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Digital Capabilities in SMEs: Evidence Review and Re-survey of 2014 Small Business Survey respondents

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Executive Summary

Context

The digital economy is increasingly important to the UK economy; an intrinsic element of the government's vision for a competitive UK information economy is for all UK businesses and organisations, particularly SMEs, to confidently use technology, trade online and increase revenues in domestic and international markets. Many SMEs are not making the most of the opportunities open to them by the internet. This report examines the support available, the digital capabilities of SMEs, and the challenges to using the internet more effectively.

Introduction

The research was commissioned by the Department for Business, Innovation and Skills (BIS), and was carried out by BMG Research in partnership with the Policy Research Group, Durham University, with telephone fieldwork occurring in March and April 2015. All participants in the survey had previously taken part in the 2014 Small Business Survey. This report details (i) the findings of an evidence review of digital capabilities programmes and support mechanisms available to small businesses, and (b) a quantitative study among 803 small and medium sized businesses (SMEs) in England into their digital capabilities.

Evidence review

Current SME usage and challenges relating to digital skills

Almost all SMEs use the internet for business purposes, but intensity varies with increasing size. The most common use of the internet is emailing customers; the use of e-commerce is increasing, but is much less prevalent: only 20 per cent of turnover derived from this source in 2013, and only 22 per cent of businesses made e-commerce sales.

A quarter of SMEs report that they do not possess basic digital skills; there is a positive link between digital skill levels and turnover growth. There is an attitudinal barrier amongst a minority of SMEs towards developing an online presence, a lack of awareness about the benefits and opportunities available, and a lack of understanding about online security threats.

Embedding digital learning throughout the education system is a long-term solution, but there is also a clear need to enhance digital capabilities in the shorter term. Key to increasing capacities to take advantage of digital opportunities are providing digital courses and awareness-raising initiatives through existing local private and third sector networks, and improving cyber security.

Digital infrastructure

The rollout of superfast broadband to SMEs is important in enhancing efficiency, innovation and the capacity to exploit online opportunities. Access to broadband is widely acknowledged to lead to a large number of business benefits. Robust evaluation of specific programmes is limited, and the benefits will take time to be realised. Enhancement of access is not sufficient by itself for all firms to benefit, as some struggle to adopt the new technology and extract value. To encourage adoption, the Broadband Connection Vouchers scheme provides a small subsidy to new business grade connections. Awareness-raising and business support activities enhance the absorptive capacity of SMEs to make optimal use of the new technology.

Business support

Drawing on a variety of funding sources - including the European Regional Development Fund, the Regional Growth Fund and the BIS Small Business Digital Capability Programme Challenge Fund - Local Enterprise Partnership areas have provided digital capabilities support to SMEs. This typically includes some or all of the following: awareness-raising, training (on social media use, search engine optimisation, online marketing, website design, cloud computing etc), seminars, 'digital healthchecks', referrals to private providers, online information provision, subsidies for equipment purchase and support targeted on specific groups. Evaluation of the effectiveness of these programmes to date has been limited. Preliminary findings indicate that they have had positive influence on turnover, employment and cost-savings; increased awareness of new opportunities and new ways of working; and ongoing activity in these areas will be needed to maximise future impacts.

There are a variety of support programmes more specifically targeted on particular areas: the UK Trade and Industry e-exporting programme; how to run a digital business, provided by the Digital Business Academy; the Women and Broadband Challenge Fund to enhance digital capabilities among women; and the Digital High Streets programme's e-tailing courses. National awareness-raising and information initiatives aimed at SMEs include Go-ON UK and Do More Online. Cyber security issues are being addressed through the Cyber Essentials website, and Cyber Security Innovation Vouchers. Evaluation of the impact of all these programmes is limited, as yet.

Conclusion

There is substantial activity at both the local and national level, some of which is excellent. However, especially given that it concerns a new and dynamic technological area, there is as yet a lack of evidence on impact, or how the strands of activity interact. Some areas have implemented a more thought-through package of digital skills training, but in other areas, it is often small-scale, or dependent on funding which is limited in terms of time, location and eligibility.

