

Business Survey 2020

Proportion of businesses planning digital projects stagnates on a high level

Summary

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The digital transformation of business and society has come into the public spotlight in the past years. It provides businesses with a starting point for enhancing their competitiveness and productivity and, in this way, for contributing to higher growth. So it is pleasing to see that businesses now recognise this opportunity and that more are planning to invest in digitalisation than just a few years ago. But the positive trend of previous years did not continue before the coronavirus pandemic broke out. Large enterprises, as well as businesses from wholesale and foreign trade, are at the forefront of digitalisation. The individual survey results:

1. Just under two thirds of businesses (61%) have firm plans to carry out digitalisation projects in the next two years. Another 21% have not yet arrived at a final decision. Only 18% rule out any digitalisation project for this period.
2. Digitalisation is being driven by large enterprises (with more than EUR 50 million turnover). Of these enterprises, a good 94% have firm plans to implement digitalisation projects. Three quarters of wholesale and foreign trade businesses plan to carry out digitalisation projects.
3. Two in five small enterprises with annual turnover of up to EUR 1 million (just under 40%) are planning to realise digitalisation projects. A further 29% are at least considering the move.
4. Since businesses were first surveyed on their digitalisation plans in 2017, the share of companies planning to implement digitalisation projects has grown significantly (+19 percentage points). However, the current survey does not show a continuation of this trend. The share of businesses that plan to put in place digitalisation projects has fallen by around five percentage points since the previous year's survey. The share of small businesses with up to EUR 10 million annual turnover planning to carry out digitalisation project is currently lower than a year ago.
5. However, this decline does not necessarily mean that the trend towards digitalisation is broken for the longer term. After all, in many areas the currently dominating coronavirus pandemic has highlighted how important digitalisation is. So there is reason to believe that the trend towards digitalisation will pick up again, even if the current losses in turnover are creating additional challenges for the financing of digitalisation projects.
6. At just under 92% (based on those businesses that are planning to go digital), the willingness to harness the opportunities offered by new, digital technologies and applications is the predominant driver of digitalisation.
7. By contrast, significantly fewer businesses see pressure to go digital from the business environment, such as demand for corresponding products and services from end consumers (31%), general competitive pressure in the market to embrace digital change (30%) or pressure to introduce digitalisation into the value chain (24%).
8. Compared with the 2017 survey, when this question was posed for the first time, there was a significant increase in mentions of general competitive pressure in the market to go digital (+6 percentage points) and pressure for digitalisation in the value chain (+7 percentage points). Even if harnessing opportunities posed by digital technology is still the predominant motive, digitalisation is also becoming a necessity for a growing number of enterprises.

KfW Group has completed its 19th broad survey of enterprises of all size classes, sectors, legal forms and regions together with 19 umbrella organisations, trade and regional business associations. The survey was

carried out between mid-December 2019 and the end of March 2020, just barely overlapping with the outbreak of the coronavirus pandemic and the containment measures introduced in the second half of March. The findings therefore paint a good picture of the situation which businesses found themselves in when they

were confronted with the coronavirus crisis for the first time. The current survey wave included a block of questions on digitalisation for the fourth time. The current report presents the findings relating to the topic of digital transformation. The findings on the topic of credit access have already been published separately.¹

¹ Cf. Gerstenberger (2020).