

DIGITAL SCOTLAND: HIGHLANDS AND ISLANDS

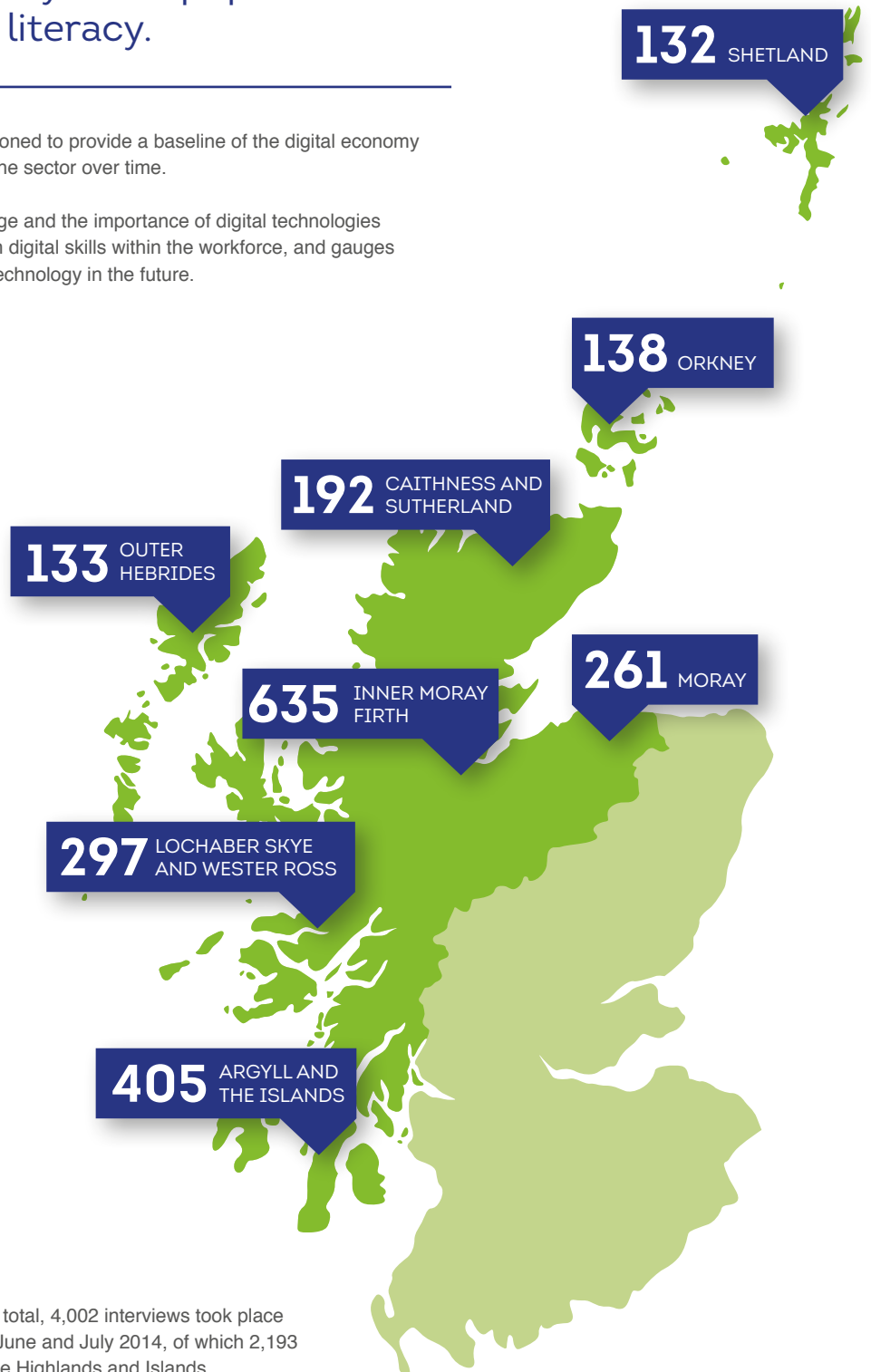
Executive Summary
February 2015

INTRODUCTION

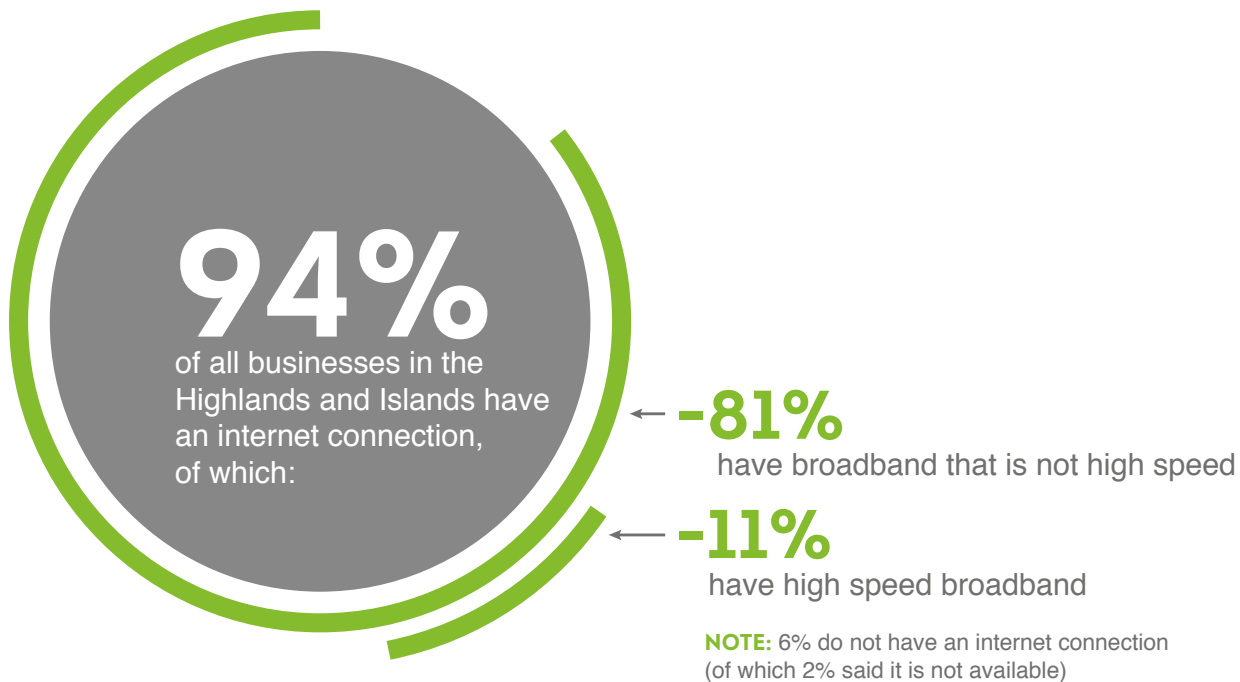
At Highlands and Islands Enterprise (HIE), our ambition is to make the Highlands and Islands a truly digital region through a vibrant digital economy and a population that excels in digital literacy.

The Digital Scotland Survey was commissioned to provide a baseline of the digital economy across Scotland, and facilitate tracking of the sector over time.

The survey measures adoption levels, usage and the importance of digital technologies as viewed by businesses. It also reports on digital skills within the workforce, and gauges businesses intentions towards the use of technology in the future.



NOTE: In total, 4,002 interviews took place between June and July 2014, of which 2,193 were in the Highlands and Islands.



