

How Vodafone can help SMEs to increase their digital maturity

Spain Digital Toolkit



Europe.connected



Rationale of the European NextGen Funds

SMEs are the **beating heart** of Europe.



They employ **95 million people** (almost **85% of all new jobs each year**) across

24 million enterprises, contributing €4 trillion to the EU economy.¹



However, SMEs continue to **lag behind their larger counterparts** in terms of digitisation in nearly all technologies.²

This is despite the fact that **modern connectivity and digitisation are crucial** to SMEs' ability to compete, innovate and thrive in the post COVID-19 environment.³

This has been exacerbated by the pandemic. **More than half of SMEs face severe losses** in revenues due to COVID-19, with **one third fearing for their future** without further support.⁴

The impact to jobs and the wider economy could be severe – our research shows that **39% of businesses** with less than 500 employees **expect some or significant reduction in the coming year**, compared with **19% pre-COVID-19**.⁵

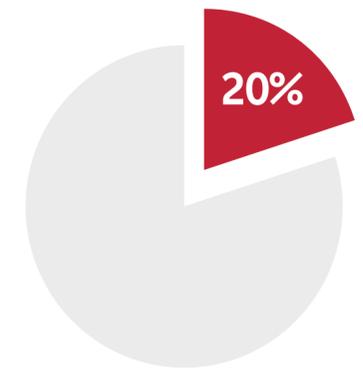
Europe.connected

Vodafone assessed the benefits of digitisation in previous studies:

- If all EU countries reached a **score of 90 on the DESI⁶ index**, it would **unlock a one trillion Euro opportunity** in GDP and create **7.5 million extra jobs**.⁷
- Even **small shifts towards digitisation** could lead to significant increases in turnover: if just **100,000 of the 1.2 million SMEs** that are yet to digitise **make the switch**, their **turnover could rise by up to €148 billion**.⁸



The EU has recognised this, specifying that **20% of the EU's €672.5 billion Recovery and Resilience Facility should be spent on digitisation**, and making digital transformation of business a core part of their ambitious Digital Decade targets.⁹



Consequently, National governments have **identified SME digitisation as a key pillar** in their national plans to distribute these funds.

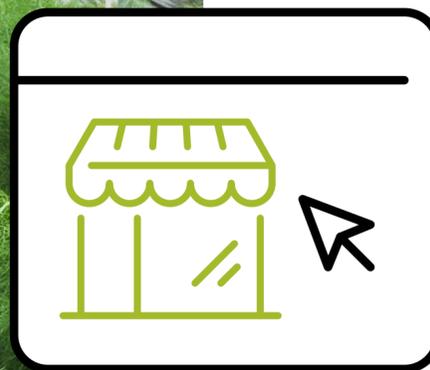
It is fundamental that Europe's governments take best advantage of this opportunity to shape the EU's recovery in a way that delivers **sustainable, long-lasting and impactful change to small and medium sized businesses**.

Europe.connected



How can Vodafone help achieve these goals

Vodafone is ready to help national governments meet their digitalisation goals for SMEs, and provide the best possible support to SMEs during their digitisation journey.



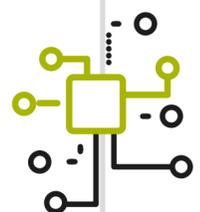
Indeed, we **already help**
3.65 million
SMEs and SOHOs* in the EU.

*SoHo is used to refer to 'Small Office / Home Office' customers

To achieve this, Vodafone is:



- Proactively sharing our depth of expertise and working closely with Governments and SMEs **to co-create the platforms and solutions** that will help SMEs digitise in the most effective way, **tailored to each market.**



- Ensuring that the solutions we develop with these stakeholders are **fit for purpose**, and **include the broad range of services SMEs need to effectively digitise.**



- **Actively working with approved partners** to create these world-class digital solutions.



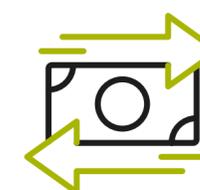
- Emphasising the importance of **universal high speed connectivity** availability and adoption, **as this is a key enabler for SME digitisation.** We encourage Governments to make this a core component of their national plans.