Survey

Overall usage of the internet

Overall, 98 per cent of SMEs use the internet for business purposes. Eighty-five per cent do so at home, 82 per cent at work, and 67 per cent via smart phones.

Ninety-one per cent of SMEs have broadband. Thirty-nine per cent have superfast broadband, a proportion which rises to 56 per cent of medium-sized businesses (with 50-249 employees).

SMEs use the internet for a variety of purposes. Three quarters or more use it for finding out general information relating to the business, customer emails, online banking, paying bills, ordering supplies and paying taxes online.

Sixty-eight per cent of SMEs say that their connectivity is good, while 12 per cent consider it to be poor (20 per cent think it neither of these). In rural areas, 23 per cent say their connectivity is poor, compared to just six per cent in urban areas (one per cent in London). Only two per cent with superfast broadband consider their internet connection poor. The main reasons for thinking the connection is poor relate to slow download speeds and poor wi-fi connectivity.

Websites

Sixty-four per cent of SMEs have their own websites, a proportion that rises to 94 per cent of medium-sized businesses. Fifty-three per cent of SMEs are listed in online directories. Twenty-four per cent have neither their own website, nor are they listed in online directories.

Websites are least common in the primary sector (54 per cent), in the transport, accommodation and food service sectors (45 per cent), and among very small businesses with less than ten employees, aged over twenty years (50 per cent).

Sixteen per cent of websites allow customers to make appointments, or can take bookings. Seventy-one per cent allow customers to leave their contact details so they can be called back.

The median period for a website to have been introduced is six years ago (i.e. in 2009).

Of those with websites, 22 per cent have never had it re-designed. This is most likely to be the case for those that have introduced websites more recently, but even 12 per cent of those that introduced websites five to ten years ago, and eight per cent of those introducing websites over ten years ago, have never had a re-design. Sixty-one per cent of SMEs with websites have had them re-designed one to three times, 17 per cent more often.

Sixty-eight per cent of the re-designs were carried out by external parties, usually design agencies or consultants.

Websites used for e-commerce are updated 1-3 times a month on average, while those used only for promotion are updated 4-6 times a year on average. 27 per cent of SMEs

with websites pay an external person/business to maintain it (37 per cent if used for e-commerce). The average fee paid per annum for this is between £251 and £500 (£510 and £1,000 for those using websites for e-commerce).

Of those currently without a website, 20 per cent plan to introduce one in future.

Twenty-nine per cent of all SMEs do not have a website, and have no plans to get one (this proportion is 46 per cent of construction SMEs). Twenty per cent of all SMEs have no website, no plans to get one, and are not currently listed in online directories.

E-commerce

Eleven per cent of SMEs have a system of e-commerce on their own website that allows customers to order goods and services and pay directly.

Eleven per cent of all SMEs can take orders or bookings through their own website.

Eleven per cent of all SMEs use third party websites that allow customers to order directly from them. Amazon and EBay were the ones most commonly mentioned.

Businesses may choose to trade through any of these three means. Overall, 21 per cent of SMEs engaged with e-commerce through any of these. This proportion rises to 34 per cent of medium-sized businesses.

While larger SMEs are more likely than average to have e-commerce on their own website, and to be able to take orders or bookings through this, there was no difference in the proportions using third parties according to the size of the business.

Sixty-three per cent of retailers use any form of e-commerce. This compares to just 14 per cent in the primary/construction sectors, 12 per cent in ‘other services’ and 16 per cent of very small businesses (less than ten employees) aged over twenty years.

Six per cent of SMEs plan to introduce e-commerce on their own website, and seven per cent plan to introduce a system which will accept orders/bookings. The most common reason not to introduce either of these is that goods and services cannot be ordered directly from the business.

Social media

Thirty-six per cent of SMEs have a social media profile (28 per cent of all SMEs on Facebook, 19 per cent on Twitter and 18 per cent on LinkedIn).

SMEs with social media profiles use this to promote goods and services (91 per cent), and to give out contact details (81 per cent). Twenty-nine per cent of these (ten per cent of all SMEs) say it can be used by customers to buy goods or services directly from them.

The proportion with social media platforms using them for sales rises to 32 per cent of those with no employees, and 63 per cent in the primary/construction sectors. This suggests that social media can replace the need for a website with e-commerce.