DIGITAL SCOTLAND RESEARCH

ADOPTION OF DIGITAL TECHNOLOGY

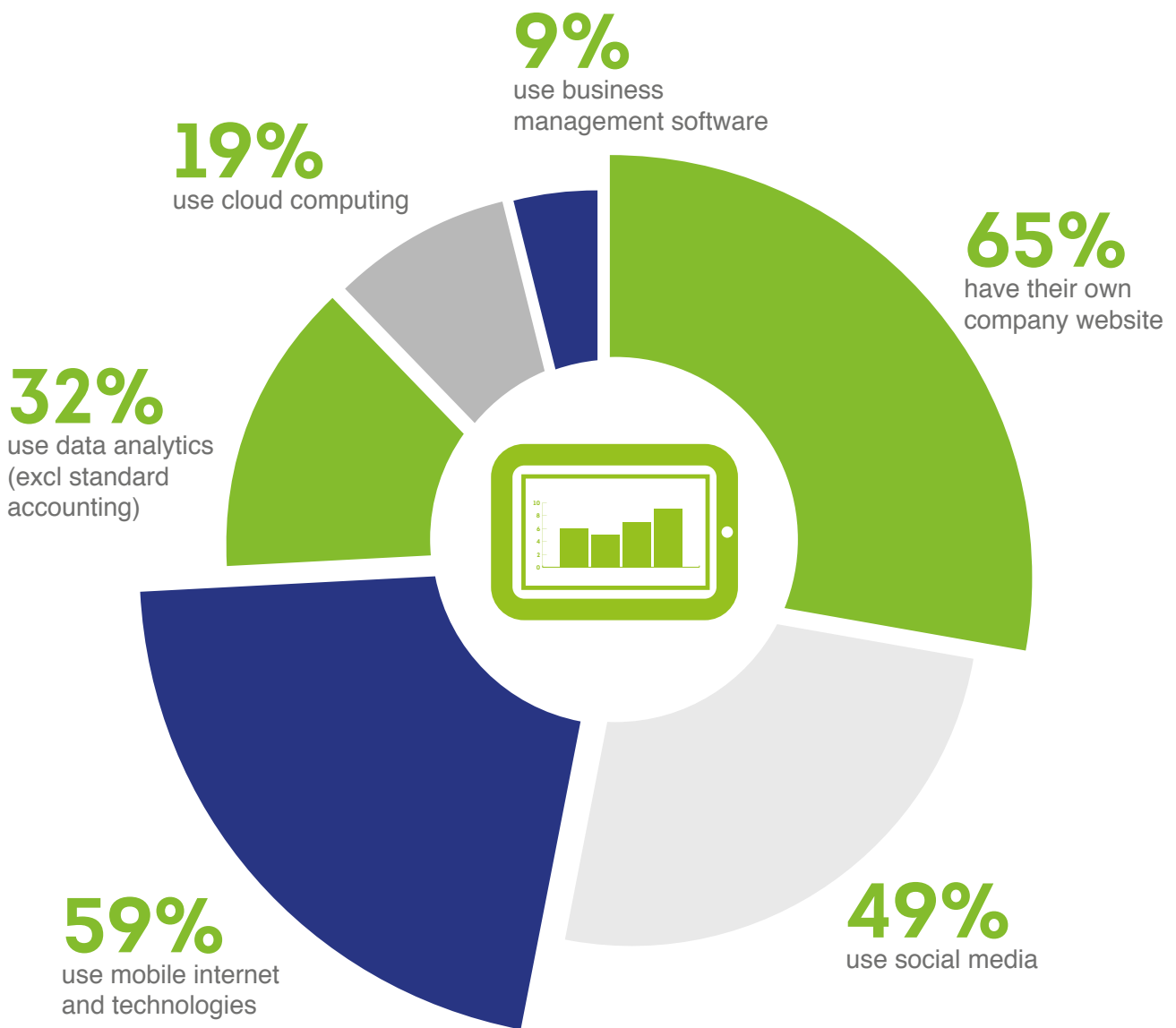
The vast majority of businesses in the Highlands and Islands (94%) had an internet connection

The adoption of digital technologies varied across businesses in the Highlands and Islands. Clear differences were seen by region in internet connectivity which then impacted on use of a company website, however beyond this regional differences were very small. Differences by size and sector of organisation were more prominent, with large organisations and those in the Business Activities, Transport and Communications and Other Services sectors more likely to adopt more technologies. Small businesses and those in Agriculture, Health and Social Work and Wholesale and Retail were the least likely to adopt digital technologies.

