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THE ECONOMIC IMPACT OF THE CLOUD IN NORWAY

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TABLE OF CONTENTS

Executive summary	7
1 Introduction	11
2 Cloud adoption enables digital transformation in Norway	13
2.1 Cloud unlocks ambitions for Norway's digital transformation	13
3 Cloud generates value to the overall economy	20
3.1 Key cloud benefits span from cost savings to enhanced security	20
3.2 Cloud helps businesses to grow revenues and cut costs	23
3.3 Cloud contributes to generate value for the overall economy in Norway	25
3.4 Cloud contributes to employment in Norway	26
4 Cloud support businesses to grow and reach new markets	28
4.1 Cloud enhances competitiveness	28
4.2 Cloud supports young companies to grow and challenge the market	29
4.3 Cloud makes it easier to enter and expand into new geographic and product markets	30

5	Cloud fuels innovation	33
5.1	Cloud empowers firms' innovation	33
5.2	Cloud makes it easier to adopt advanced technologies	37
6	Cloud has wider societal benefits by lowering environmental impact	39
6.1	Cloud services allow for most economic and environmental storage of data and computing	39
6.2	Using cloud helps firms to improve operational efficiency and developing more sustainable processes	41
7	Cloud ensures business security	43
7.1	Data security and privacy are increasingly a concern for business customers and end-users	43
7.2	Cloud solutions provide high security for the storage and handling of businesses data	43
8	Cloud can unlock further opportunities	46
8.1	While cloud can help smaller players in their digital transformation, several barriers remain to increase cloud uptake	46
8.2	Encouraging cloud take up could unlock further growth opportunities for Norway	48
	References	50
	Appendix - Methodology	52

The Survey	52
Calculation of Gross Value Added (GVA) contribution	52

LIST OF FIGURES

Figure 1 Cloud adoption in Norway continues to grow	16
Figure 2 Cloud adoption by service model, 2021	17
Figure 3 Cloud adoption by company size, 2021	18
Figure 4 Cloud adoption by sector of activity, 2021	19
Figure 5 What are the most important benefits of cloud computing to your company?	22
Figure 6 Average revenue growth by use of cloud platforms since January 2020.....	24
Figure 7 Average headcount growth by use of cloud platforms since January 2020.....	26
Figure 8 Cloud users have experienced higher growth in product/service portfolio since January 2020	31
Figure 9 Cloud enables firms to compete and expand in new markets.....	32
Figure 10 Cloud enables firms to bring new products to the market.....	34
Figure 11 Cloud supports better processes and reduces time to market.....	35
Figure 12 Cloud favours collaboration and information sharing ...	36
Figure 13 For which of the following use cases does your company / organisation procure cloud computing services?.....	37
Figure 14 How does cloud computing services help you reduce your environmental footprint?	41
Figure 15 Cloud enhances security	45
Figure 16 Several barriers hinder further cloud adoption	47

LIST OF BOXES

Box 1 Digital Compass and Digital Decade	14
Box 2 Cloud services powering the new wave of Generative AI ..	38

EXECUTIVE SUMMARY

Cloud computing technology is taking an increasingly relevant role in supporting business operations in Europe. Covid-19 crisis has led to a speeding up of the adoption rate as organisations needed data storage and data processing capacity to ensure businesses continuity and adopt work-from-home models, internet sales and services, etc. This growing demand for analytics and big data technologies has prompted the expansion of cloud solutions in the post-pandemic period.

Cloud computing and the digital transformation that it enables is a defining opportunity for business growth. Cloud technologies enable firms to scale up quickly, providing them with the means to innovate products, services, processes, and business models. Moreover, cloud is a game-changer for security and can play a pivotal role in supporting companies and organizations facing sustainability and energy efficiency challenges.

In this study we provide new evidence on the role of cloud as a force multiplier for Norwegian businesses- and quantifies the value generated to whole economy thanks to the adoption of cloud services such as AWS. The values for Norway are extrapolated based on a novel, Pan-Nordic online survey (“our survey”), run in March 2023 across Denmark, Finland, and Norway. The survey reached 918 firms, 87 per cent of which were cloud users.

Moreover, the study sheds new light on the ways in which businesses in Norway of all shapes and sizes can leverage cloud not only to save costs and enhance revenues but also to accelerate innovation, boost productivity, ensure data security and achieve greater environmental sustainability.

Cloud adoption enables digital transformation in Norway

Cloud computing is at the core of the EU’ and Norway’s digitalisation strategies and policy actions. Cloud adoption has shown a remarkable increase in the last seven years, as cloud users almost doubled. According to Eurostat latest available data, as of 2021, **64 per cent of Norwegian companies are cloud users, a share that is well above the EU average.** The adoption rates differ across class size and sector of activity, with smaller firms and firms active in the transportation and storage sector and wholesale and retail trade sector lagging behind.

Cloud generates value to the overall economy

According to our survey, more than two thirds of businesses using cloud services in Norway consider benefits related to cost savings, productivity, and security as important. More sophisticated users seem to be more aware of the importance of benefits derived from cloud.

Moreover, we observe that **cloud users surveyed for this study report higher revenue growth rates relatively to non-cloud users, with higher growth rates especially among AWS users.**

In general, the vast majority (92 per cent) of cloud users surveyed report that their business is able to generate extra revenue from using cloud computing services. **Additional revenue reported by cloud users thanks to cloud range from an average of NOK 129,000 for micro firms (0-9 employees) to more than 5.4 NOK million on average for large firms (more than 250 employees).**

In parallel, the study quantifies savings occurred to businesses thanks to cloud adoption. Cloud users in our survey report **annual cost savings by using cloud services** instead of maintaining their own on-site servers and physical data centres that **range from an average of NOK 128,000 for micro firms (0-9 employees) to more than 4.7 NOK million for large firms (more than 250 employees).**

Based on this survey, as well as official national statistics on the composition of the economy, we have modelled the economy-wide impacts on cloud that can be inferred from the firm-reported evidence. On this basis, we estimate that, in one year, **AWS cloud services enable businesses to generate up to 12.4 NOK billion in economic value added for the entire Norwegian economy. This equals around 0.19 per cent of the Norwegian GDP in 2022.**

In parallel, firms that have adopted cloud also displayed a higher employment growth than non-users in the past three years.

Finally, young companies are reliant on cloud technologies to offer their services and remain competitive in the market: **22 per cent of young cloud users reported their business would not be possible without cloud.** Based on that, we calculate that the adoption of **AWS cloud services is likely associated with the creation of over 11.500 jobs by young firms in Norway.**

Cloud supports businesses to grow and reach new markets

Enhanced competitiveness is recognized as a key benefit of cloud adoption. 68 per cent of cloud users say that cloud helps their business to remain competitive in the market, while 80 per cent of AWS user specifically states that cloud allows them to compete for new segments in the market.

Cloud users are able to reinvest their costs savings from cloud into business growth as reported by 64 per cent of cloud users. Overall, **79 per cent of cloud users expanded their product or service portfolio in the last three years, against only 54 per cent of non-users.**

Moreover, 62 per cent cloud users recognise the importance of cloud services to expand geographically by scaling their businesses and export to international markets.

Cloud fuels innovation

Cloud plays an important role in the overall innovation process of businesses and allows better and more efficient experimentation.

Cloud technologies allow users to **reduce the time necessary to launch a product to the market**, as reported by 68 per cent of cloud users. Moreover, 64 per cent of users highlight the role of cloud in **reducing the software development cycles**.

These time savings enabled by cloud adoption allow **IT experts to allocate time on more strategic tasks**. This translates into improvements in the way businesses can serve their clients. In fact, over **two thirds of cloud users agreed that the use of cloud makes it easier to provide better and more tailored products and services to end consumers**. The same share rises to **83 per cent for AWS users**.

Moreover, cloud also facilitates the implementation of other new technologies that have the potential to unlock further growth. More specifically, the use of cloud has made it easier for 66 per cent of cloud users to adopt new technologies requiring a lot of data processing such as AI and Machine Learning. Finally, **AWS users are heavy adopters of advanced technologies, and show a higher take up rate on all the most advanced use cases proposed**.

Cloud has wider societal benefits by lowering environmental impact

Cloud computing can **support firms facing environmental and energy efficiency challenges**. This can be achieved in two ways:

1. **cloud providers** can guarantee more **economic and environmentally efficient storage** of data and computing power, and
2. **cloud services** can **help firms to improve operational efficiency** and developing more sustainable processes.

Cloud users are aware of the environmental footprint of their cloud provider. **67 per cent of AWS users reported that, when choosing which cloud services to procure, they considered the sustainability profile** of different cloud providers, against 64 per cent of the overall sample of cloud users.

Moreover, cloud technologies represent an ally to achieve sustainability objectives. **65 per cent of businesses agree that the use of cloud help them to achieve their net-zero carbon emissions goals and 68 per cent of businesses report that the use of cloud improves their energy efficiency**.

The use of cloud can also increase companies' efficiency, while reducing their emissions, by facilitating information sharing and collaboration across different locations and teams.

Finally, **cloud** has also being pivotal in **supporting the birth and expansion of new firms, green tech** and sustainability start-ups, whose business model would have not been possible without the cloud.

Cloud ensures business security

Security related features of cloud are indicated by users as some of the **most relevant benefits**. Moreover, **68 per cent of cloud users considered cloud infrastructure as more secure than traditional IT**.

Cloud technologies support firms in fighting cyberthreats, as reported by more than 60 per cent of cloud business users surveyed for this study. Cloud service providers help **increase security by enabling teams to automate basic security tasks and focus their time on the most complex threats, increase early detection, reduce probability of errors, and provide professional support**. Enhanced security enables start-ups to compete with larger companies.

Cloud can unlock further opportunities

According to our survey, a general **lack of knowledge and understanding** of cloud technologies is among the **main reasons preventing non-users to adopt cloud technologies**.

Among non-users, 43 per cent consider **cloud computing services adoption** as **likely** in the **next five years** citing as a way **to increase speed from idea to implementation, access new technologies, become more sustainable and reduce carbon footprint and better data management and increase reliability**.

Encouraging cloud take up can unlock further growth opportunities for Norway. Additional value can be generated by:

- a) **increasing the intensity of adoption** (e.g., only 20 per cent of users in our sample employed cloud for more than five applications); and
- b) **increasing adoption among small firms**.

Based on the above evidence and modelling, an **increase of just 10 per cent in the cloud adoption** in the cloud adoption rate of SME would translate into almost an estimated **additional NOK 900 million in economic value added for the Norwegian economy**.

CHAPTER 1

INTRODUCTION***Objective of the study***

The benefits of cloud technologies are generally well documented in the literature. However, there is still limited quantitative and qualitative evidence on the extent to which these benefits are perceived and experienced by companies and organisations using cloud, and specifically AWS, in Norway. Furthermore, the dynamics of adoption and usage of cloud services is such that the situation is evolving very fast and thus the extent and drivers of benefits from cloud are correspondingly evolving.

This study provides new evidence on the role of cloud as a force multiplier for Norwegian businesses- and quantifies the value generated to whole economy thanks to the adoption of cloud services such as AWS.

Moreover, the study sheds new light on the ways in which businesses in Norway of all shapes and sizes can leverage cloud not only to save costs and enhance revenues but also to accelerate innovation, boost productivity, ensure data security and achieve greater environmental sustainability.

Research Methods

The empirical base of this study is a novel, purpose-designed large-scale Pan-Nordic online survey (“our survey”), run in March 2023 across Denmark, Finland, and Norway. The survey is unique in the type of economic questions investigated and reached 918 firms, 87 per cent of which were cloud users. The sample captured firms of different sizes and different sectors of activity. The survey targeted IT decision makers in the firms, thus ensuring that all collected information was provided by an informed respondent within the firm.

The survey collected both qualitative information concerning the role that cloud computing played for businesses, and the quantitative estimations on additional revenues and cost savings achieved thanks to cloud. These latter, coupled with information on cloud spending, were employed to calibrate a model that allowed to estimate the overall contribution of AWS cloud to the Norwegian economy in terms of value added and employment.

What is cloud?

Cloud computing allows companies/organisations to use a vast range of IT resources on an as-needed basis, without having to buy, own and maintain own data centres and servers.

Following the definition used for European Union Eurostat statistics, cloud computing refers to ICT services that are used over the internet to access software, computing power, storage capacity etc., where the services have all of the following characteristics:

- are delivered from servers of service providers;
- can be easily scaled up or down (e.g. number of users or change of storage capacity) ;

- can be used on-demand by the user, at least after the initial set up (without human interaction with the service provider) ;
- are paid for, either per user, by capacity used, or they are pre-paid.