- Building on our **strong relationship** with our large SME customer base, and **supporting them in their digitisation journey** from assessing their digital maturity, through to identifying relevant funding opportunities.



- Encouraging Governments to provide additional support measures such as **online training resources, to help SMEs take advantage of digital products and services.** Vodafone already provides free digital business advice service through its 'V-Hub' platform in the majority of our EU markets.¹⁰



- Advising Governments on the design of **simple and efficient means to rapidly distribute the EU funds** to SMEs, in particular **redeemable voucher schemes.**

Europe.connected

Case Study: Spain

Spain is an example of a market that has put digital at the core of its economic recovery plans.



Spain's Digitisation Goals

Spain ranks 13 out of 27 for integration of digital technologies in the latest DESI Index.¹² The Spanish Government is seeking to improve this ranking.

Additionally, in the 'Digital Agenda for Spain 2025', the Government highlighted the strategic goal for 25% of SME business volume to come through e-commerce by 2025.¹³



Spain's Digitisation Plan

The Spanish Government has therefore committed to use €4.8bn of its EU Recovery Fund allocation towards SME Digitisation.

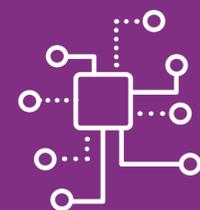
A key component proposed for this is Spain's Digital Toolkit.

The suggested programme:

- €3bn funding for the Digital Toolkit.
- Targets **1,000,000 SME businesses¹¹**, roughly **35%** of the registered SME business base.
- Will **financially support** the digitisation of each of these businesses up to **€500 – 1,500 each year for 3 years**, covering **up to 90% of the cost** of digitisation tools.



1. Co-Creation



2. Broad Offering



3. SME Expertise



4. Simple Distribution



Spain's Digitisation Plan



1. Co-Creation

We continue to offer our **extensive experience** of providing digital solutions to SMEs whilst **co-creating the Digital Toolkit** with the Spanish Government and other providers. A successful programme will **support the largest number of businesses in as short a time as possible**.

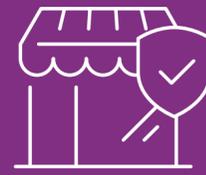
Vodafone, working together with others, has enabled this, **acting as a bridge between the Government and Vodafone's large SME customer base**, to provide feedback on the content and structure of the Toolkit and to ensure it is **achievable in the time-frame and fit for purpose**.



2. Broad Offering

To ensure efficient take-up of any Digital Toolkit, Vodafone and the Spanish Government are working together and with others to **develop offerings that will allow SMEs to benefit from a range of solutions**, including digital marketing; e-commerce; cyber-security; digital business solutions and smart-working.

Vodafone **is building up these best-in-class solutions by working with our top-tier technology and finance partners**. This will allow us to **act as a one-stop-shop for SMEs** seeking appropriate digital tools, helping simplify their digitisation journey.



3. SME Expertise

In Spain, we have been leveraging our expertise in supporting SMEs in the following core ways:

- Using our **extensive communication and marketing channels to raise awareness** with SMEs of the Digital Toolkit and how they can take advantage of the programme.
- Developing **tools to help SMEs assess their current digital maturity status**, and provide recommendations on how they can improve this, including through the Digital Toolkit.



4. Simple Distribution

In alignment with the Spanish Government's goals of **ensuring a rapid and broad adoption** of the Digital Toolkit Programme, Vodafone has **advocated using as simple a method** as possible to distribute the funds to SMEs.

To achieve this, we have **worked closely with the Spanish government on developing a voucher scheme**, which will cover up to 90% of the SME's costs.

The intention is for the Government to **pay this 90% directly to the supplier in advance**, rather than through the SME, reducing complexity and time for the SME and ensuring the businesses supplying the services are paid in a timely manner.

We continue to work with the Spanish government on the details of the scheme, including on tracking, auditing and governance of the vouchers.