If social media used in this way can be considered a form of e-commerce, the proportion of SMEs engaged in e-commerce increases to 23 per cent.

Digital capabilities

More than half of SMEs consider that their businesses are strong at using the internet to source suppliers, the use of software (e.g. Microsoft Office), the ability to work remotely, and managing online security.

More than one in five SMEs consider that they are poor at overall technical understanding, use of customer relationship management (CRM) systems, using social media, the ability to create/develop a website, and e-marketing.

Overall, 20 per cent of SMEs said that their overall ability to use digital technology was good (i.e. they gave themselves a score of between eight and ten out of ten for this). This proportion increases to 32 per cent among medium-sized businesses, and the business service sector is more likely than average to consider themselves technologically strong (29 per cent).

Digital strategies

Seventy-eight per cent of SMEs have internet security systems (Norton and AVG being the most common).

Thirty-three per cent of SMEs have an online achievement plan, 32 per cent a business plan that includes digital training, 23 per cent use search engine optimisation (SEO), and 11 per cent have a digital marketing plan. These proportions increase with the size of the organisation.

Twenty-seven per cent of SMEs had made digital improvements in the last twelve months, and 26 per cent planned to make improvements over the next twelve months. Both of these are most likely to be related to introducing or upgrading websites (47 per cent of improvements in the last twelve months, 32 per cent of planned improvements).

Digital advice/support

Twenty-one per cent of SMEs have ever received advice on improving their digital capabilities (47 per cent of medium-sized businesses). Twenty-seven per cent in business services sectors have received advice, compared with nine per cent in primary/ construction sectors.

Advice on digital issues is most likely to have come from the private sector (76 per cent, compared to five per cent from the public sector). Half of those receiving advice had paid for it. The advice was most likely to relate to building websites (52 per cent of paid advice), 35 per cent related to SEO, 27 per cent to social media, and 25 per cent to digital marketing.

In terms of future needs for digital advice, 41 per cent would consider this for SEO, 39 per cent for digital marketing, 37 per cent for online security, and 37 per cent for saving time.

Barriers to digital technology

Of those with no websites, 77 said they are not necessary, 18 per cent that they are too expensive, 17 per cent have no time to set one up, and eight per cent do not know how to create one.

Those that do not consider themselves strong at using digital technology overall (rating themselves at one to seven out of ten for this) were asked why they felt this was the case. Sixty-one per cent said that it was a low priority in their line of business, 43 per cent lacked time, 41 per cent did not want the cost of engaging an outside consultant/agency, 40 per cent did not want the expense of employing an expert as a member of staff, and 38 per cent said they lacked knowledge.

1 Introduction

This study comprises of two elements: an evidence review of digital capabilities programmes and support mechanisms available to small businesses; and a re-survey of 800, 2014 Small Business Survey (SBS) respondents to discuss their digital presence in more detail. This study was commissioned to inform BIS' ongoing support to raise the digital capabilities of small businesses. Through a combination of primary data collected through the survey and an evidence review of digital support programmes, this report will inform where Government intervention may best be targeted and 'What Works' when trying to increase digital capability among small businesses.

The evidence review aimed to explore:

- Evidence on digital capability programmes primarily in the UK, but also overseas, comparing their effectiveness, and how this may differ between different types of business.
- Infrastructure intended to support and increase digital capabilities of small businesses.
- Awareness raising campaigns and initiatives to encourage digital technology use among small businesses.
- Barriers, concerns and fears preventing greater digital technology use among small businesses.

The landscape of digital support is changing rapidly, and that many current support schemes and initiatives are relatively new, such that impact data is not yet available. In addition, a substantial amount of provision is aimed at local markets, from relatively small providers, often with a lack of detail about engagement, usage and outcomes. Many schemes simply assert that digital skills support will be provided, perhaps with a provider named on the specific site, and additional information often vague and limited. As such, relatively little current provision has, as yet, been subject to detailed evaluation of impact.