There are different service models for the provision of cloud computing services. These include software, infrastructure, and platforms that are hosted by third-party providers. Types of services can be as follows:

- **Infrastructure as a service (IaaS):** A service model that offers users access to IT infrastructure on a pay-as-you-go basis. IaaS users can access cloud-hosted infrastructure that they can configure and use the same way as they use on-premises hardware. Services in this category include data storage, computing power, machine virtualisation, and network services. IaaS allows business to scale up computing power very quickly without increasing IT expenditure and ensuring high security standards and a reliable environment.
- **Platform as a service (PaaS):** A pre-packed bundle of cloud computing hardware and software resources. PaaS is the provision of on-demand tools for development of software applications through a web-based environment and are used to construct and send apps. E.g., AWS Elastic Beanstalk is a PaaS used to handle many programming languages, where one can send and test apps for different gadgets and scale them up and down easily. PaaS allows customers to upload and deploy web applications in a simple and fast way. Moreover, it frees enterprises to dealing with hardware and operating systems and instead focus on the deployment and maintenance of their applications.
- **Software as a service (SaaS):** A model that offers cloud users the possibility to use ready-to-use application software centrally hosted on a cloud provider's cloud infrastructure. SaaS applications run on the provider's server, and the customer gets access to the service without having to install and maintain complex software and hardware management. Examples of services provided within the model include backup data system, web-based email, project management tools and file storage. SaaS models allow cloud users to access to software that is easily customisable, frequent updated and secure, at low infrastructure and setup costs.

CHAPTER 2

CLOUD ADOPTION ENABLES DIGITAL TRANSFORMATION IN NORWAY**Key findings**

- Cloud computing is at the core of the EU' and Norway's digitalisation strategies and policy actions.
- Cloud adoption has showed a remarkable increase in the last seven years, as cloud users almost doubled.
- According to Eurostat, in 2021, 64 per cent of Norwegian companies¹ were cloud users, a share that is well above the EU average.
- Cloud adoption rates differ across class size and sector of activity, with smaller firms and firms active in the wholesale and retail trade sector lagging behind.

2.1 CLOUD UNLOCKS AMBITIONS FOR NORWAY'S DIGITAL TRANSFORMATION*Norway is a frontrunner in digital development in the EU*

Cloud computing has been at the core of the EU' digitalisation strategy, considered as key asset to enable uptake of more advanced technologies and spur innovation based on data and digital services. Cloud adoption is as an integral part of the Digital Compass strategy (see Box 1), the initiative launched in 2021 by the European Commission that sets concrete targets to help support the digital transformation of the EU and it is at the heart of Norway's numerous advanced digitisation policy initiatives.

¹ It should be noted that Eurostat's estimate only includes companies with at least 10 employees.

Box 1 Digital Compass and Digital Decade

In March 2021, the European Commission laid out its objectives and concrete targets for the digital transformation of Europe by 2030 in its "2030 Digital Compass: the European way for the Digital Decade". The stated ambition of this framework is to pursue digital policies that empower people and businesses to seize a human centred, sustainable and more prosperous digital future.

The main targets of the Digital Compass are:

- In addition to the target on basic digital skills established in the European Pillar of Social Rights Action Plan, reaching 20 million employed ICT specialists in the EU, with convergence between women and men;
- All European households should be covered by a Gigabit network, with all populated areas covered by 5G;
- Increasing the production of cutting-edge and sustainable semiconductors in Europe including processors reaching at least 20 per cent of world production in value (meaning manufacturing capacities below 5nm nodes aiming at 2nm and 10 times more energy efficient than today);
- Deploying 10,000 climate neutral highly secure edge nodes in the EU, distributed in a way that will guarantee access to data services with low latency (few milliseconds) wherever businesses are located;
- 75 per cent of European enterprises should have taken up cloud computing services, big data and Artificial Intelligence
- More than 90 per cent of European SMEs should reach at least a basic level of digital intensity
- Growing the pipeline of Europe's innovative scale ups and improve their access to finance, leading to doubling the number of EU unicorns;
- 100 per cent online provision of key public services available for European citizens and businesses;
- 100 per cent of European citizens should have access to medical records (e-records);
- 80 per cent of citizens will use a digital ID solution.

An annual cooperation mechanism involving the Commission and Member States strategic roadmaps to attain targets are planned and adopted.

Source: (European Commission, 2023)

At the national level, the Norwegian Digital Strategy for public sector 2019-2025, "One digital public sector", set long-term goals for the digital transition in the public sector. The aim of the strategy is to make better services for residents, business life and society. By using new technology, be innovative and open for change, the government wants to achieve a more efficient public sector providing integrated services that better serves the user's needs².

Furthermore, the National Strategy for Artificial Intelligence stresses the fundamental role of cloud services to exploit the potential of AI technology. The strategy discusses the large increase in data, which in turn increases the demand for cloud capacity and the need to establish more data centres.

² (Ministry of Local Government and Regional Development, 2019)

The Norwegian government emphasises that Norway wants to be perceived as an attractive country for hosting data centres and published a national data centre strategy in 2018³.

For the first time since 2016, Norway is expected to present a new national digital strategy covering both private and public sector in 2024. The strategy will, among other things, focus on improving business orientated digitalisation and regulation of artificial intelligence⁴.

Policy action to foster the digital infrastructure and business investments in the digital transformation have resulted in top placements for Norway in digital economy rankings. In 2022, Norway placed fifth, after Sweden, in the European Commission's Digital Economy and Society Index (DESI)⁵.

The uptake of cloud by businesses in Norway is increasing

In this context, the digital transformation of the Norwegian economy relies heavily on the availability and uptake of secure, affordable, and high-quality cloud computing.

Cloud adoption has showed a remarkable increase in the last seven years, as cloud users almost doubled. At present, according to Eurostat official statistics, 64 per cent of Norwegian companies⁶ have adopted cloud computing service, a share that is well above the European Union average but still slightly behind 2030 Digital Decade Target, set at 75 per cent. Based on current trends, Norway is expected to see 75 per cent of companies adopting the cloud by 2024 - six years ahead of the 2030 deadline⁷.

³ (Ministry of Local Government and Regional Development, 2020)

⁴ (Ministry of Local Government and Regional Development, 2023)

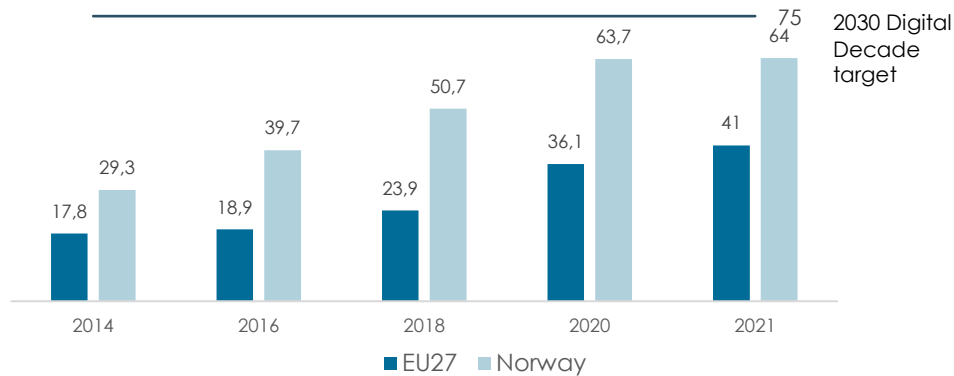
⁵ (European Commission, 2022). The index summarises and monitors the evolutions of Member States' digital performance, across five main dimensions: Connectivity, Human Capital, Use of Internet, Integration of Digital Technology, Digital Public Services.

⁶ It should be noted that Eurostat's estimate only includes companies with at least 10 employees.

⁷ (PublicFirst, 2022)

Figure 1
Cloud adoption in Norway continues to grow

Percentage of all companies with 10 or more employees (excluding financial sector) using cloud computing services

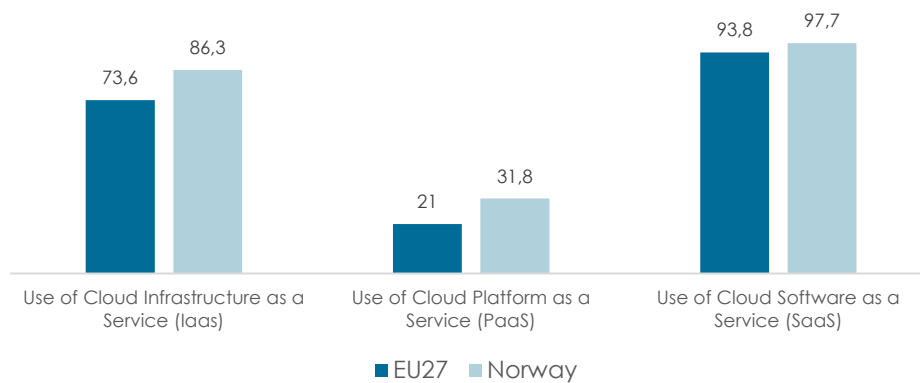


Note: No data is available for EU27 for 2015, 2017 and 2019

Source: Copenhagen Economics on Eurostat data

Among companies using cloud services, cloud Software-as-a-Service (SaaS) technologies are the most common, see Figure 2. According to Eurostat’s taxonomy, this category includes e-mail, office software, finance or accounting software applications, ERP, CRM, or security software applications as a cloud service and almost all Norwegian companies that are cloud users report employing at least one of these. A large proportion of cloud users also uses at least one cloud Infrastructure-as-a-Service’ product, i.e., hosting enterprise’s database, storage of files or computing power to run enterprise’s own software as a cloud computing service. Lastly, only 31.8 per cent use Platform-as-a-Service (i.e., computing platform providing a hosted environment for application development, testing or deployment as a cloud service). In all three categories, Norwegian enterprises report higher adoption rates than the EU27 average.

Figure 2
Cloud adoption by service model, 2021
Percentage of companies using cloud computing services



Note: No data is available for companies with less than 10 employees

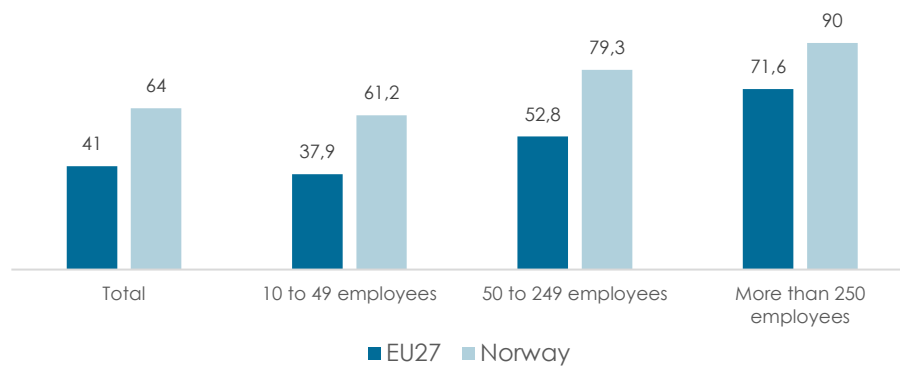
Source: Copenhagen Economics on Eurostat data

Cloud adoption grows along with size. 90 per cent of large companies in Norway are cloud users, while only 61,2 per cent of small companies (10 to 49 employees) rely on cloud services, see Figure 3. Despite the gap with larger enterprises, Norwegian SMEs display a high level of digital intensity (their Digital Intensity index⁸ is on average 79,3 per cent, against an EU level of 55 per cent) that reflects on a cloud uptake rate which is well above the EU average. SMEs face a number of challenges that prevent them from adopting advanced technologies and benefit fully from the digital transition. According to a recent study by the European Parliament⁹, these include, among others, a) structural barriers, which relate to lack of digital skills of managers and employees, and b) financial barriers, which refer to difficulties in accessing finance to invest in digital transformation.

⁸ The EU Digital Intensity Index (DII) measures the use of different digital technologies by enterprises and its score (0-12) is determined by how many of the 12 selected digital technologies the enterprises use.