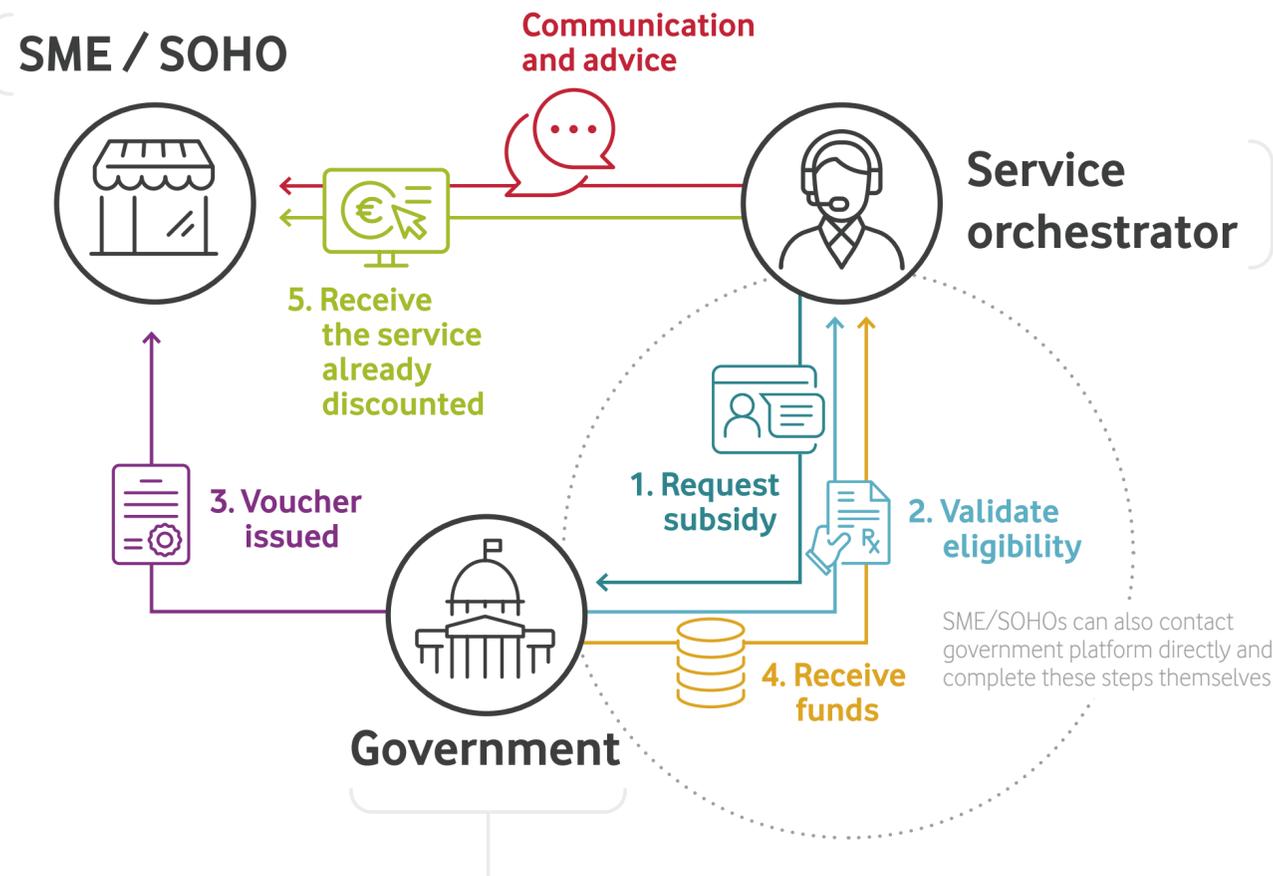
We support the use of **vouchers as an efficient way** to target resources to SMEs, so they can **quickly benefit** from products and services they need in the move to digitise. This is particularly important for businesses with a more limited cashflow, who need **upfront access to financial support** for digitisation.

This is in **comparison to other more complex and resource intensive mechanisms** such as tax relief, which can act as a barrier to adoption by SMEs.

Suggested Digital Toolkit Programme in Spain*

Model managed by Vodafone, and others, as service orchestrators

*The Digital Toolkit process flow remains under discussion with the Spanish Government and is not yet finalised.