Whilst the overall level of internet connectivity in the Highlands and Islands was equal to that seen in the rest of Scotland, businesses in the rest of Scotland were more likely to have high-speed broadband (20%). This difference is likely to be due to access and availability; a wide-scale rollout of high speed broadband across the Highlands and Islands region is in progress and was at a relatively early stage at the time of interviewing; it was evident that businesses in the areas already benefiting from the rollout were more likely to have a high speed broadband connection.

HOW BUSINESSES ARE CURRENTLY USING TECHNOLOGY

Beyond internet connection, the survey covered six types of technology that could be used by businesses in their day to day operations. The overall proportions adopting each of these were:

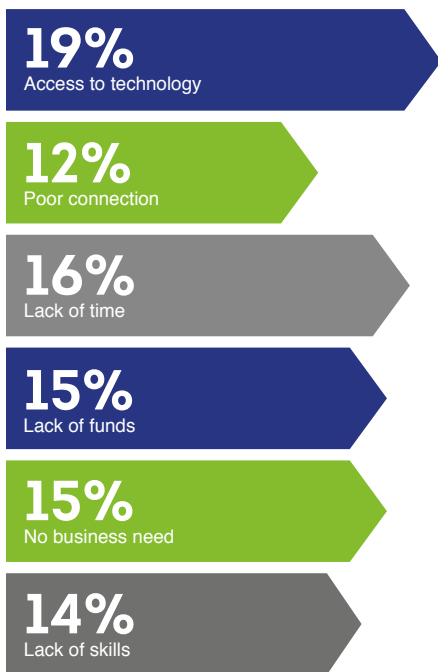


NOTE: A company website was the most widely used of all six digital technologies. This varied considerably by sector, from 85% in the Other Services and Hotels and Restaurants sectors to just 36% of businesses in the Agriculture sector.

BARRIERS TO ADOPTION

The future development of the digital economy can be supported by identifying the current barriers to adoption by businesses.

BARRIERS



Almost three-quarters of all businesses (73%) mentioned at least one barrier.

DIGITAL SKILLS

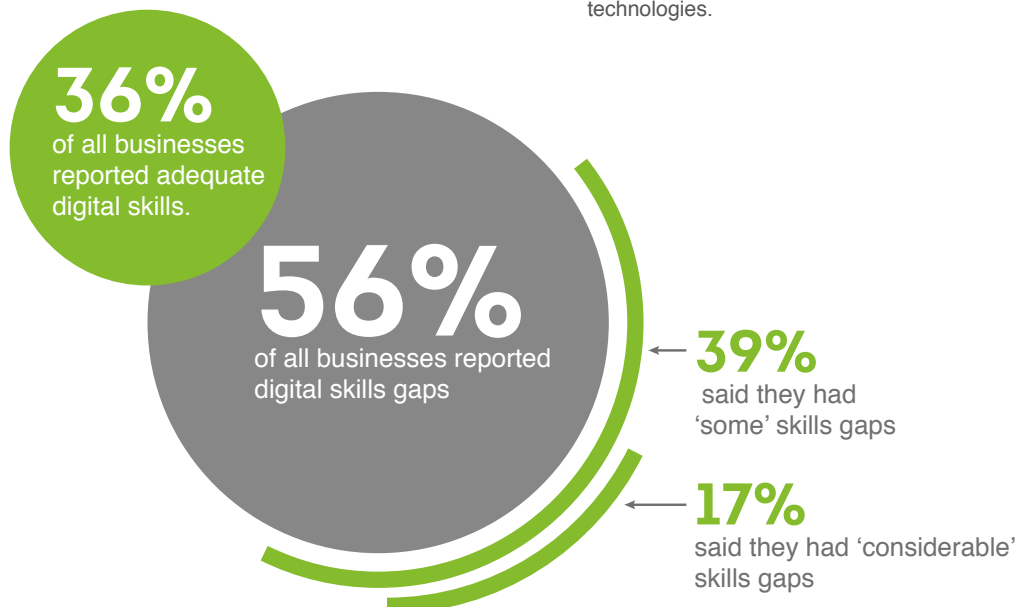
In order to fully exploit the digital technologies available to them, businesses need to have access to the skills required to set up and use them.