⁹ (European Parliament, 2022)

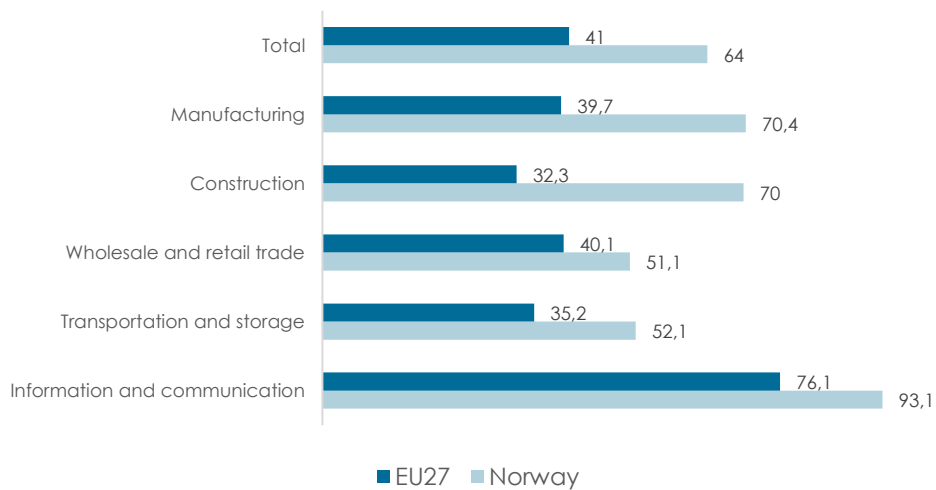
Figure 3
Cloud adoption by company size, 2021
Percentage of companies using cloud computing services



Note: No data is available for companies with less than 10 employees
Source: Copenhagen Economics on Eurostat data

Cloud adoption appears slightly different across all sectors of the economy, see Figure 4. Information and communication display a take up rate significantly higher than the overall average, while the wholesale and retail sector lags behind, with only 51,1 per cent of companies adopting cloud services. Therefore, increasing cloud uptake across all sectors of the economy is a key challenge to strengthen innovation and productivity across all the economy.

Figure 4
Cloud adoption by sector of activity, 2021
Percentage of companies using cloud computing services



Source: Copenhagen Economics on Eurostat data

CHAPTER 3

**CLOUD GENERATES VALUE TO THE
OVERALL ECONOMY****Key findings**

- More than two thirds of businesses using cloud services in Norway consider benefits related to cost savings, productivity, and security as important.
- More sophisticated users seem to be more aware of the importance of benefits derived from cloud.
- The vast majority (92 per cent) of cloud users surveyed report that their business is able to generate extra revenue from using cloud computing services. Additional revenue reported thanks to cloud range from an average of **NOK 129,000** for micro firms (0-9 employees) to more **NOK than 5.4 million** for large firms (more than 250 employees).
- Cloud users in our survey report annual cost savings by using cloud services instead of maintaining their own on-site servers and physical data centres that range from an average of **NOK 128,000** for micro firms (0-9 employees) to more than **NOK 4.7 million** for large firms (more than 250 employees).
- We estimate that, in one year, AWS cloud services enable businesses to generate up to **NOK 12.5 billion** in economic value added for the entire Norwegian economy. This equals around 0.19 per cent of the Norwegian GDP in 2022.
- Firms that have adopted cloud display a higher employment growth than non-users in the past three years.
- Young companies are reliant on cloud technologies to offer their services and remain competitive in the market: 22 per cent of young cloud users reported their business would not be possible without cloud. From that, we calculate that the adoption of AWS contributes to the creation of over 11,400 jobs in young firms in Norway.

**3.1 KEY CLOUD BENEFITS SPAM FROM COST SAVINGS
TO ENHANCED SECURITY**

Cloud adoption entails a number of benefits in terms of cost savings, productivity and innovation enhancements, security, and sustainability that are well-documented in the literature and recognised by cloud users.

Regarding cost savings, the use of cloud allows businesses to access IT infrastructure that would not be otherwise available and thus to save on costly investments and server maintenance. This translates into general lower IT costs and the capability of operate with fewer dedicated IT staff members.

In terms of productivity, cloud benefits include more scalable and flexible IT capacity that enable shorter development cycles, and thus, in turn, increased operational efficiency and the ability to increasing the speed from idea to implementation. Cloud infrastructure can be indeed harnessed to

scale products and services almost instantaneously to a broader set of customers, segments, channels and geographies.

The use of cloud also entails innovation enhancements, as it enables, among other things, the adoption of other advanced technologies (e.g., Big Data AI, and Machine Learning) enabling data-driven decision making.

As for security, cloud adoption brings about benefits that go from "security and better data management", to "disaster recovery" and "increased reliability".

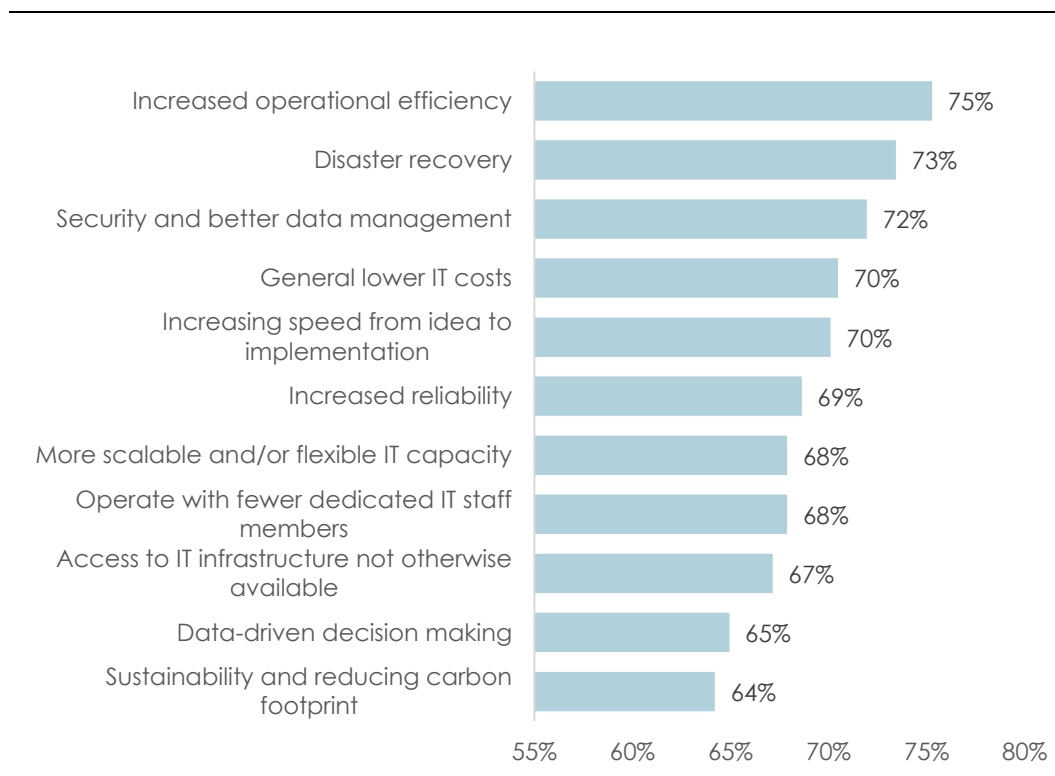
Lastly, cloud benefits include "sustainability and reducing carbon footprint" from a twofold perspective: the use of more energy-efficient centralised data centres and the capability to develop more sustainable processes.

Insights from our survey suggest that more than 64 per cent of businesses using cloud services in Norway consider the type of benefits described above as important. More specifically, benefits related to cost savings, productivity and security were found important by more than two thirds of cloud user companies surveyed, see Figure 5.

Increased operational efficiency was considered as the most relevant benefit to Norwegian users. Additionally, disaster recovery was considered particularly important to business users. In fact, 41 per cent reported the benefit as "very important".

Figure 5**What are the most important benefits of cloud computing to your company?**

Percentage of respondents saying it is moderately important, important, or very important



Source: Copenhagen Economics on survey data

Multiple benefits are considered similarly important across businesses using cloud. Nevertheless, our survey highlights interesting differences in sets of benefits valued the most depending on characteristics of cloud users.

For example, some benefits are even more salient for early adopters (users having used cloud for more than 5 years¹⁰). In our samples, 44 per cent of early adopters reported increased reliability as a very important benefit of using cloud (71 per cent consider it important, overall), against 30 per cent of more recent adopters. An even greater emphasis is given to “more scalable and/or flexible IT capacity”: 45 per cent of early adopters agreed it is a very important (79 per cent report it as important) advantage of using cloud, compared to only 25 per cent of new adopters. Businesses with more experience in using cloud have a different, more “mature” view on cloud and they may have more (successful) experience in how cloud services enable scalability.

Moreover, we also find that young (founded less than 10 years ago) and old businesses have different perceptions on benefits of cloud. For younger businesses, for instance, “Increased operational efficiency” is the most important benefit of cloud. In contrast, old firms consider “Increased reliability” as the most relevant advantage of cloud.

¹⁰ In our sample, 35% of companies surveyed have used cloud for more than 5 years

Zooming in on high performing young firms, those companies in our sample that were founded less than 10 years ago and reported more than 20 per cent revenue growth since 2020¹¹, we observe that 81 per cent perceive “general lower IT costs” as an important benefit. High performing young firms also give more emphasis to “sustainability and reducing carbon footprint”, as it is considered an important benefit by 73 per cent of them, with respect to 64 per cent of the rest of the sample.

Finally, we considered benefits brought by cloud for more sophisticated cloud users, defined as companies employing cloud services for five or more use cases.¹² Sophisticated cloud users report “general lower IT costs” as the most important benefit of cloud, 82 per cent of them consider it as important, against only 68 per cent of less sophisticated users. In addition, in general more sophisticated users seem to be more aware of the importance of benefits derived from cloud, with an average of 77 per cent responses indicating moderately important, important, or very important across all benefits. In contrast, only 67 per cent of less sophisticated users considered those benefits as such.

Benefits like increased operational efficiency, increased security and reliability, and the possibility to transfer firm level investment and resources from in-house computing and server maintenance to other activities such as research and development allow firms that migrate to the cloud to realize important productivity gains and increase their competitiveness.

This translates into a) additional revenues and costs savings for businesses and b) overall gains in economic value and jobs created for the entire economy in Norway.

3.2 CLOUD HELPS BUSINESSES TO GROW REVENUES AND CUT COSTS

Cloud enables businesses to become more competitive and grow revenues, by, among other things, supporting new operating models and enabling innovation.

Firstly, in line with this idea, we observe that cloud users surveyed for this study report higher revenue growth rates relatively to non-cloud users. 83 per cent of cloud users, and, among these, 85 per cent of AWS users, reported they have experienced revenue growth since 2020, compared with only 60 per cent of non-users, see Figure 6. Moreover, 45 per cent of AWS users reported that the use of cloud increased their revenues by more than 20 per cent in the last three years (37 per cent for all cloud users), against 24 per cent of non-users.

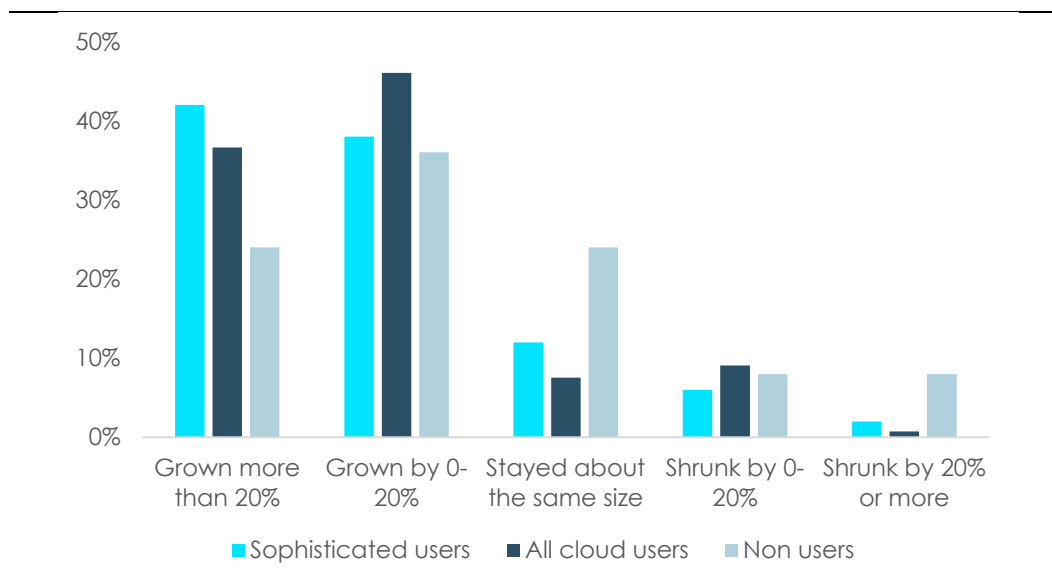
The better performance of cloud users is even more evident when looking at more sophisticated cloud users. Sophisticated users display higher growth rates than overall users and non-users,

¹¹ In our sample, this group represent 31 per cent of cloud users.

¹² In our sample, this group represent 19 per cent of cloud users. In our survey, 54 per cent of cloud users reported to use cloud for only 1 or 2 use cases. Uses cases considered are: Archiving, Artificial Intelligence, Augmented Reality (AR) and Virtual Reality (VR), Back-up and Restore (disaster recovery), Blockchain, Business Applications, Cloud Financial Management, Containers & Microservices, Database Migration, Datacentre Migration, Data Lakes and Analytics, DevOps, E-commerce, Edge Computing and End-user computing, Front-End Web & Mobile Development, High Performance Computing, Internet of Things, Machine Learning, Management & Governance, Networking & Content Delivery, Security, Identity & Compliance, Serverless Computing, Storage, Web Hosting.

almost half of them (42 per cent) reported their revenues have grown by more than 20 per cent in the last three years. We note that these should be interpreted as correlations without claiming direct causality.

