

SME AI adoption update – May 2025

This briefing summarises current trends in AI adoption among small and medium-sized enterprises (SMEs), with a focus on the West Midlands. It draws on data from the Office for National Statistics (ONS) Business Insights and Conditions Survey (BICS), March 2025.

Summary

AI adoption has crossed the tech chasm for small businesses

2025 marks a tipping point for AI adoption among small and medium-sized enterprises (SMEs), as use moves from early adopters to the early majority. Even the micro businesses (0 – 9 employees) are getting on board, with nearly a fifth (17.6%) now using at least one form of AI technology.

Improving business operations remains the primary driver. Businesses are most commonly using AI to process data, generate text and create visual content.

In the West Midlands, a quarter of businesses (25.2%) are using AI – up from 20.3% last year, a nearly 25% increase.

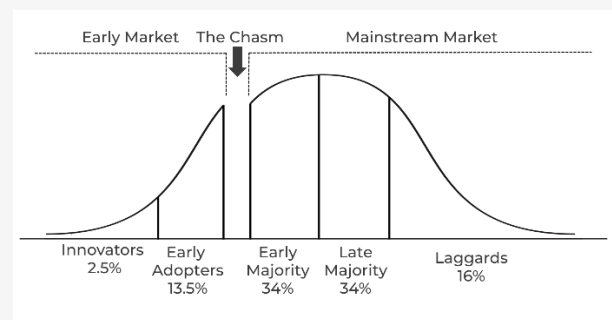


Fig 1: Technology Adoption Curve

Despite the growth, challenges remain. The most commonly reported barriers include:

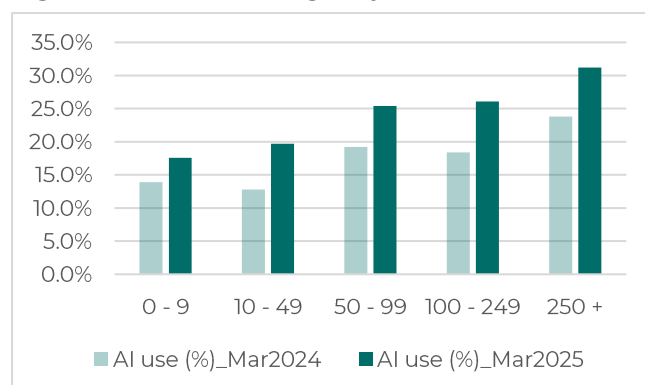
- Limited AI expertise
- Cost
- Difficulty in identifying use cases

AI uptake by company size

2025 was predicted to be the year that AI crossed the tech chasm – which proves to be correct across the board. At a top

level, 18% of businesses report using one AI technology or more. For SMEs all size bands enter the early majority (16%+ AI use).

Fig 2: Businesses stating they use at least one form of AI tech (by size)



Size Band	AI use (%)		
	Mar2024	Mar2025	Change
0 - 9	13.9%	17.6%	3.7%
10 - 49	12.8%	19.7%	6.9%
50 - 99	19.2%	25.4%	6.2%
100 - 249	18.4%	26.1%	7.7%
250 +	23.8%	31.2%	7.4%
All	13.8%	17.8%	4.0%

The larger the company, the greater the AI use in the current figures. This peaks at nearly a third of large businesses (250+ employees), compared to around a fifth of small and micro businesses (0 – 50 employees).

There is significant growth across all SME size bands, with all but micro businesses increasing by 6 – 7 percentage points.

Reasons for AI adoption

Businesses report that improving business operations is the primary driver for AI use. Micro businesses (0 - 9 employees) are most likely to be using it

to innovate, helping them develop a new product or service. Smaller businesses are also more likely to be using AI to provide or personalise products or services to customers.

Table 3: What does your business currently use AI tech for?

Industry/Size Band	Develop a new product or service	Explore a new market	Improve business operations	Personalise product or service	Other
0 - 9	17.0%	8.8%	45.1%	23.0%	6.3%
10 - 49	15.2%	7.9%	44.9%	24.4%	3.2%
50 - 99	16.5%	7.0%	51.1%	19.7%	2.2%
100 - 249	12.1%	5.6%	46.8%	16.0%	2.7%
250 +	10.6%	4.4%	45.2%	14.5%	1.7%
All	16.8%	8.6%	45.1%	23.0%	5.8%

AI technologies used

Businesses are most commonly using AI to process data, generate text and create visual content. Small businesses are more likely to focus on text generation

and visual content creation. For larger SMEs they are likely using machine learning to assist with data processing and using AI tools for text generation.

Table 4: Which of the following AI tech, if any, does your business currently use?