The review therefore concentrates on what information is available on the extent of support (much of it from websites – e.g. flyers, publicity and/or details of extent and funding arrangements, although the latter is often somewhat vague and incomplete), and outcomes and impacts where available. It also notes gaps in provision and/or how provision matches up with needs reported by a variety of expert groups.

This re-survey of SBS respondents increases the evidence base on the effectiveness of digital support to small businesses, which has so far been limited. The focus of the Government's programme has been on businesses that were not online, or had basic online capability. The survey seeks to establish the level of digital engagement among SMEs in early 2015, the potential to expand digital capability, and the barriers to doing so.

2 Context

3.1 Digital, small businesses and the economy

The digital economy is of paramount importance to the UK economy. Between 2003 and 2012 internet retail volumes grew by more than 6 times from £4.8 billion to £31.1 billion. Yet only a third of small businesses sell online.[1] An intrinsic element of the government's vision for a competitive UK information economy is for all UK businesses and organisations, particularly SMEs, to confidently use technology, trade online and increase revenues in domestic and international markets.

There are particular benefits for SMEs to being online; they grow faster, export more and create more jobs[2]. The UK has the most advanced online market in Europe, and there are opportunities for SMEs to increase their online presence and sales in both domestic and international markets. Rates of international online trading are particularly low, with fewer than one in ten UK SMEs selling to customers overseas.

Many SMEs are not currently making the most of the opportunities open to them by the internet with recent studies showing that fewer than a third of UK SMEs transact online. The reasons cited by SMEs for not trading online include technical issues, such as reorganising business processes and systems, skills issues, including a lack of specialist knowledge or capability, and trust issues including concerns about security and a lack of trust in available advice. It is evident that the term 'digital capabilities' is multi-dimensional and encompasses a wide range of activity which may benefit SMEs: effective online trading, use of social media and communications technology more generally, utilisation of a range of technologies connected with superfast broadband, seeking advice and support - both general and specifically relating to digital - from online sources, engaging with e-government, and higher level coding skills (among many others). It is difficult to measure the 'digital capabilities' of SMEs, given the varied nature of the options open to different SMEs.

The Information Economy Strategy (2013) outlined the action that was to be taken to address this need. Government, in partnership with industry, would launch a programme to get more SMEs transacting online. The programme would target both those SMEs who are already online in a simple way but are looking to start transacting online, and those SMEs who are already transacting online but are hoping to scale up. It was hoped the programme would reach 1.6 million businesses over the five years to 2018.

The main strategic document relating to digital skills of small businesses is the Government's *Information Economy Strategy*[3]. This recognises both the scope of the

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[1] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/225322/information-economy.pdf

[2] McKinsey (2011) Internet matters: The net's sweeping impact on growth, jobs and prosperity.

[3] HMG (2013) Information Economy Strategy

prospects for business, and the scale of the challenges; equipping non-ICT businesses and the workforce as whole with the skills to make the most of the opportunities open to them, regardless of their line of trade. The strategy also recognises the value of increasing digital literacy more generally, relevant here mostly in terms of increasing the potential size of the online market for goods and services, and in enabling workers to be 'digital-ready' for the demands which are increasingly likely to be placed on them by businesses, and which will be necessary to complete in a global marketplace. Finally, the strategy also recognises the value of 'big data', in terms of creating and enhancing the infrastructure needed to deal effectively with continually growing volumes of data. Specific areas of action to be urgently addressed, of relevance to this review, are noted as increasing the number of SMEs which conduct transactions online (fewer than one-third, as of 2013 improving digital skills more widely through education and training providers, the enhancement of digital access, particularly through superfast broadband[4], and the enhancement of cyber security (given that, in 2012, at least 80% of small firms experienced some form of security breach). Accomplishing these aims is indicated to require co-operation between industry, government and a range of stakeholders.

As such, activity surrounding digital skills to benefit small businesses is not limited to *only* activity undertaken by or aimed at businesses – nor, necessarily, is the scope of activity beneficial to UK firms limited to the UK. As the strategy implies, the size of the potential market for UK-based SMEs will increase by virtue of a greater proportion of the global population coming online, in addition to the proportion of the UK population online, and increasing online literacy. As such, actions for small businesses should not just be aimed at increasing the availability of online access, but improving their skills at, for example, researching the market, appealing to online consumers etc., as well as increasing the skills of consumers in the UK to effectively use online commerce, in order to increase the size of the potential market. For SMEs, specifically, the Government in 2013 advocated a programme targeting both those which traded online already, and those which did not, integrating support aimed at digital skills with more general support aimed at growth, as well as advice on wider online issues such as cyber security and protection of IP.