Figure 6
Average revenue growth by use of cloud platforms since January 2020
Percentage of respondents



Source: Copenhagen Economics on survey data

Secondly, in the survey we directly asked cloud users whether cloud supported them to generate additional revenues. The vast majority (92 per cent) of cloud users surveyed report that their business is able to generate extra revenue from using cloud computing services.

Additional revenue reported thanks to cloud range from an average of NOK 129,000 for micro firms (0-9 employees) to more than NOK 5.4 million for large firms (more than 250 employees).

Cost savings, even when scaling up, using more cloud

Cloud also generates efficiencies on the cost side. Flexible, on-demand infrastructure brings cost savings as businesses are not required to invest in on-premises data centres and their maintenance. This includes more efficient use of IT staff with limited/no IT experts dedicated solely to set up and maintain local servers.

Moreover, business can harness more cost benefits than just saving up on the cost of IT infrastructure investment and IT maintenance costs. The ability to scale IT processes up and down and on-demand infrastructure allow to meet demand fluctuations, thus in turn reducing risk for shortage of capacity or the need to pay for capacity that is not being used. According to a recent study by

Accenture¹³, greater workload flexibility combined with higher server utilization rates translate in savings that are estimated to be up to 30-40 per cent in total cost of ownership of IT for firms.

Thus it was important to test the above literature findings to see whether and to what extent this applies in a range of businesses across the country and economic sectors. It turns out that national firms' evidence supports the above findings. Indeed, cloud users in our survey report annual cost savings by using cloud services instead of maintaining their own on-site servers and physical data centres that range from an average of NOK 128,000 for micro firms (0-9 employees) to more than NOK 4.7 million for large firms (more than 250 employees).

3.3 CLOUD CONTRIBUTES TO GENERATE VALUE FOR THE OVERALL ECONOMY IN NORWAY

3.3.1 The use of cloud services generates value added for the entire economy

The cloud-enabled additional revenues and cost savings reported by cloud users in our survey are tangible examples of how and to what extent cloud technology empowers firms to generate additional value added for businesses and, in turn, the overall economy.

Based on extrapolations of the firm level figures of additional revenue and cost savings associated to cloud adoption, we estimate that, in one year, AWS cloud services enable businesses to generate up to NOK 12.5 billion¹⁴ in economic value added for the entire Norwegian economy. This equals around 0.19 per cent of the Norwegian GDP in 2022.

This is more than the entire Norwegian fashion manufacturing industry¹⁵.

This estimate aligns with existing research in other countries. Similar studies conducted in the UK and Germany estimated a value-added gain of £8.7 billion and EUR 11.2 billion, respectively, corresponding to around 0.4 and 0.3 per cent of UK and German GDP¹⁶.

Furthermore, academic study done by Etro¹⁷ also estimated a similar GDP yearly contribution of around 0.4 per cent in the medium term under fast adoption of cloud computing. According to Etro, the change in the cost structure brought by cloud, from fixed costs to marginal cost of production would have a significant impact on the incentives to start a new business, by lowering the barriers to entry, and would foster investment. These benefits would be mostly felt by smaller firms, that could take advantage of the same computing power and capacity that was previously only available to larger firms. The positive impact on GDP growth has also being confirmed by 2016 study from the European Commission on the impact of cloud on the economy.¹⁸

¹³ (Accenture, 2020)

¹⁴ We estimated cloud's economic impact using the per-firm additional revenue associated with take up rates of cloud (information retrieved from the survey). More details on the methodology employed in the Appendix.

¹⁵ Production value of wearing apparel and textiles in 2022, Eurostat data.

¹⁶ It should be noted than in UK and Germany cloud adoption rates are much lower than those recorded in Norway.

¹⁷ (Etro, 2011)

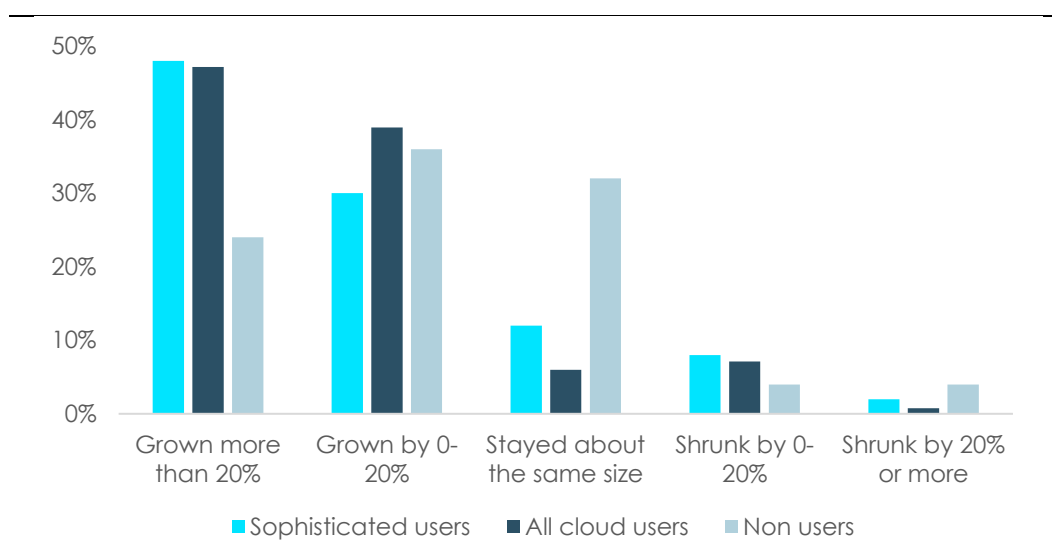
¹⁸ (European Commission, 2016)

3.4 CLOUD CONTRIBUTES TO EMPLOYMENT IN NORWAY

The use of cloud services is also associated with firm-level job creation and job growth.

In our survey, we observe that firms that have adopted cloud display a higher employment growth than non-users in the past three years. 47 per cent of businesses using cloud reported their headcount grew by more than 20 per cent, while only 24 per cent of non-users reported a comparable increase, see Figure 7. Again, we note that this positive association may not represent a direct causal effect.

Figure 7
Average headcount growth by use of cloud platforms since January 2020
Percentage of respondents



Source: Copenhagen Economics on survey data

More directly, cloud adoption supports job creation thanks to enhanced survival rate of young firms that rely on this technology and service, increased productivity and business expansion. There is also an increasing number of cloud-native businesses which have been created around cloud and may not have been viable without it.

Young companies are in fact particularly reliant on cloud technologies to offer their services and remain competitive in the market: 22 per cent of cloud user businesses founded less than 10 years ago reported their business would not be possible without cloud.

What does this mean for the entire economy? We have constructed an estimate using the above share and the share of AWS users in our survey, together with public statistics on the number of people working in young firms in Norway. In doing so, we extrapolate a conservative estimate of the jobs facilitated by cloud adoption, and in particular AWS services, in Norway. ¹⁹ Based on Eurostat

¹⁹ We follow the approach adopted by IW Consult on a similar study for Germany (IW Consult, 2022).

data²⁰, approximately 290,000 people in Norway work for a firm founded less than 10 years ago (around 10.6 per cent of people employed in Norway²¹). In our survey, around 20 per cent young firms use AWS, while 24 per cent report cloud is indispensable for their business. Accordingly, if we consider AWS cloud as enabler of survival and growth of this portion of young companies, we can estimate adoption of AWS is partly responsible for the creation of over 11,500 jobs in Norway²² (around 4 per cent of employment in young companies). We note that this provides a conservative figure that focus only young businesses enabled by cloud and it does not consider new jobs created by established companies that grow and expand their workforce thanks to cloud.

This estimate is comparable (on a scale-adjusted basis) to what was found in a recent study for Germany, i.e. a finding of a contribution to 3 per cent of the overall employment in companies of 10 years or less - that otherwise would not have created.²³

Indeed, broader academic and policy studies have explored and demonstrated further the positive link between cloud adoption and employment growth. In a 2016 European Commission study measuring the impact of cloud on the economy²⁴, all analyses have indicated a positive impact on business creation and employment. Moreover, key studies, such as the IDC study on cloud uptake²⁵, estimated a cumulative impact on employment of about 1.6 million jobs created in the EU28 between 2008 and 2020 (2.5 million according to the optimistic scenario and slightly over 1 million in the pessimistic scenario).

Etro²⁶ quantified the impact on EU employment at 300,000 new jobs under the slow adoption scenario and at more than 1 million jobs under the fast adoption scenario in the short run. This would translate in a reduction of the employment rate in the EU between 0.1 and 0.3 per cent in the short run.

Other recent empirical studies confirmed the beneficial effect of cloud adoption on employment. Using worker-level data from the UK HMRC tax agency and ONS E-commerce survey and business census, DeStefano et al. (2020)²⁷ find that cloud adoption relates to a significant annual increase in the number of employees for both young (28 per cent) and incumbent firms (15 per cent) between 2008 and 2015.

²⁰ (Eurostat, 2023)

²¹ (Statistics Norway, 2023)

²² The approach employed to quantify jobs creation follows closely the one adopted by IW Consult in its Impact Study of AWS in Germany. Jobs created are measured as number of employees for companies of 10 years or less (in order to consider only start-ups and young companies) multiplied by the share of AWS usage in this segment and the share of those companies with a business model not possible without cloud from our survey. This can be seen as a conservative approach as it does not consider new jobs created by existing companies that expand their revenues thanks to cloud.

²³ (IW Consult, 2022).

²⁴ (European Commission, 2016)

²⁵ (IDC, 2013)

²⁶ (Etro, 2011)

²⁷ (DeStefano, Kneller, & Timmis, 2020)

CHAPTER 4

**CLOUD SUPPORT BUSINESSES TO GROW
AND REACH NEW MARKETS****Key findings**

- Enhanced competitiveness is recognized as a key benefit of cloud adoption: 68 per cent of cloud users surveyed for this study agree with the statement “The use of cloud helps our business to remain competitive in the market” – with AWS users being even more aware of the role of cloud for competitiveness.
- For 80 per cent of AWS users in our sample, cloud allows them to compete for new segments of the market.
- Cloud facilitates information sharing and collaboration among different teams according to 67 per cent of cloud users.
- Overall, 79 per cent of cloud users expanded their product or service portfolio in the last three years, against only 54 per cent of non-users.
- Cloud enables geographic expansion: 72 per cent of AWS users agreed with the statement “The use of cloud enables us to scale our business and to export to international markets/global”.

The positive economic impact of using cloud services described in previous section is the result, among other things, of:

- cloud technologies enhancing firms’ competitiveness,
- cloud technologies supporting young companies to grow and challenge the market,
- cloud technologies facilitating entry and expansion into new geographic and product markets.

4.1 CLOUD ENHANCES COMPETITIVENESS

The role of digitalisation in improving competitiveness of firms is undisputed in the literature and in policy action. As part of the advanced digital technologies, and enabler of others (AI, machine learning, big data process), cloud is a cornerstone for business competitiveness.

Cloud can support firms to become more competitive by increasing their productivity in two ways. First, as we already saw, cloud can help firms to reduce expensive inputs such as IT-capital while producing the same level of output (with lower costs). Second, cloud technologies may enable firms to improve and innovate their production processes and operations.

Increased firm-level productivity and subsequent enhanced competitiveness related to cloud adoption has been long documented. A study by OECD²⁸ based on cross-country firm-level data on productivity and industry-level data on digital technology adoption finds that digital adoption is associated with significant productivity returns at the firm level. In particular, the authors estimate

²⁸ (OECD, 2019)

that a 10-percentage point increase in adoption of cloud computing is related to an increase in (multi-factor) productivity growth by 0.9 percentage point. Additionally, they find cloud computing is more beneficial for smaller firms. Academic literature confirms the positive impact on productivity and sales from cloud adoption. For example, a recent article by Wang Jin²⁹ analyses 2010-2019 US firms' data, including the use of cloud. The study finds that adoption of cloud services is associated with significant productivity gains and 6.9 per cent higher average revenue growth in the long run. These gains are driven by the substitution away from costly IT equipment and capital and the seamless information and data flows facilitated by the cloud.

In the context of Norway, 68 per cent of cloud users surveyed for this study agree with the statement "The use of cloud helps our business to remain competitive in the market". Moreover, competitiveness is recognized as a key benefit of cloud adoption not only by cloud users. In our survey, non-cloud users cite "Improving competitiveness" as the first reason to start using cloud computing services in the future.

