Connectus Group, said: “Customers expect seamless digital experiences, from instantly accessible websites to round-the-clock support.” Rising costs—from energy to staffing—make automation and efficiency gains more critical than ever. Regulatory compliance, particularly around GDPR and cybersecurity, is also becoming a core business need.

Government data shows that digitally enabled SMEs grow revenue 4.4 percent faster and reduce costs by 4.3 percent. Those with strong online presence export and create jobs at twice the rate of their less connected peers. Yet UK adoption lags behind Europe—only 22 percent of UK SMEs engage in e-commerce, compared with 40 percent in France and over 55 percent in Germany.

AI and automation are reshaping the SME landscape. AI use rose from 25 to 35 percent in 2024, with productivity gains reaching 133 percent. SMEs are applying AI to tasks like scheduling, customer service and forecasting—but challenges remain. Cost, skills gaps, and data security concerns are major barriers.

Cybersecurity is another pressing issue. Some 42 percent of SMEs suffered cyber-attacks last year, with recovery costs averaging nearly £8,000. Shelton recommends proactive steps like Cyber Essentials certification and regular security testing to safeguard business operations and build trust.

Connectivity forms the foundation for all digital progress. Reliable fibre broadband, secure Wi-Fi and cloud platforms enable SMEs to scale efficiently. UK SMEs are expected to spend over £60 billion on technology in 2025, focusing on automation, data analytics and digital marketing. CRM systems alone have been shown to lift sales by almost 30 percent.

Despite the opportunity, many SMEs are held back by limited time, skills and digital knowledge. The government’s 2025 report calls for more tailored, expert support to overcome these barriers. Initiatives like Made Smarter promote strategic planning and digital upskilling, with case studies highlighting real-world gains.

SMEs are also urged to rethink IT as a growth engine—not just a cost centre. Aligning technology spend with business goals is key to scaling sustainably. Providers like Connectus Group offer managed services built for SMEs, from secure connectivity and AI workshops to round-the-clock support and Cyber Essentials compliance.

While challenges remain, the momentum is clear. With targeted backing from government, industry and providers, UK SMEs are well placed to lead in digital innovation—driving growth, boosting productivity and cementing the UK’s reputation as a hub for responsible, tech-enabled enterprise.

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## Bibliography

1. <https://smebusinessnews.co.uk/2025/09/29/adapt-adopt-or-die-leading-expert-on-why-technology-isnt-optional-for-uk-smes/> - Please view link - unable to able to access data
2. <https://www.gov.uk/government/publications/understanding-technology-adoption-among-uk-smes> - A UK government report from July 2025 explores how small and medium-sized enterprises (SMEs) adopt basic productivity-enhancing digital technologies and the information gaps they encounter. The research highlights that SMEs recognise the critical role of technology in business success and value reliable, personalised support to navigate digital adoption challenges. The report also outlines a 10-step action plan for government to support SMEs in embracing digital technology, aiming to foster growth and prosperity through digital transformation.
3. <https://www.madesmarter.uk/resources/overcoming-challenges-in-digital-transformation-insights-from-made-smarter/> - An article from Made Smarter discusses the challenges SME manufacturers face in digital transformation, including time constraints, lack of knowledge, and workforce resistance. It emphasises the importance of strategic planning, upskilling employees, and seeking unbiased expert advice to overcome these barriers. The article also highlights success stories of SMEs that have effectively implemented digital technologies, showcasing the potential benefits of embracing digital transformation for increased efficiency and competitiveness.
4. <https://www.alceaconsulting.com/2024/09/7-ai-adoption-challenges-uk-smes-face-and-how-to-overcome-them/> - Alcea Consulting outlines seven challenges UK SMEs face in adopting artificial intelligence (AI), including cost, lack of technical expertise, data privacy concerns, and employee resistance. The article offers practical solutions such as experimenting with trials, upskilling current staff, ensuring GDPR compliance, and fostering a culture of adaptability. It underscores the importance of addressing these challenges to leverage AI's potential for business growth and competitiveness.
5. <https://www.hotsourcecreative.com/the-state-of-ai-adoption-in-uk-smes/> - Hot Source Creative examines the state of AI adoption among UK SMEs, identifying barriers like difficulty in identifying relevant AI use-cases, skills shortages, cost concerns, and data infrastructure issues. The article suggests coordinated action across policy, education, and industry to address these challenges, enabling SMEs to harness AI's benefits for enhanced productivity and competitiveness.
6. <https://www.fortray.com/blog/it-services-solutions/top-5-it-challenges-uk-smes-face-in-2025-and-how-msps-solve-them/> - Fortray discusses the top IT challenges UK SMEs face in 2025, including cloud complexity, lack of strategic IT planning, and integration issues. The article highlights the importance of aligning cloud adoption with business goals, investing in strategic IT consultancy, and streamlining workflows to overcome these challenges. It also emphasises the need for SMEs to treat IT as a growth driver rather than an expense to achieve sustainable scalability.
7. <https://www.sage.com/investors/investor-downloads/press-releases/2022/06/untapped-tech-adoption-could-boost-uk-economy-by-232-billion-annually/> - Sage's 2022 press release reveals that if small and medium-sized businesses (SMBs) fully embrace technology, they could add an extra £232 billion to the UK economy annually. The report highlights that 92% of businesses see technology as critical to their survival but face challenges like lack of capital and unclear investment paths. It calls for a pro-tech, pro-enterprise approach to unlock this potential economic growth.