There is also a broader argument[5] that 'universal digitisation' – i.e. moving as many transactions of all kinds online as possible - would be highly beneficial to SMEs as well as the broader population. However, these arguments are beyond the scope of this report to examine; as such, the main message is that digitisation by itself is insufficient, as SMEs need appropriate training and upskilling, along with relevant advice and other support, in order to make the most of the opportunities that greater digitisation will bring.

SME performance is thus enhanced by 'digitization' – the 'social transformation' associated with broadband – which may lead to a doubling of the impact than simply broadband penetration per se. Koss et al (2012) note that the greater the 'digitisation index' – i.e. the greater the *actual productive use* of the internet – the greater the boost to GDP. In addition to measures aimed at business use, a higher digitisation index also implies, as noted above, that there will be spillovers which aid business growth through an

[4] Greater than either 24Mbps or 30Mbps, depending on the definition.

[5] E.g. Koss V, Azad S, Gurm A, Rosenthal E (2012) *"This Is for Everyone": The Case for Universal Digitisation,* Booz & Co/GO-ON UK

increase in broadband penetration and use among consumers. In addition, there are likely to be (short-term) direct and multiplier effects from investment in broadband infrastructure.

Studies also emphasise the uncertainty about both the benefits and the financial returns likely from increased digitisation, and that the future is fast-changing, implying that equipping SMEs and their workforce with general digital skills, which can adapt to future scenarios (i.e. 'future-proofing', as far as possible), is likely to be highly important. Equally important is the need for awareness raising about the potential of digitisation for the businesses, and to convince managers to invest for the future i.e. encouraging longer term planning, which may not have an immediate or short-term payoff.

Another general point that should be borne in mind is that there has been relatively little evaluation of specific programmes or initiatives. Such work that has been carried out is mainly reporting interim results (or is already out of date), given the rapidly changing technology and the fact that many initiatives are relatively new. As such, much evaluation of recent policy provides pointers for the future, and qualitative assessment of 'what works', rather than hard quantitative evidence.

3 Current SME usage and challenges relating to digital skills

Evidence of the extent and nature of current SME usage of the internet is provided by the Office for National Statistics (ONS) and Small Business Survey (SBS) data, although neither source explicitly addresses digital skills issues.

Almost all SMEs use the internet for business purposes, but intensity varies with increasing size…

According to the 2014 SBS, virtually all SMEs us the internet for business purposes: 98 per cent of SME employers, and 94 per cent of businesses with no employees; those that did not have access stated that they did not need it.

Usage of the internet generally became more intensive as number of employees increased; this is most noticeable in the promotional use of a website: 53 per cent of businesses with no employees had a website which they used from promotional purposes, compared with 66 per cent of micros, 79 per cent of small businesses, and 87 percent of mediums (all differences were significant).

…the most common use of the internet is emailing customers, but e-commerce was much less prevalent…

The most common use of the internet was to email customers (79 per cent of businesses with no employees, 85 per cent of employers), followed by paying taxes online (79 per cent) and other online transactions (78 per cent). Amongst the options presented, use of e-commerce was the least used (26 per cent with no employees, 33 per cent of employers, with only medium businesses reporting significantly higher usage, at 45 per cent).

Barriers remain to increasing the use of e-commerce. Use of the internet to seek advice was also less common, with 43 per cent with no employees, and 61 per cent of employers (and 82 per cent of medium businesses) seeking advice on regulation, with the proportions seeking general business advice being 47 per cent among SMEs with no employees, and 59 per cent of employers.