4.2 CLOUD SUPPORTS YOUNG COMPANIES TO GROW AND CHALLENGE THE MARKET

The ability to rent IT capacity as needed and access to instant on-demand elasticity in cloud storage and computational power is particularly critical for smaller and newborn businesses to expand and grow quickly. Jin and McElheran (2018)³⁰ showed empirically that cloud computing adoption is associated with significantly higher survival and growth among young firms while investments in traditional IT capital increased the likelihood of failure. Cloud technology is changing how firms learn about their IT requirements and benefit from shared economies of scale before they achieve significant experience and scale of their own.

As a consequence, cloud computing enables young and small businesses to compete with larger companies, thanks to increased and more scalable IT capacity that in turns enhances efficiency and productivity. More than one third (34 per cent) of businesses surveyed strongly agreed with the statement "The use of cloud allows us to compete with larger companies". Sophisticated users display even higher agreement on this statement (43 per cent) suggesting that heavy cloud users perceive this benefit as even more relevant.

Moreover, also high-performing young firms are aware of the critical role of cloud computing as key asset to achieve competitiveness. In that case, 66 per cent of them state that disruptors/new entrants in their market are moving fast in adopting cloud computing, against 61 per cent of the overall sample of cloud users.

In general, 64 per cent of businesses agreed on the statement "Costs savings from cloud allowed us to invest more in business growth".

²⁹ (Jin, 2022)

³⁰ (Jin & McElheran, Economies Before Scale: Survival and Performance of Young Plants in the Age of Cloud Computing, 2018)

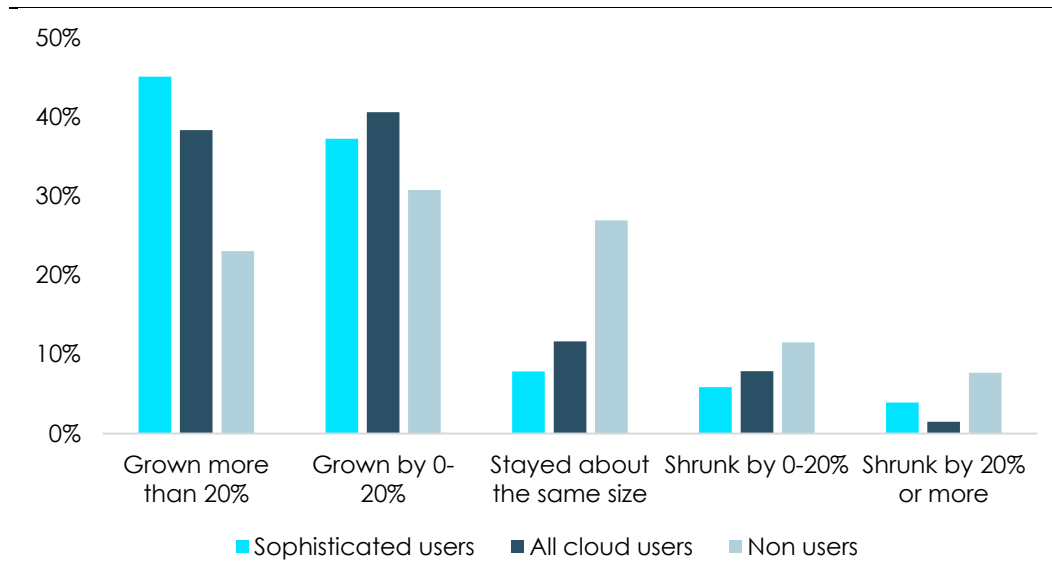
Focusing on AWS users, we note that almost 69 per cent of AWS users in our sample reported that cloud allows them to compete with larger companies, and 61 per cent declared that costs savings from cloud allowed them to invest more in business growth.

Finally, the experience of Nordic start-ups using AWS cloud services (see case studies of companies such as Veo, Monta and Factbird presented in related Copenhagen Economics report on AWS Economic Impact in Denmark for example) corroborates how the use of AWS cloud technologies can enable fast growth and support rapid scale ups that would have not been possible without cloud. For instance, Monta, active in the electric vehicles (EV) charging ecosystem, could reach in less than three years more than 90,000 users on its app and add more than 4,000 charge points monthly thanks to cloud's scalability. This allowed Monta to compete with large legacy players in the automotive industry. Moreover, the use of cloud allowed Danish firm Factbird to scale up faster in the production of solutions for lean manufacturing and offer the highest level of security standards, like the largest incumbents in the market.

4.3 CLOUD MAKES IT EASIER TO ENTER AND EXPAND INTO NEW GEOGRAPHIC AND PRODUCT MARKETS

Cloud users also emphasized the role of cloud as accelerator for product and geographic expansion. Comparing product/ service portfolio growth across respondents, we observe a relevant gap between cloud users and non-users. Among the first, 45 per cent of sophisticated cloud users report their product or service portfolio growth grew by more than 20 per cent since January 2020, while only 23 per cent of non-users reported a comparable growth. Overall, 79 per cent of cloud users expanded their portfolio in the last three years, against only 54 per cent of non-users, see Figure 8.

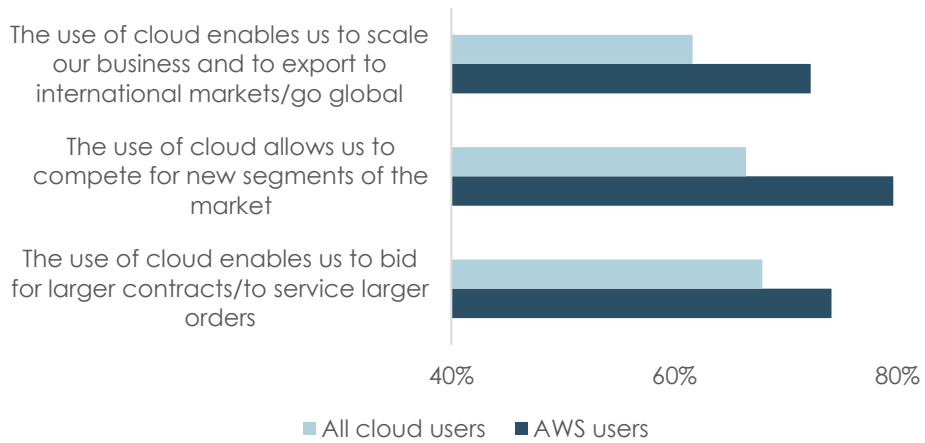
Figure 8
Cloud users have experienced higher growth in product/service portfolio since January 2020
Percentage of respondents



Source: Copenhagen Economics on survey data

This positive association is also confirmed by qualitative statements of the companies surveyed. 66 per cent of cloud user businesses agreed with the statement “The use of cloud allows us to compete for new segments of the market” while 62 per cent state “The use of cloud enables us to scale our business and to export to international markets/go global”. In addition, 68 per cent of cloud users report the use of cloud enables them to bid for larger contracts/to service larger orders. Also in this case, AWS users continue to have a higher perception of how cloud helps them to expand their business as their agreement is consistently higher across all proposed statements, see Figure 9.

Figure 9
Cloud enables firms to compete and expand in new markets
Percentage of respondents saying they strongly agree or somewhat agree



Source: Copenhagen Economics on survey data

CHAPTER 5

CLOUD FUELS INNOVATION**Key findings**

- More than two thirds of cloud users in our survey agreed that the use of cloud makes it easier to provide better and more tailored products and services to end consumers. The same share rises to 83 per cent for AWS users.
- Cloud technologies reduce the time necessary to launch a product to the market, as reported by 68 per cent of cloud users.
- 64 per cent of cloud users agree cloud helps reducing the software development cycles.
- 61 per cent of cloud business users state the use of cloud has allowed IT experts to allocate time on more strategic tasks.
- 74 per cent of cloud users report that the use of cloud allowed them to improve and innovate their processes.
- 66 per cent of cloud users in our survey report that the use of cloud has made it easier to adopt new technologies requiring a lot of data processing (e.g., AI and Machine Learning).
- AWS users are heavy adopters of advanced technologies, and show a higher take up rate on all the most advanced use cases proposed.

Cloud technologies are not only a digital technology to adopt *per se*, but also a driver to further innovation.

First, cloud technologies may empower complementary innovation related to better, more tailored services to customers, more efficient processes and new business models at lower costs and greater speed. Additionally, as anticipated in the previous sections, cost savings and additional revenues enjoyed by cloud users can be re-invested in business growth and other innovative processes.

Second, cloud services allow companies to experiment with cutting edge, emerging technologies (e.g., machine learning, AI, augmented and virtual reality, blockchain, etc.) thanks to greater computing power and IT infrastructure accessible on cloud.

5.1 CLOUD EMPOWERS FIRMS' INNOVATION

Cloud technologies help businesses across different types of innovations:

- Cloud makes it easier to innovative and bring new products to the market
- Cloud enables more efficient internal processes and reduces time to market
- Cloud supports new and innovative business models

5.1.1 Cloud makes it easier to innovate and bring new products to the market

The ability to accelerate product development and innovation is one of the main advantages that firms recognize to cloud. In our survey, 72 per cent of cloud users state that the use of cloud makes

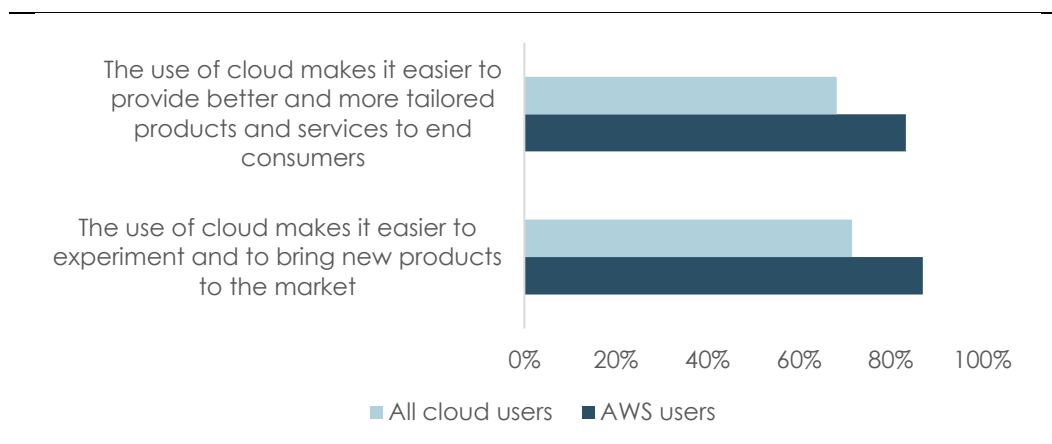
it easier to experiment and to bring new products to the market. This share goes up to 87 per cent if we consider only AWS users, see Figure 10.

Additionally, 68 per cent of cloud users in our survey agreed that the use of cloud makes it easier to provide better and more tailored products and services to end consumers. The same share rises to 83 per cent for AWS users.

Figure 10

Cloud enables firms to bring new products to the market

Percentage of respondents saying they strongly agree or somewhat agree



Source: Copenhagen Economics on survey data

Furthermore, the ability to leverage cloud to experiment and create new products seems particularly high among sophisticated users and young high performing firms:

- 78 per cent of sophisticated users agree that cloud makes it easier to experiment and bring new products to the market
- 75 per cent of young high performing firms agreed that the use of cloud makes it easier to provide better and more tailored products and services to end consumers.

Finally, in line with the above, our survey shows that firms using cloud services have experienced higher growth in product/service portfolio since January 2020 compared to non-cloud users, see Figure 8 in section 3.3.

5.1.2 Cloud enables more efficient internal processes and reduces time to market

Besides product innovation, cloud technologies affect positively process innovation and ensure more efficient internal processes. 74 per cent of cloud users stated that the use of cloud allowed them to improve and innovate their processes. This positive channel can take multiple forms and effects, see Figure 11.

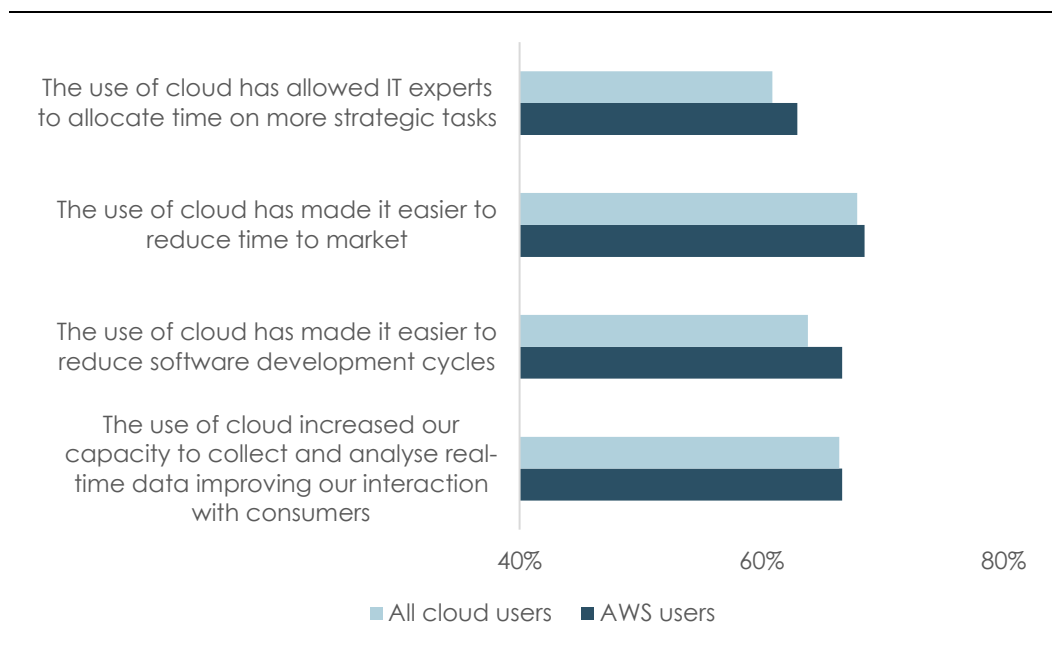
In general, cloud technologies reduce the time necessary to launch a product to the market, as reported by 68 of cloud users.