The prevalence of digital skills gaps was greatest among businesses in the Health and Social Work sector at 71% of businesses and those in the Agriculture and Other Services sectors, both at 61%.

Where digital skills gaps exist, these are likely to have a detrimental impact on the business. Indeed, among all businesses with digital skills gaps, around half (47%) said that this has had an impact on how their business performs. These impacts tended to focus on:

- an inability to adopt the latest methods and technologies
- an inability to fully exploit the latest methods and technologies
- an inability to sell products and/or services online.

The impact of digital skills gaps was linked to the digital ambitions of the business. It is conceivable (but not possible to confirm from the survey data) that businesses largely perceive digital skills gaps to have had a minor impact because their digital technologies are being utilised to what they understand to be their maximum potential (or as much as necessary for the business at that time), but that respondents were unaware of the potential capabilities and opportunities available from such technologies.



TECHNOLOGY IS SUPPORTING BUSINESS GROWTH AND INCREASING BUSINESS REVENUE

The survey results clearly support the theory that the use of technology within a business plays an important role in supporting business growth, increasing revenue, saving money and improving business efficiencies.

How technology supports business growth can be broken down under 4 broad categories:

01 Facilitating access to international markets and increasing exports

02 Supporting business innovation and research

03 Enabling the sale of products and services online

04 Providing access to public services

01 ► FACILITATING ACCESS TO INTERNATIONAL MARKETS AND INCREASING EXPORTS

73% of international businesses state that technology has enabled access to additional markets. High technology adopters are more likely to operate internationally, **42%** compared to only **23%** of low adopters

02 ► SUPPORTING BUSINESS INNOVATION AND RESEARCH

62% of businesses use technology to support innovation

- 49%** carry out competitor analysis
- 35%** gather market data
- 31%** collect customer feedback

03 ► ENABLING THE SALE OF PRODUCTS AND SERVICES ONLINE

65% of businesses have a website

- 56%** sell products and/or services online
- 34%** take online payments to improve efficiencies

04 ► PROVIDING ACCESS TO PUBLIC SERVICES

92% of businesses have benefited from using public services online

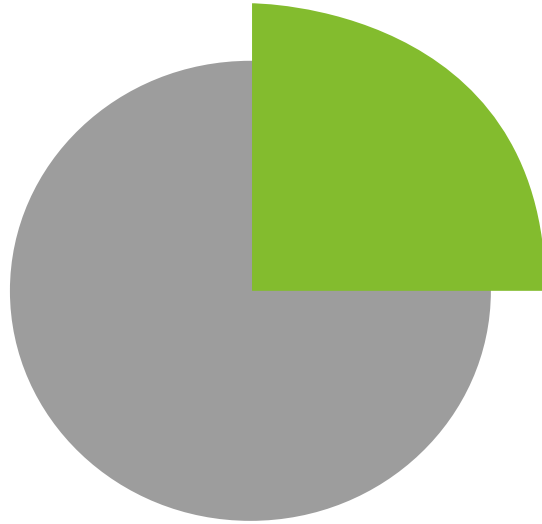
- 83%** said it has saved time
- 82%** said it was easier to find information online
- 61%** said that it has saved them money

THE FUTURE

The Digital Scotland survey can be used to benchmark technology use and measure its adoption by businesses. To support this, the survey also covered future intention, to give an indication of the likely pace of change; through identifying those who say they are likely to adopt a new technology, it allows us to make predictions as to future digital technology usage across the Highlands and Islands region.