The latest ONS e-commerce and ICT activity survey relates to 2013. E-commerce activity[6] is gradually increasing, accounting for 20 per cent of business turnover in 2013, as opposed to 14 per cent in 2008. Large businesses accounted for 46 per cent of e-

[6] This follows the OECD definition: “the sale or purchase of goods or services, conducted over computer networks by methods specifically designed for the purpose of receiving or placing of orders”. It is important to note, under this definition, that “the goods or services are ordered by those methods, but the payment and the ultimate delivery of the goods or services do not have to be conducted online".

commerce sales. The value of sales had increased more strongly: e-commerce sales of £557bn in 2013 represented an increase of 66 per cent since 2008. The majority of sales by value (65 per cent) were via electronic data interchange (EDI)[7] , although a far larger proportion of businesses sell by a website (18 per cent) than by EDI (6 per cent). In total, 22 per cent of businesses made e-commerce sales. E-commerce is substantially more likely among larger businesses: only 19 per cent of small businesses made e-commerce sales, compared with 30 per cent of mediums, 45 per cent of those with 250-999 employees, and 57 per cent with 1000+.

Further discussion is provided by the Lloyds Bank Digital Index[8], which concentrates on the 'digitization index' –the 'maturity' of SMEs' digital skills and considers the use of and attitudes towards digital technologies, the benefits of using digital capabilities, and the barriers to organisations realising those benefits. This research suggests a link between 'digital maturity' and improved performance. The most 'mature' organisations are more likely to have seen an increase in turnover in the last two years – although it is not clear from this research which comes first, increased turnover or digital activity. It may be possible that organisations with higher turnover were undertaking more digital activity in the first place. The report suggests that there has been a slow, but not universal, move towards greater digital skills. Approximately three-quarters (77 per cent) of SMEs now have basic digital skills, although this has only risen very slightly. However, this may have reached something of a plateau, with relatively few progressing to full maturity, suggesting that there is a need for continued, ongoing investment (by government and SMEs themselves) in moving more SMEs higher than entry level skills, and enabling them to make better use of their online presence. In addition, it should be recognised that almost one quarter of SMEs lack even basic digital skills i.e. no use of the internet, and no web or social media presence, and there is increasing polarisation between the positive sentiments of the digitally mature towards the importance of the internet for their business, and the much less positive opinions of those lacking digital skills. The evidence discussed in detail in subsequent sections suggests that digital skills are highly important for growth in SMEs, implying that this lack of progress among a substantial minority of businesses is a cause for some concern. The report suggests that '*the less digitally mature groups still don't understand the benefits of being online and therefore aren't as clear and as positive about how this can help their organisations to grow'*. As this implies, similar to other reports, quoted here, there remains, among a minority of SMEs, an attitudinal barrier towards developing their online presence, in terms of believing that they are already doing as much as possible, and a lack of understanding about the benefits and opportunities of being online.

The 'headline' finding is thus that there are 1.2m SMEs lacking the basic digital skills they need to reach their potential. The preferred avenues for support are reported to be an IT supplier, friends or family, and paid consultants, rather than online sources, or

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[7] EDI is the computer-to-computer exchange of data and documents in a standard electronic format. All EDI sales are between businesses, whereas e-commerce *website* sales can be to businesses, public authorities and households. EDI is a central part of e-commerce because it enables businesses to exchange information electronically much faster, more cheaply and more accurately than is possible using a paper-based system.

[8] Lloyds Bank/Accenture (2015) Lloyds Bank UK Business Digital Index 2015

government-funded support. This implies that face-to-face, paid-for and/or local support may be the most effective ways to upgrade SME digital skills, with owners clearly preferring to use someone they perceive to be an 'expert' in the field.

The evidence discussed here shows varying levels of digital activity among small businesses. It is possible that the sources show different levels of e-commerce activity due to distinctions in the methods used to collect the data and the phrasing of questions which respondents may interpret in different ways.

The House of Lords Select Committee on Digital Skills published its final report in February 2015[9]. It noted the relatively high level of digital skills in the UK already, but also that the pace of technological change created the risk that the country would be 'left behind' in the competitive global marketplace. Based on evidence from a wide range of stakeholders, there were a number of relevant findings and associated recommendations. The long-term solution to the current shortage of medium- and high-level skills perceived by stakeholders in their evidence to the committee requires the provision of learning relating to digital skills throughout the education system (primary, secondary and tertiary). This ultimately involves 'ensuring teachers are properly trained and the inclusion of digital elements in all FE and university courses and apprenticeship schemes, not simply those in digital or technology subjects, in order to pervasively improve digital skills across young people joining the labour force. Overhaul skills funding to better join up industry, FE and the funding regime'. While this is certainly happening, it also clearly cannot provide the skills needed by SMEs in the short-term.

