

UK businesses see strongest AI returns and business confidence in Europe, but still struggle to achieve good digital health in 2026, Zoho reveals

- *Good digital health of UK businesses rises 8% to 35% in 2026, the second highest performance in Europe, but still a long way to go*
- *Sharp difference in gains of digital leaders compared with laggards in AI, customer experience and employee experience*
- *Data sovereignty moves from compliance to boardroom consideration*
- *The UK is seeing faster return from AI ROI than other European markets*

Milton Keynes, UK – 6 August, 2026: Just over a third (35%) of UK businesses surveyed have good digital health in 2026, 39% have average, and 26% have poor health, according to a new European digital health study commissioned from [Zoho](#), a leading global technology company. The UK was found to have the second highest proportion of businesses with good digital health in Europe.

The study rated businesses surveyed on their practices within digital transformation and how effectively businesses manage their digital foundations across aspects such as innovation, adoption of new technology, platform stability, IT management and data sovereignty.

Large UK businesses tend to perform better when it comes to digital health, with just over two fifths (41%) rated as having good digital health. 38% of medium UK businesses, and just 26% of small UK businesses have good digital health.

In contrast, Germany performed better for the second time running, with 37% of businesses surveyed having good digital health. Spain sees 25% of businesses rated as having good digital health, while 24% of businesses in France and 14% of businesses in The Netherlands have good digital health. The Netherlands also had the most businesses surveyed having poor digital health (49%).

Compared with the previous findings, the results continue to demonstrate some progress with most digital health indicators in all markets.

AI provides greater returns on investment in the UK

Around three-quarters of UK businesses (76%) are seeing a positive return on investment from agentic-AI or next-generation AI. This is 6% higher than the European average and the

highest recorded in European markets surveyed. Two areas show the strongest returns in UK businesses surveyed: 80% report positive ROI from AI-driven data insights, compared with 72% Europe average, and 77% from AI-powered forecasting, compared with 67% Europe average.

Over half of UK businesses surveyed (58%) cite that AI already plays a critical or strong role, 10% higher than the Europe average.

UK has the most confidence in the market in Europe

88% of UK digital decision makers surveyed are optimistic about business conditions this year and 44% are very optimistic. 59% of UK leaders say they are very optimistic looking ahead for three years and beyond. These are the highest results among European markets surveyed.

Data sovereignty - the top rising strategic business concern in the UK

43% of UK businesses surveyed say that data sovereignty, in terms of data residency, is an essential factor when choosing a digital provider. This is demonstrating a shift from a compliance factor to a boardroom consideration. 91% say it is essential or important overall that data is stored within their own country location.

"Robust digital foundations pay for themselves time and time again, and this is extremely clear when it comes to AI. Results across Europe, including the UK demonstrate this with good digital health commanding better returns and progress with technology investments that contribute directly to the bottom line, comments **Sachin Agrawal, Managing Director, Zoho UK**. "UK business leaders are more confident about the future than almost anyone in Europe, and the study shows that this confidence has been earned. However, there is no time for complacency with ongoing global economic turbulence factors that cannot be controlled. Those who invest solidly and strategically in the basics, and whose culture and actions ensure adoption will keep improving their competitive position. This means looking at centralised data, integrated systems, business efficiency and having a clear understanding of the impact of digital, not just data, sovereignty. "

"It is not just about switching on an AI tool and hoping to see improvement. Businesses must think more clearly about creating long-term partnerships with the right vendors for their digital transformation journeys and continuously work to drive success to remain at the forefront of their sectors. Those who are slow to progress, even if leading now, will soon find they are overtaken in their respective markets."

ENDS

ADDITIONAL FINDINGS

Costs versus strategic investment

Half of UK businesses (50%) have seen rising costs per employee in the last year, similar to the European average. However, 43% are cutting costs elsewhere in order to protect quality of customer service and 35% are assessing their entire vendor pool, which is one of the highest results seen in the study. 18% of those who have seen rising costs say they have been forced to reduce the quality of service they offer to customers.

UK specific customer experience and procurement approach

Efficiency (53%) and improved CX (49%) are ranked by UK leaders as the highest benefits they want to see from digital transformation, compared with 47% and 41% respectively in Europe. UK buyers cite ease of use (25%) and impact on CX (21%) as top considerations when choosing technology, whereas France and the Netherlands rank price as the leading purchase factor.

UK leaders also find limited real-time data access a bigger frustration than their European counterparts in putting up barriers to great CX (17% vs 13%). The UK's findings mapped to Europe with an equally common CX challenge as 17% cited a lack of visibility across the customer journey, something which would only be amplified by a lack of real-time data access.

Flexible working - a growing employee retention tool in Europe with the UK leading

The number of UK businesses using flexible working as a strategy to help motivate employees during times of economic difficulty has jumped from 14% two years ago to 42% this year. This is the steepest rise of any European country this year.

However, digital tools are the biggest factor and paramount to UK businesses to motivate staff with 97% of those surveyed stating they are important, and 62% stating they are very important. These are both higher than other European markets.

For further detail and the full report please see: [Here](#)

Infographic: [Here](#)

Full Report: [Here](#)

Digital Health Check: [Here](#)

Methodology & notes

For this study, large businesses are classified as having 1000+ employees, medium businesses 250-999 employees and small businesses 25-249 employees.

Censuswide surveyed 1,500 senior digital transformation decision makers in firms with 25+ employees across the UK, France, Germany, Spain, and the Netherlands between 09.01.2026 and 22.01.2026. The UK sample comprises 300 senior digital transformation decision makers, evenly split across all three business sizes.

Where the report refers to those with 'good digital health', 'average digital health' and 'poor digital health', a scoring system was developed to highlight better IT outcomes and processes. Areas scored on include innovation, technical issues, adoption, platform stability, AI ROI and IT management. The higher the score, the better respondents' companies are in these areas overall. The scores were aggregated and banded so that higher scoring respondents could be compared to lower scoring, to see the areas that might be driving this excellence and commonalities between them.

Disclaimer: All trademarks, product names, and company names cited herein are the property of their respective owners.

About Zoho

With 55+ apps in nearly every major business category, including sales, marketing, customer support, accounting and back office operations, and an array of productivity and collaboration tools, Zoho Corporation is one of the world's most prolific technology companies.

Zoho is privately held and profitable with more than 19,000 employees. Zoho is headquartered in Chennai, India with European offices in The Netherlands, UK, Germany, France and Spain. Others include the United States, India, Japan, China, Singapore, Mexico, Australia, and the United Arab Emirates.

Zoho respects user privacy and does not have an ad-revenue model in any part of its business, including its free products. Read more about Zoho's privacy commitment here: <https://www.zoho.com/privacy.html>. Zoho operates its own datacentres across the world, including two in Europe.

Zoho UK has achieved Cyber Essentials Plus certification, a UK Government backed scheme that will help protect the company against a whole range of the most common cyber attacks.

More than 150 million users around the world, across over one million companies, rely on Zoho everyday to run their businesses, including Zoho itself. For more information, please visit www.zoho.com