This outcome is also relevant for the specific case of software. 64 per cent of cloud users in our survey reported that cloud helps reducing the software development cycles. This has also been confirmed in interviews with AWS users carried out in the related Copenhagen Economics study on the economic impact of AWS in Denmark. Monta, a Danish innovative start-up active in developing software for EV charging stations, confirms this benefit. Monta reported that the process automation of moving code from testing environments into production enabled by AWS, allows to move to production around four times faster than it would be by doing it manually.

Better processes are also the results of more data-driven operations. 66 per cent of businesses agree that the use of cloud increased their capacity to collect and analyse real-time data improving their interaction with consumers. The ability to analyse large datasets in real-time can also support companies in the retail sector in inventory optimization.

In addition to the above, more efficient operations can free up time for skilled resources to dedicate on other tasks. 61 per cent of cloud business users state the use of cloud has allowed IT experts to allocate time on more strategic tasks.

Figure 11
Cloud supports better processes and reduces time to market
Percentage of respondents saying they strongly agree or somewhat agree



Source: Copenhagen Economics on survey data

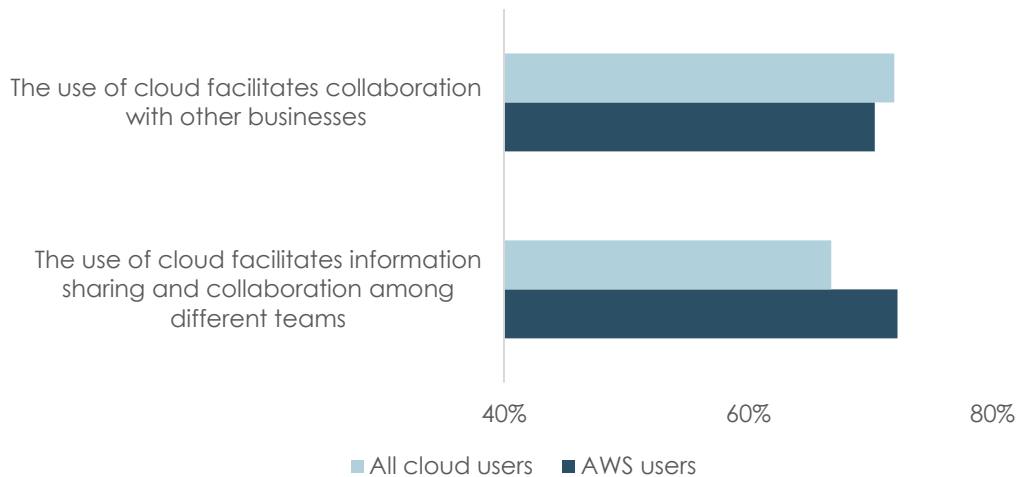
Finally, we note that better processes and information sharing within organisations usually translate into more efficient and effective use of human capital in the company. According to our survey, cloud adoption has favoured collaboration with the firm and with other businesses: 67 per cent of businesses reported that the use of cloud facilitates information sharing and collaboration among

different teams and 72 per cent agreed that cloud facilitates collaboration with other businesses. This has become especially evident during the COVID-crisis.

Figure 12

Cloud favours collaboration and information sharing

Percentage of respondents saying they strongly agree or somewhat agree



Source: Copenhagen Economics on survey data

5.1.3 Cloud supports new and innovative business models

The adoption of cloud technologies may enable new and/or innovative business models. In our survey, more than 57 per cent of cloud users report that the use of cloud allowed us to improve and innovate their overall business model. Also, as put forward in section 3.4, 22 per cent young businesses report their business model not possible without cloud.

Cloud services and, in particular, AWS, are thus enabling the creation and development of new businesses in highly innovative and important industries. For example, AWS supports businesses operating in highly innovative sectors such as EV vehicles and the ecosystem around them, connected devices, smart manufacturing/IoT and smart devices

In sum, the innovation created also thanks to cloud helps to support business growth. According to a recent McKinsey report³¹, innovation-driven growth enabled by cloud could deliver between \$ 50 and 160 billion in 2030 EBITDA only across the Fortune 500 companies in the US. The report highlights how cloud can unlock substantial value in all industries through innovation.

³¹ (McKinsey, 2021)

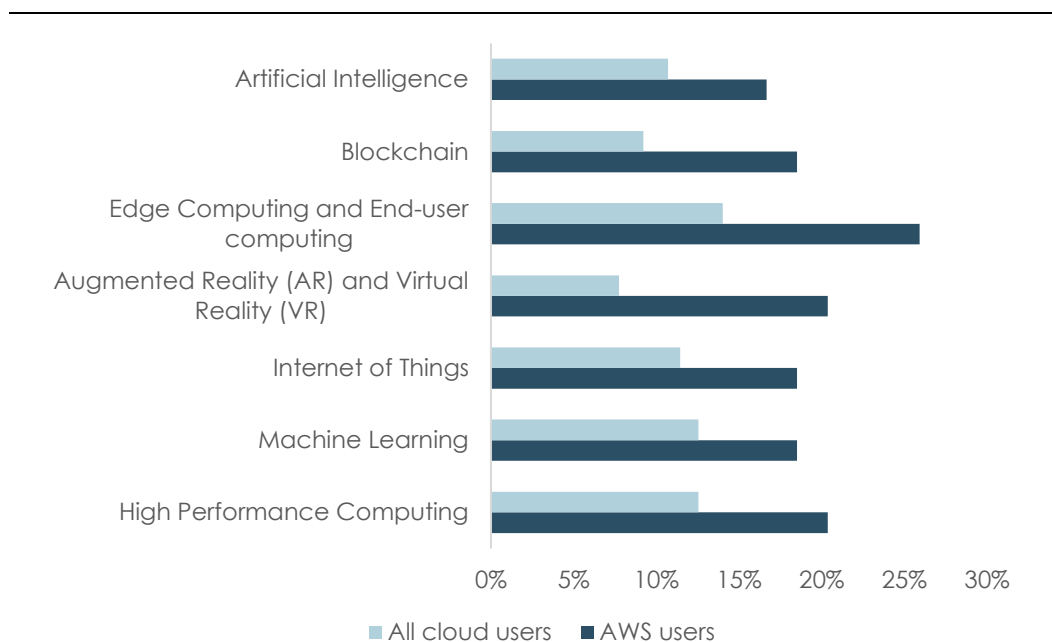
5.2 CLOUD MAKES IT EASIER TO ADOPT ADVANCED TECHNOLOGIES

Cloud can provide better and faster access to innovative and new technologies. 66 per cent of cloud users in our survey report that the use of cloud has made it easier to adopt new technologies requiring a lot of data processing (e.g., AI and Machine Learning).

The most adopted use cases of cloud services in advanced technologies are depicted in Figure 13. As evident from the figure, AWS users are heavy adopters of advanced technologies, and show a higher take up rate on all the most advanced use cases proposed.

Figure 13
For which of the following use cases does your company / organisation procure cloud computing services?

Percentage of respondents



Source: Copenhagen Economics on survey data

Among emerging technologies, machine Learning (ML) and Artificial Intelligence (AI) are particularly important for their broad applications across sectors. Cloud computing provides businesses with the computing power, storage and security to train and deploy Machine Learning (ML) models and fast and scalable Artificial Intelligence (AI) solutions. Globally, more than 100,000 AWS users are using AWS for their ML/AI workloads³².

³² (AWS, 2023)

Finally, cloud can also support businesses to accelerate the training, fine-tuning, and deployment of large language and vision models used to create generative AI applications (see Box 2).

Box 2 Cloud services powering the new wave of Generative AI

Generative AI is a type of artificial intelligence that learns patterns from existing data which enables it to generate new and unique outputs. These highly realistic outputs can be of various kinds, such as text, images, videos, and audio. An example of generative AI is ChatGPT, developed by OpenAI, which is designed to generate responses in chat conversations that are indistinguishable from human output.³³

Generative AI provides many advantages to firms of all sizes. These advantages are for example the following:

- Increased efficiency – automating tasks that would otherwise need manual labour, for example data analysis³⁴
- Improved quality – generative AI can create texts, images etc. that are of higher quality than those created by humans
- Faster results – generative AI can be used to do a task in a much smaller timeframe than humans
- Cost savings – using generative AI to automate tasks can help firms reduce their labour costs.³⁵

These advantages have potential impacts on the economy. Generative AI systems such as ChatGPT could spark a productivity boom that would eventually raise annual global gross domestic product by 7 per cent over a 10-year period. As employees could have some part of their work automated, there would be time freed for more productive tasks.³⁶

Generative AI relies on foundation models (FMs) which are ultra-large machine learning models. They are expensive and time-consuming to build, train and deploy and are thus out of reach for many developers. Cloud providers such as AWS offer a number of services aimed at making generative AI more accessible and cost-efficient. One of these services provided by AWS is a new service called Amazon Bedrock that can be used for building and scaling generative AI applications. It gives customers easy access to FMs from the top AI start-up model providers such as Anthropic and Stability AI as well as FMs developed by AWS. This cloud service provides flexibility and choice to customers, enabling them to select the best models for their specific needs.³⁷

³³ (GenerativeAI.net, n.d.)

³⁴ (Workyard, 2023)

³⁵ (Speak Ai, 2022)

³⁶ (Financial Times, 2023)

³⁷ (Amazon News, 2023)

CHAPTER 6

CLOUD HAS WIDER SOCIETAL BENEFITS BY LOWERING ENVIRONMENTAL IMPACT**Key findings**

- 67 per cent of AWS users reported that, when choosing which cloud services to procure, they considered the sustainability profile of different cloud providers, against 64 per cent of the overall sample of cloud users.
- 65 per cent of businesses agree that the use of cloud help them to achieve their net-zero carbon emissions goals.
- More than 25 per cent of cloud users state that cloud helps reducing their environmental footprint by becoming more operationally efficient in the company processes beyond IT
- 68 per cent of businesses report that the use of cloud improves their energy efficiency.
- The use of cloud might increase companies' efficiency, while reducing their emissions, by facilitating information sharing and collaboration across different locations and teams

Cloud services can play a pivotal role in supporting companies and organisations facing sustainability and energy efficiency challenges. Reducing carbon footprint and achieving greater energy efficiency has become an imperative to increase businesses' competitiveness.

Cloud computing, by enabling a reduction in carbon footprint represents a key ally to firms facing environmental and efficiency challenges. This can be achieved in two ways:

- cloud providers can guarantee more economic and environmentally efficient storage of data and computing power, and
- cloud services can help firms to improve operational efficiency and developing more sustainable processes.

6.1 CLOUD SERVICES ALLOW FOR MOST ECONOMIC AND ENVIRONMENTAL STORAGE OF DATA AND COMPUTING

According to the International Energy Agency (IEA), “the shift away from small, inefficient enterprise data centres towards more efficient cloud and hyperscale data centres” can help reducing energy consumption for computing and data storage. In fact, in recent years, increasing connectivity and digitalization have led to an exponential growth in demand for data-driven services and computing power, triggering, in turn, demand for energy. Despite the growing demand for digital services, with global internet traffic expanding more than 5-fold since 2015, the increase in energy demand from data centres and data transmission networks has been limited to less than 60 per cent³⁸.

³⁸ (IEA, 2022)

By pooling the server needs of many businesses and reducing the number of on-premises servers, cloud infrastructure allows to reduce dramatically the carbon footprint of IT operations. According to a study conducted by 451 Research³⁹, moving from own IT premises to the cloud would allow European businesses to achieve carbon efficiency related to running business applications up to a reduction of 96 per cent in carbon emissions and nearly 80 per cent in energy usage. A result that holds true also for the most energy efficient organisations surveyed. Some differences exist across European countries. In the Nordics, for instance, the study calculated that Swedish companies, which operate in similar environment as Norway, could potentially save 67.5% of energy on average from server infrastructure and another 15.4% of energy on average from data centre infrastructure by moving workloads to the cloud, for a total of 79.9% energy savings. More in detail, this reduction is achieved through:

- More efficient servers and higher server utilisation.
- More efficient data centre facilities.
- Reduced electricity consumption and renewable energy usage.