The House of Lords Committee report, the Lloyds digital index and others thus recommend a number of actions which are aimed at addressing the current shortages and challenges relating to digital skills in SMEs: the following recommendations, dealt with below.

- *Improving cyber security*. BIS has launched both a Cyber Essentials programme, and Cyber Security Innovation Vouchers aimed at SMEs.

- Greater provision of digital courses through existing third sector networks.

- SMEs have low awareness of digital possibilities and opportunities, and find it difficult to recruit suitably skilled workers. Skill development and support should be driven by local and private sector networks (e.g. Chambers of Commerce, Local Enterprise Partnerships, UK Online Centres)

[9] House of Lords (2015) Make or Break: The UK's Digital Future, TSO

Cyber Crime

The Cyber Streetwise campaign addresses issues of cyber security. Their survey, published in late 2014, sets out the main areas of concern for SMEs, including questions asked to both consumers and larger businesses in supply chains purchasing SME goods and services.[10]

Cyber security is seen as important by (i) SMEs themselves (80 per cent of employers regard it as essential or very important, according to the SBS), (ii) individual customers (82 per cent state that they would engage with e-commerce more if a business could show they were well-protected[11]) and (iii) larger businesses (77 per cent of which require proof of robust cyber security[12]). However, there remain gaps in knowledge and protection, exacerbated by a reluctance to pay for professional support: according to the Cyber Streetwise survey, only 15 per cent of SMEs consulted internet professionals in this area, and nine per cent relied on friends and family. 78 per cent of small business respondents to the Cyber Streetwise survey believed at least one of the three 'cyber security myths' presented to them regarding SME vulnerability to cyber crime, leaving many potentially open to financial or reputational damage. Approximately a quarter (24 per cent) considered that cyber security was too expensive to implement or they did not know where to start (22 per cent).

There is thus clear evidence of a 'digital divide' among small businesses, as well as some complacency about cyber security. Although approximately four-fifths report that they understand the business threats, or have thought about what steps they need to take, only 55 per cent regularly review and update their systems. In 2015, there was a high (and rising) number of SMEs (74 per cent) which had a security breach in the past year, and the average cost of the worst annual breaches has increased. [13] 38 per cent of SMEs were attacked by an unauthorised intruder, 63 per cent had an infection from a virus or malware, and 16 per cent suffered a denial of service attack. The survey also notes that 'a high proportion of small respondents did not know whether they had been subject to attempts to break into their network or attacks on their traffic', indicating a lack of monitoring of online security among many SMEs and a lack of understanding about the security threats they are facing online. The survey notes that the main driver of expenditure on online security is protecting customers' information (34 per cent), followed by protecting the organisation's reputation (21 per cent).

A 2013 report on the cyber-security market[14] notes that SMEs tend to outsource many of their cyber-security requirements to local resellers, and anticipate that they will automatically be protected in their dealings with larger organisations both governmental – such as HMRC – and private – such as Amazon), with the consequence that 'many SMEs are unaware of the precise nature and extent of threats, and the consequences to their businesses' (p37).

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[10] Cyber Streetwise (2014) Cyber Streetwise: Open for Business
[11] Ibid
[12] Ibid

[13] PWC/Info Security Europe (2015) 2015 Information Security Breaches Survey

[14] Pierre Audoin Consultants (2013) Competitive analysis of the UK cyber security sector, report for BIS