Industry/Size Band	Data Processing (ML*)	Image processing (ML*)	Robotics	Text generation (LLM**)	Visual content creation
0 - 9	5.0%	3.5%	-	8.1%	7.0%
10 - 49	7.2%	2.9%	-	9.3%	6.9%
50 - 99	10.3%	4.8%	2.1%	11.8%	8.2%
100 - 249	11.4%	5.5%	3.4%	10.1%	8.3%
250 +	15.7%	7.7%	5.5%	12.9%	8.4%
All	5.3%	3.5%	-	8.2%	7.0%

*ML stands for Machine Learning **LLM stands for Large Language Model

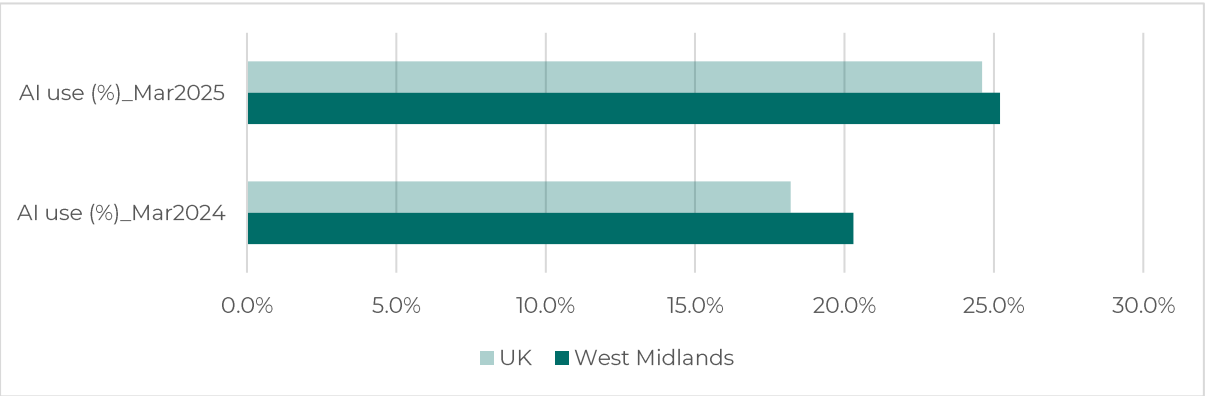
The regional picture

In the West Midlands, a quarter of businesses (25.2%) are using AI, this is slightly above the UK average of 24.6%.

AI use is highest in London and the South East. There has been nearly a 25% increase from last year, when a fifth (20.3%) were using AI.

Region	AI use (%)		% Increase
	Mar2024	Mar2025	
West Midlands	20.3%	25.2%	24.1%
UK	18.2%	24.6%	35.2%

Figure 5: Businesses stating that they use at least one form of AI tech (by region)



Barriers to AI adoption

Around 20% of West Midlands businesses have not attempted to use AI and nearly 40% have not experienced any barriers. For the others, limited AI experience is

the biggest challenge, followed by cost and difficulty in identifying use cases. The national picture closely mirrors the regional one.

Table 6: Factors that have prevented or delayed business from adopting AI tech (last 3 months)

Barrier	West Midlands	UK
Level of expertise in artificial intelligence	13.1%	13.0%
Cost	10.2%	10.1%
Difficulty identifying business use cases	9.8%	9.8%
Security concerns	5.8%	6.3%
Product or service availability	3.3%	3.0%
Employee concern about potential impact of AI	2.8%	3.1%
Uncertainty about government regulations or industry standards	1.7%	2.7%
Other	1.7%	2.7%
Not sure	21.7%	16.6%
Business has not attempted to use artificial intelligence	19.8%	21.5%
Business has not been prevented or experienced delays in adoption	37.5%	39.0%

What this means for SMEs

AI is no longer just for large firms or early adopters. With low-cost tools now widely available, and operations-focused use cases leading adoption, there's a clear opportunity for SMEs to start small and scale.

The main challenge is less about technology and more about clarity – understanding where AI fits in their business and how to bring teams with them.

Data source: ONS Business Insights and Conditions Survey (BICS), Waves 105 and 129.
Survey dates: March 2024 and March 2025.

About Dandelion Applied AI

Based in the West Midlands, Dandelion Applied AI helps SMEs and charities discover time saving solutions through AI. We have already helped over 100 businesses.

Successful AI adoption isn't just about learning to use AI tools – it is about people. Our clear framework, practical guidance and team training helps SMEs identify business use cases and put them into action. Our support includes advice on tool selection and developing an AI policy.

Our training receives five stars, so check out our reviews on Google:

"...In a rapidly evolving field filled with overwhelming choices, this course, led by Caroline, provided clear, interactive, and friendly instruction. I've already integrated several AI tools and processes from the course into my business, significantly enhancing efficiency and saving considerable time."

Visit our website – **dandelionai.co.uk** - to request a copy of our free AI adoption guide for SMEs.


Dandelion
Applied AI

Dandelion Applied AI
Union House,
111 New Union Street,
Coventry, CV1 2NT
dandelionai.co.uk