A study conducted in 2020 by Accenture⁴⁰ presents similar figures, suggesting that an average enterprise-owned-to-cloud migration can lead to a 65 per cent energy consumption reduction and 84 per cent carbon reduction.

Furthermore, further research conducted by 451 Research⁴¹ shows that this carbon efficiency is expected to grow in the future, and data centres will be able to improve their efficiency faster than on-premises infrastructure. AWS has committed to power all its operations with 100% renewable energy by 2025, five years ahead of the original 2030 target, and reach net-zero carbon by 2040.

Moreover, to support cloud users to keep track of their carbon footprint, AWS has developed a tool that uses simple visualizations to show customers their historical carbon emissions, estimate emissions avoided by using AWS instead of an on-premises data centre, and review forecasted emissions based on their current use.

The efforts of cloud providers are recognised by cloud users and especially AWS users:

- 67 per cent of AWS users reported that, when choosing which cloud services to procure, they considered the sustainability profile of different cloud providers, against 64 per cent of the overall sample of cloud users, and
- 61 per cent of AWS users reported “sustainability benefits” as a key reason to invest in cloud, while 59 per cent agreed in the overall sample.

More practically, we find that AWS users rely relatively more than the average user on cloud services to reduce their environmental footprint (see Figure 14):

- 46 per cent of AWS users report that the use of renewable energy by cloud provider is one of the ways in which cloud computing help them reduce their carbon footprint, compared to only 32 per cent in the overall sample;
- similarly, one third of AWS users acknowledges ecological compensation activities of their cloud providers, against only one fourth of overall cloud users;

³⁹ (451 Research, 2021)

⁴⁰ (Accenture, 2020)

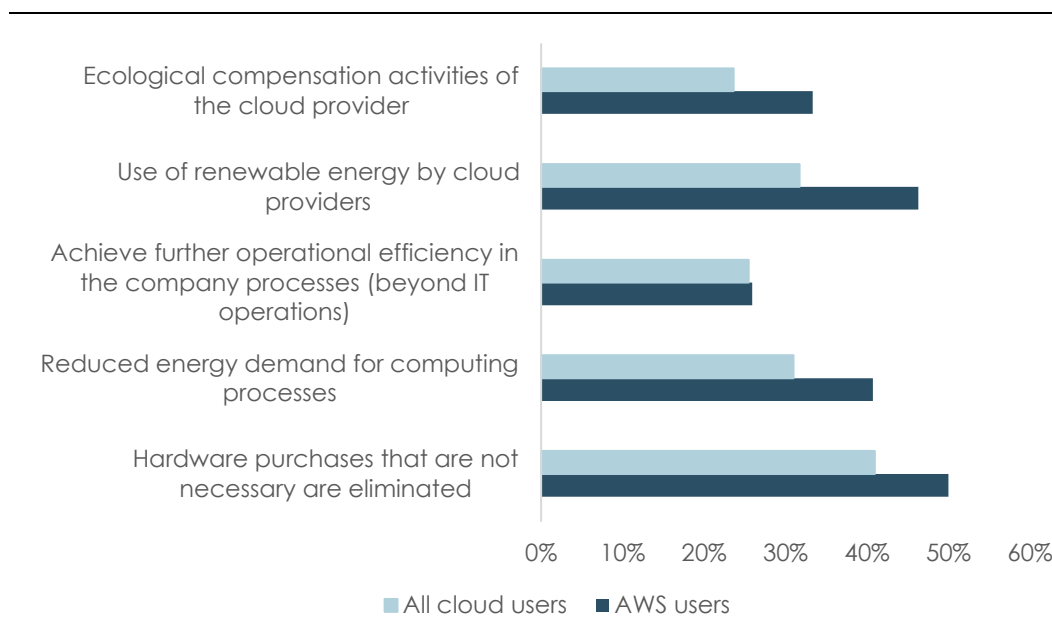
⁴¹ (451 Research, 2019)

- 50 per cent of AWS users (41 per cent of all cloud users) consider elimination of hardware purchases thanks to cloud as a way to reduce their carbon footprint;
- 41 per cent of AWS users (against 31 per cent in the all sample) also report reduced energy demand for computing processes as a relevant aspect of their sustainability profile.

Figure 14

How does cloud computing services help you reduce your environmental footprint?

Percentage of respondents



Source: Copenhagen Economics on survey data

6.2 USING CLOUD HELPS FIRMS TO IMPROVE OPERATIONAL EFFICIENCY AND DEVELOPING MORE SUSTAINABLE PROCESSES

Cloud users not only benefit from reduced carbon footprint of cloud infrastructure, but they can also capture more direct gains as cloud support them to improve operational efficiency and develop more sustainable processes. According to our survey, one fourth of businesses report that cloud computing support them to achieve further operational efficiency in the company processes beyond their IT operations.

Moreover, the use of cloud has supported the birth and expansion of new firms, green tech and sustainability start-ups, whose business model would have not been possible without the cloud.

Simultaneously, cloud has been key to improve operational efficiency and achieve sustainability goals also to larger, more traditional organisations.

Additionally, the use of cloud might increase companies' efficiency, while reducing their emissions, by facilitating information sharing and collaboration across different locations and teams (as put forward in section 4.3). This allows to reduce travel costs and associated emissions.

In sum, our survey reveals cloud users are aware of the role cloud can play in their path towards achieving greater sustainability. We find that 65 per cent of businesses using cloud services agree that the use of cloud help them to achieve their net-zero carbon emissions goals and 68 per cent of businesses report that the use of cloud improves their energy efficiency. AWS has a higher perception of the role of energy efficiency, with agreement to 72 per cent.

CHAPTER 7

CLOUD ENSURES BUSINESS SECURITY**Key findings**

- Security related features of cloud are indicated by users as some of the most relevant benefits.
- 68 per cent of cloud business users considered cloud infrastructure as more secure than traditional IT.
- More than 64 per cent of cloud business users surveyed for this study agree cloud increases security and helps fighting cyberthreats.
- Cloud service providers help increase security by enabling teams to automate basic security tasks and focus their time on the most complex threats, increase early detection, reduce probability of errors, and provide professional support.

7.1 DATA SECURITY AND PRIVACY ARE INCREASINGLY A CONCERN FOR BUSINESS CUSTOMERS AND END-USERS

The volume of data that businesses collect, create, manipulate, and store is growing, thus requiring an increasing attention on how data is governed and secured.

In 2022, one out of six (16.8 per cent) of Norwegian businesses reported having experienced an ICT related security incident leading to some consequences (e.g., unavailability of ICT services, destruction or corruption of data, disclosure of confidential data)⁴². Data is at the core of digital business models and digitized society and effective data protection has therefore become a key element of corporate strategy.

Increased awareness of the importance of data security is also signalled by the high and growing share of enterprises having insurance against ICT security incidents: according to Eurostat⁴³ this share went up from 33.5 per cent in 2019 to 38 per cent in 2022 (the EU 27 average records only 25 per cent of businesses insured in 2022).

7.2 CLOUD SOLUTIONS PROVIDE HIGH SECURITY FOR THE STORAGE AND HANDLING OF BUSINESSES DATA

By providing technical, operational, and contractual measures for data protection, cloud solutions support companies in managing all aspects of data protection:

⁴² (Eurostat, 2022)

⁴³ (Eurostat, 2023a)

- data controls and residency (or storage), related to how data is stored, secured and how access to data is managed.
- data privacy, related to advanced access, encryption, and logging features.
- data sovereignty, related to the laws and governance structure of the nation where data is collected, and,
- data security, related to practice of protecting digital information from cyberthreats and enforcing real-time controls.

As shown in Chapter 1, security related features of cloud are indicated by users as one of the most relevant benefits. These include increased reliability and security, better data management and disaster recovery. Given the increasing importance that data have assumed on business performance and profitability, loss of a key asset such as data is a critical business risk, thus making disaster recovery essential for business continuity.

In general, in our survey we find that:

- 68 per cent of cloud business users considered cloud infrastructure as more secure than traditional IT
- 64 per cent of cloud business users report that the use of cloud increased their ability to cope with cyber threats.

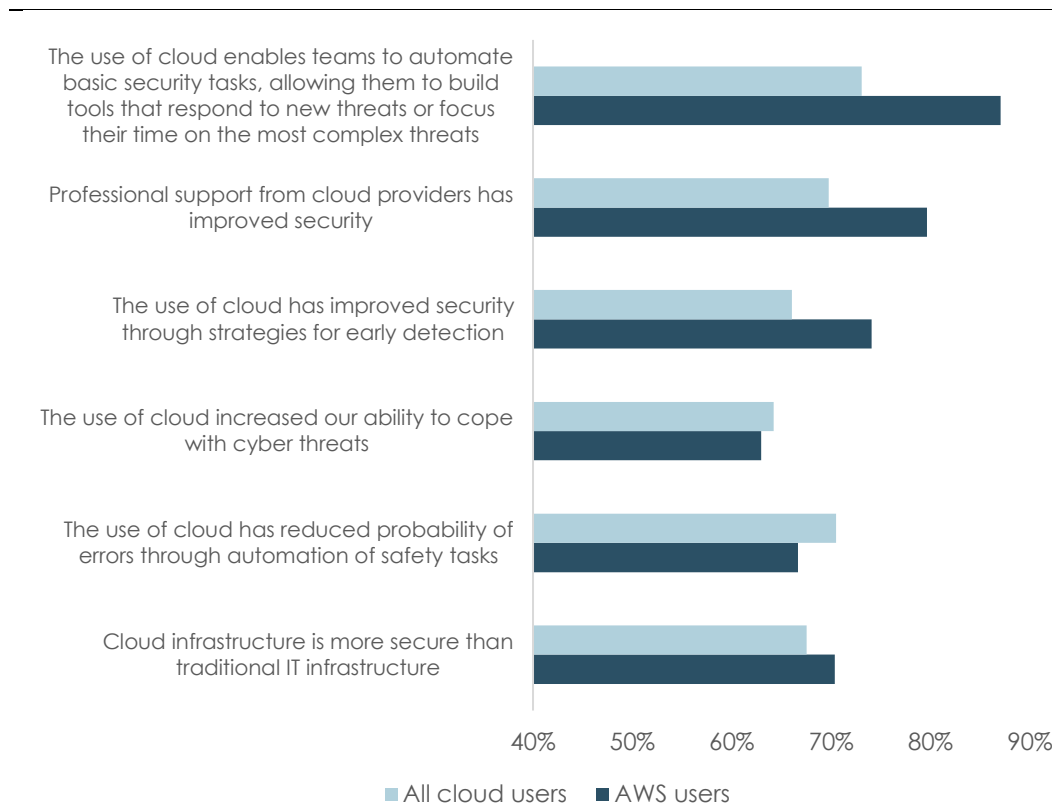
More specifically, cloud business users surveyed for this study agree cloud increases security and helps fighting cyberthreats in several ways (see Figure 15):

- by enabling teams to automate basic security tasks and focus their time on the most complex threats,
- by using strategies for early detection,
- by reducing probability of errors,
- by providing professional support.

Figure 15

Cloud enhances security

Percentage of respondents saying they strongly agree or somewhat agree



Source: Copenhagen Economics on survey data

CHAPTER 8

CLOUD CAN UNLOCK FURTHER OPPORTUNITIES**Key findings**

- Our survey shows that a general lack of knowledge and understanding of cloud technologies prevent non-users to adopt cloud technologies.
- 43 per cent of non-users consider cloud computing services adoption as likely in the next five years citing as a way to increase competitiveness, lower IT costs, improve security and better data management and increased operational efficiency
- Norway can unlock value by a) increasing the share of sophisticated cloud users (only 19 per cent of users employed cloud for more than five applications) and b) increasing adoption among small firms
- Based on our extrapolation model, we estimate that an increase of just 10 per cent in the cloud adoption rate of SME would translate into additional NOK 900 million in economic value added for the Norwegian economy.