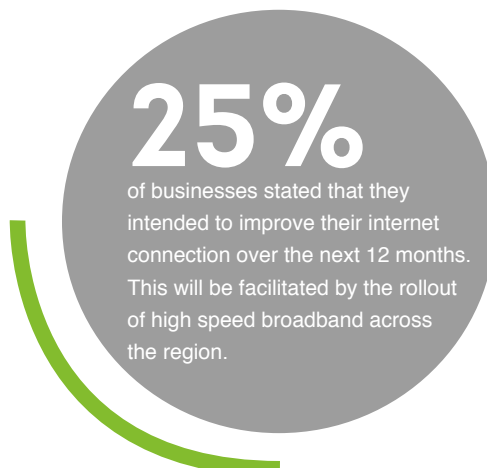
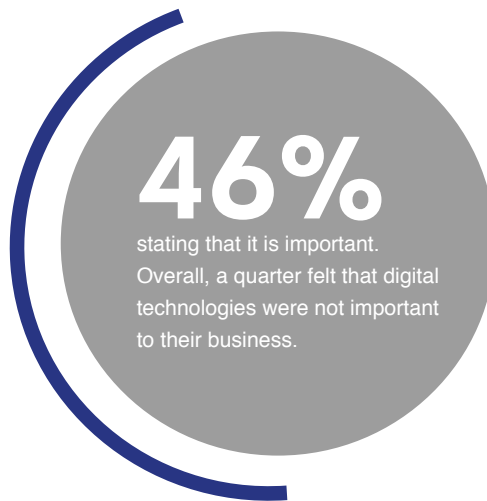
The current position indicates that future adoption of the specific technologies was more limited; in general, if businesses did not use the individual technology, they were unlikely to begin using it over the next 12 months. Approaches being taken to remove the barriers of availability of technology may open up the potential for further adoption as access improves and businesses become more aware of what is available to them.

Businesses will benefit from support to overcome barriers currently preventing them from developing digital capabilities. It will be important to reinforce the opportunities for business growth by using digital technologies.



OVER A QUARTER

(27%) of all businesses across the Highlands and Islands stated that digital technology is essential to the future growth and competitiveness of their business.



AREAS FOR CONSIDERATION HIGHLIGHTED BY THE SURVEY

A number of key areas have been highlighted where evidence from the survey suggests that the public sector could have a role to encourage an increase in the adoption and use of digital technology in the region.

01 The rollout of next generation broadband will significantly improve internet access for many; this should lead to a corresponding increase in the use of technologies that rely on an internet connection.

02 The use of mobile technologies is more dependent on mobile coverage and the availability of Wi-Fi. This will be partially facilitated by the rollout of high speed broadband as the availability of Wi-Fi hotspots increases. Until mobile operators increase the coverage of their 3G and 4G networks across the region, the use of this technology will be limited.

03 A perceived lack of business need is a barrier that can be addressed, at least in part, by HIE and public sector partners by communicating business benefits and stimulating demand.

04 The level of internationalisation within a business is strongly linked to the use of digital technologies. It is important to reinforce this potential and highlight the business growth benefits available.

05 Establishing internet connectivity throughout the region opens up access to online public services, and the associated benefits of time and cost savings that this brings.

06 Digital skills within a business support the adoption of technologies as well as providing the opportunity to fully exploit digital services and increase sales. It is therefore important to offer support to businesses to upskill. Further promotion and the continuation of HIE's digital engagement programme will play an important role in supporting businesses in the region to grow their digital ambition.

CONCLUSION

The levels of adoption and use of digital technologies in the Highlands and Islands is encouraging, as is the progress already made to increasing the availability of technologies through the high speed broadband rollout and the training provision already in place.

Comparing the Highlands and Islands to the rest of Scotland shows that whilst the uptake of broadband is unsurprisingly lower, overall the adoption of other technologies is not far behind that seen elsewhere in the country.

This suggests that there is a willingness amongst businesses as a whole to embrace the digital opportunities available to them.

For more information and to view the full report, visit www.hie.co.uk/digitalresearch

For more information on the digital support offered to businesses through HIE and the current rollout of superfast broadband across the region, visit www.hie.co.uk/digital