Service Provider consortium

Vodafone and Partners (tech and finance)

Products available:



Digital Marketing and E-commerce: digital presence, develop websites and apps, host service, digital marketing channels and e-commerce



Cybersecurity: protect company and employees from cybersecurity threats



Digital Business: digitise operations and manage company digitally



Smart working: flexible workspace solutions for safe working tools

In Practice – Illustrative Example

1. The service orchestrator advises a medium-size retailer based in Madrid on available subsidies, including the offer of a 90% cost reduction for smart working solutions.
2. The medium-size retailer agrees to go ahead with the application.
3. The service orchestrator applies on behalf of the retailer, taking on the entire application process.
4. Once the Government has validated the application, a voucher is sent to the retailer.
5. Service Orchestrator receives the funds and provides the agreed smart working solutions to the SME/SOHOs at a 90% discount.

Key benefits for SME/SOHO

- ✓ Simplicity - service orchestrator and government can jointly **communicate with SME and manage** the programme
- ✓ A **closed list** of only accredited service providers maintains quality of product and advice
- ✓ **SME will get quick service access** without making an upfront payment and with reduced paperwork

Key benefits for the Government

- ✓ Builds on earlier successful models
- ✓ Ensures that the target audience can be reached **quickly and effectively**
- ✓ Speedy delivery – service provided to SME as soon as application approved **without the need to transfer funds to SME first**
- ✓ Digital audit mechanisms **guarantee the correct execution of funds**

Conclusion

Spain's approach and political will to overcome the digital gap faced by SMEs is a positive example, and Vodafone will continue to support the Spanish Government as it finalises the Digital Toolkit Programme.

If the principles adopted by the Spanish Government are applied consistently across member states, this would help the EU meet its ambitious new Digital Decade targets and improve national DESI index rankings across Europe, unlocking significant value for the EU.

Vodafone's purpose is to 'connect for a better future' and we are ready to offer our expertise and scale to drive positive change, supporting governments and empowering businesses with the right skills for the future. If we harness the true power of digital, we will create a stronger, more inclusive and sustainable society. Together, we can – so please reach out to us, we are ready to assist.



Europe.connected



Endnotes

- 1 Eurostat 2020. [https://ec.europa.eu/eurostat/web/products-datasets/product?code=sbs_sc_sca_r2]
- 2,3,5 For more information on SME's position in the European economy, and the benefits of digitisation, please refer to Vodafone's White Paper: 'SME Digitalisation: Charting a Course Towards Resilience and Recovery' (2020) [<https://www.vodafone.com/business/news-and-insights/blog/gigabit-thinking/sme-digitalisation-charting-a-course-towards-resilience-and-recovery>]
- 4 OECD (2020). Coronavirus (COVID-19): SME Policy Responses [<https://www.oecd.org/coronavirus/policy-responses/coronavirus-covid-19-sme-policy-responses-04440101/>]
- 6 Digital Economy and Society Index (2020) [<https://digital-strategy.ec.europa.eu/en/policies/desi>].
- 7 Deloitte (2021). Digitalisation – An opportunity for Europe. [<https://www.vodafone.com/sites/default/files/2021-03/Digitalisation-An-Opportunity-for-Europe.pdf>]
- 8 Read, N. (2021). How the EU can speed up its digital transition. [<https://www.politico-eu.cdn.ampproject.org/c/s/www.politico.eu/sponsored-content/how-the-eu-can-speed-up-its-digital-transition/amp/>]
- 9 EU Commission (2021). Europe's Digital Decade: Digital Targets for 2030. [https://ec.europa.eu/info/strategy/priorities-2019-2024/europe-fit-digital-age/europes-digital-decade-digital-targets-2030_en]
- 10 Reiter, J. (2021). Together we can accelerate SME Digitalisation across Europe [<https://www.vodafone.com/news/viewpoint/together-we-can-accelerate-sme-digitalisation-across-europe>].
- 11 In Spain, the programme will target small and micro businesses with less than 50 employees, and self-employed persons.
- 12 Spain - Digital Economy and Society Index (2020) [<https://digital-strategy.ec.europa.eu/en/policies/desi>].
- 13 Ministry of Economic Affairs and Digital Transformation, 2025 Digital Spain [https://portal.mineco.gob.es/en-us/ministerio/estrategias/Pages/00_Espana_Digital_2025.aspx]