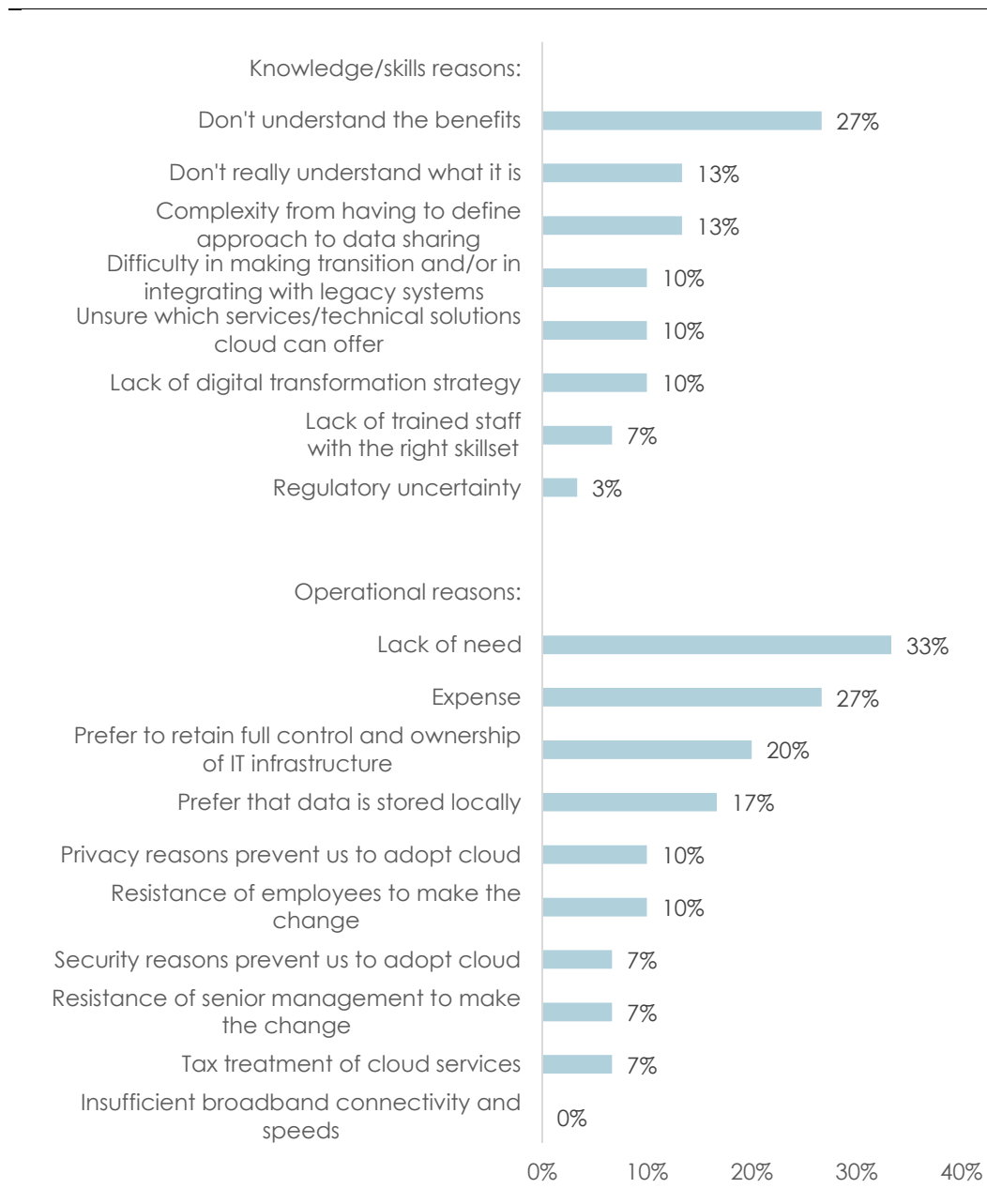
8.1 WHILE CLOUD CAN HELP SMALLER PLAYERS IN THEIR DIGITAL TRANSFORMATION, SEVERAL BARRIERS REMAIN TO INCREASE CLOUD UPTAKE

Despite very high take up rates in Norway, many businesses (according to the most recent Eurostat data around 34 per cent of companies with more than 10 employees⁴⁴) have not adopted cloud technologies yet. This is driven by a perceived lack of need for some firms but also a general lack of understanding of the technology.

In our survey, we grouped possible barriers to slow further uptake of cloud into two categories: a) barriers related to lack of certain knowledge/skills and b) operational barriers. We asked non-cloud users which barriers they perceived as more relevant for the lack of cloud adoption. Besides a perceived lack of need of cloud among one third of respondents, several respondents reported “don’t understand the benefits” and “don’t really understand what it is”, see Figure 16. This shows that a general lack of knowledge and understanding of cloud technologies prevent non-users to adopt cloud technologies.

⁴⁴ (Eurostat, 2023b)

Figure 16
Several barriers hinder further cloud adoption
Percentage of respondents



Source: Copenhagen Economics on survey data

Despite the existence of operational and knowledge or skill-related barriers to cloud adoption, many non-users are aware of the disadvantages of not using cloud. For example, 20 per cent of non-users reports that not using cloud services decreases their ability to compete for new segment of the

market, and an other 20 per cent state that using cloud services will become essential for them in the near future to digitally transform our business..

Finally, 43 per cent of non-users consider cloud computing services adoption as likely in the next five years, citing as main reasons leading to adoption:

- increased competitiveness;
- lower IT costs;
- Security and better data management;
- And increased operational efficiency (producing high-quality services/products with less resources).

8.2 ENCOURAGING CLOUD TAKE UP COULD UNLOCK FURTHER GROWTH OPPORTUNITIES FOR NORWAY

8.2.1 Increasing cloud take up rate in Norway would not only boost businesses performance and the level of innovation but also bring positive outcomes to overall economic growth

According to the International Data Corporation (IDC)'s Worldwide Software and Public Cloud Services Spending Guide⁴⁵, Cloud spending in Europe is expected to reach \$148 billion in 2023 and is projected to increase up to \$258 billion by 2026, growing at a 22% 5-year 2021-2026 CAGR. In terms of cloud adoption by enterprises, this translates into an increase of cloud uptake rate from 41 per cent up to 72 per cent⁴⁶. Ten years ago, in 2013, the total cloud market in the EU did not reach €10 billion⁴⁷.

The IaaS is expected to have the highest forecasted CAGR, explained by the increased demand to a reduced IT complexity and reducing deployment costs for data centres to drive the adoption of IaaS.

A recent study by Public First⁴⁸, found that the Digital Decade could unlock over €2.8 trillion in economic value in Europe— equivalent to 21 per cent of the EU's current economy — via a 'sustained, collective focus' on digital transformation across the public and private sectors. In fact, Public First's study estimates that over half (55 per cent) of the potential impact of the Digital Decade agenda relies solely on driving further adoption and use of cloud computing.

While Norway displays high levels of cloud adoption looking at the extensive margins, there is still room for improvement in two main directions: a) intensity of adoption and b) inclusion of laggard firms and organisations (especially smaller firms).

Firstly, in terms of intensity of adoption, our survey revealed that only 19% of cloud users currently employ cloud technologies in more than five use cases. The vast majority of cloud users on our survey are not fully taking advantage of the potential benefits of cloud adoption. According to McKinsey⁴⁹, more than 10 per cent of the overall untapped potential of cloud is credited to growth from new and enhanced use cases. Harnessing cloud potential is indeed key to accelerate or enable

⁴⁵ (IDC, 2023)

⁴⁶ (European Commission, 2023a)

⁴⁷ (European Commission, 2016)

⁴⁸ (PublicFirst, 2022)

⁴⁹ (McKinsey, 2021)

innovation using technologies such as advanced analytics powered by ML and AI, IoT, and automation at scale.

The positive relation we find between number of cloud applications/use cases and growth in a) revenues, b) headcount and c) product and service portfolio (see Figure 6, Figure 7, Figure 8 showing that sophisticated users, defined as companies employing cloud services for five or more use cases, report consistently higher growth in revenue, headcount and product and service portfolio than less sophisticated cloud users and non-users) provides evidence of how increasing cloud adoption at the intensive margin could deliver growth.

Secondly, raising cloud adoption rates among micro, small and medium firms (0 to 249 employees) that now show lower take up rates, is also key to untap potential of cloud. Based on our extrapolation model, we estimate that an increase of just 10 per cent in the cloud adoption rate of SMEs would translate into additional NOK 900 million in economic value added for the Norwegian economy.

Therefore, encouraging higher and more intensive cloud adoption has the potential to accelerate growth even in a highly digitalised country such as Norway.

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APPENDIX - METHODOLOGY

THE SURVEY

The empirical base of this study is a large-scale Pan-Nordic online survey conducted by a specialised market research firm (Savanta) on behalf of Copenhagen Economics. The survey was run in March 2023 and reached 918 firms across Denmark, Finland, and Norway. The sample captured firms of different sizes and different sectors of activity, thus providing a broad representation of the entire economies focused of the study.

In particular, the survey included firms fairly evenly distributed across the manufacturing and service sectors and across the following size classes:

- 0 to 9 employees
- 10 to 19 employees
- 20 to 49 employees
- 50 to 249 employees
- More than 250 employees.

Moreover, the survey targeted IT decision makers in the firms. This ensures that all collected information, especially on cloud spending, cost savings and additional revenues related to the adoption of cloud computing is provided by an informed respondent within the firm.

A short section of the survey addressed all respondents. However, most of the questions addressed cloud users only. The sample included a fairly high share of cloud users, slightly above the share recorded by Eurostat for each of the three countries under scrutiny. Nevertheless, some questions were also addressed to non-users to explore some of different characteristics between users and non-users and analyse potential barriers to the adoption of cloud computing technologies among these latter.

Overall, it is important to consider that the total number of responses varies per question, as respondents were given the possibility to answer “don’t know” to indicate that they do not know the answer to the question or skip the answer.

Finally, we should consider that all information retrieved in the survey is subjective, and correlation does not imply a cause-and-effect relationship between answers.

CALCULATION OF GROSS VALUE ADDED (GVA) CONTRIBUTION

In Chapter 2 of this study, we assess AWS’s contribution to the Norwegian economy in 2022 in terms of value added throughout the economy, i.e., the total amount of profits earned by businesses and their supply chains, thanks to the adoption of AWS cloud.

In order to estimate of AWS's economic impact, we followed similar methodological approach employed in PublicFirst and IW Consult studies.

First, we estimate for the average business in each size class the additional value added generated by cloud relative for the amount spent on cloud. To do so, we started by converting additional revenue generated by cloud in terms of economic value added⁵⁰ and then we multiplied for the average country GVA multiplier⁵¹ (taken from the latest input-output tables from the OECD) to account for the indirect impact of additional value upstream on the value chain. We then sum this with the additional cost savings thanks to cloud. Finally, we divide the amount by the estimated spending on the cloud (retrieved from the survey) to have a relative measure of additional value for one euro spent on cloud. The estimate economic impact of cloud for each business is thus expressed as:

$$\frac{\text{Estimate of additional revenue} \times \text{share of GVA} + \text{estimate of cost savings}}{\text{Estimated spending on the cloud}}$$

Second, we aggregate in order to obtain the overall AWS's economic impact on the national economy. Again, we mirrored the methodology employed by PublicFirst and IW Consult to aggregate the firm-specific estimates. Therefore, we multiplied size class averages by the country level estimate of number of businesses in each size class (retrieved from Eurostat) and the proportion of businesses in each size class using cloud, and of those, using AWS.

As anticipated above, in our survey, the share of firms using cloud resulted higher than the one recorded by official statistics. We adopted a conservative approach, and we employed in our calculations Eurostat's cloud uptake shares, for all class sizes except 0 to 9 employees. This latter is not included in Eurostat statistics, therefore, we employed results from the surveys (cloud adoption rates for this class size were considered credible as they were lower than those of the 10-19 employees class size). The share of businesses for each size class using AWS was retrieved from our survey.

We should finally highlight that the entire sample was cleaned and outliers were removed before calculating the overall impact. Specifically, we removed from the sample:

- Firms reporting a share of cloud spending on total turnover greater than 10 per cent;
- Firms reporting a total turnover by employee higher than NOK 5.8 million;
- Firms in the 5% right-tail of the distribution of the ratio cost saving + additional revenue over cloud spending;
- Firms in the 10% right-tail of the distribution of cost savings per employee;
- Firms in the 10% right-tail of the distribution of additional revenue per employee.

These adjustments were carried out to remove potential outliers that overestimated the impact of cloud on additional revenues and cost savings and could lead to an overestimation of AWS's economic impact.

⁵⁰ This considers only the direct effect, i.e. the direct contribution to GDP from the additional revenues generated, thus excluding costs related with e.g. intermediary necessary to produce the additional output.

⁵¹ To obtain the national average GVA multiplier we use sectoral multipliers (obtained as the ratio between the sum of direct and indirect effect and the direct effects) and weight them by turnover per sector (retrieved from Eurostat).

As additional sensitive check, we note that similar impacts are found also for Finland and Denmark, which have a similar level of cloud adoption and similar business environment. This gives further confidence on the overall estimations of the economic impact of cloud in Norway.

Finally, our approach is conservative as it does not include induced effects that capture the spending capacity of employees, and tax contributions. We should also consider that this approach assumes fixed prices and wages.