4 Digital infrastructure

Of particular importance to raising the digital capabilities of SMEs, is the programme to roll out (access to) superfast broadband nationwide. The internet and ICTs are likely to contribute to economic change, but the extent of that contribution depends on the way in which businesses and their employees adapt their behaviour and make good use of the new technology. Broadband should help increase efficiencies, by lowering costs (of data storage, advertising and communicating along the supply chain), and encouraging innovation (ways to reach customers online, analysing big data). This should facilitate higher wages, and higher employment, as well as more flexible work patterns (which potentially increase in the labour market). In addition, it may help reduce barriers to entry, encouraging start-ups. There will be both winners and losers in this process: more competitive businesses will gain businesses or staff at the expense of the less competitive, the wages of skilled workers are likely to increase to a greater extent than the less skilled, who are also likely to be more negatively affected by automation. The effects are also likely to be bigger in urban areas, because of greater production complementarities among skilled workers and knowledge-intensive firms, but rural or more sparsely populated areas may still gain, in both economic and social terms.[15]

The UK has competitive broadband infrastructure, leading the 'big 5' EU nations on several metrics[16]. Faster broadband speeds will deliver substantial economic impacts; research undertaken by the Department for Culture, Media and Sport (DCMS) estimates that superfast broadband will add £17 billion to the UK's GVA by 2024[17].

Superfast rollout (including Broadband Delivery UK's superfast interventions) is bringing this to 95% of UK premises by 2017 and the vast majority of SMEs. Broadband Delivery UK (BDUK, part of DCMS) is investing over £780 million to bring superfast broadband to areas of the UK, where it would not otherwise be available. English Local Authorities and the Devolved Administrations are matching the Government's investment from local funds, including Local Growth Funding and European development funding bringing the total public investment to nearly £1.7 billion.

Furthermore BDUK is piloting a number of technologies and funding models, including satellite solutions through a £8 million Market Test Pilot Fund. The results of these pilots and other work being undertaken by the major suppliers will help inform how superfast

[15] What Works Centre for Local Economic Growth (2015) 'Why Broadband?', available at http://www.whatworksgrowth.org/policies/broadband/why-broadband/

[16] Ofcom (2015) *The European Broadband Scorecard*, available at http://stakeholders.ofcom.org.uk/binaries/research/broadband-research/scorecard/2015/European_Broadband_Scorecard_Q1_2015.pdf

[17] SQW (2013) UK Broadband Impact Study: Impact Report

broadband services can be delivered to the final 5% of premises (which includes 18% of SMEs[18]) in a cost effective manner

Effectiveness of superfast broadband

Access to broadband is widely acknowledged to lead to a large number of business benefits, although robust evaluation of specific programmes is limited

Broadband has material positive impacts for national economies. These include construction effects (associated with the network construction), and more importantly productivity growth (through enhanced business innovation, but also through increased international trade, and teleworking). However, benefits take time to be realised, and are particularly dependent on managerial culture and skills.[19] A recent review from the What Works Centre[20] summarises a small number (16) of academic quantitative studies across the OECD on the business benefits of superfast broadband. This limited number reflects the lack of high quality studies in the area, the stringent quality criteria for selecting evidence for the report, and a lack of studies specifically looking at some issues. For example, there is little evidence of how impacts differ with the adoption of superfast vs normal broadband[21].

The few empirical studies on faster broadband suggest a positive, albeit incremental, economic impact on productivity, the number of enterprises and labour market outcomes. This may also crucially depend on complementary investments by businesses such as training or strategic reorganisations. Forward looking studies are more optimistic about the impacts, although they acknowledge that the benefits of superfast broadband in some areas may require significant complementary public sector investment and reorganisation to be realised.

Looking more broadly at a wide range of evidence (including government reports and evaluations), the data does suggest boosts to productivity from broadband – although the extent of this seems to depend on the dynamism of businesses, and their willingness to embrace change[22]. Grimes et al (2011)[23] sound a similar warning, that simple broadband adoption is not necessarily transformational for individual businesses i.e. a relatively unproductive performer is likely to remain so after broadband adoption.

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[18] Ofcom (2015) *Broadband services for SMEs: assessment and action plan* available at http://stakeholders.ofcom.org.uk/binaries/research/telecoms-research/sme/bb-for-smes.pdf

[19] SQW (2013) UK Broadband Impact Study: Impact Report

[20] What Works Centre for Local Economic Growth (2015) *Evidence Review 6: Broadband*

[21] SQW (2013) UK Broadband Impact Study: Impact Report

[22] LECG (2009) Economic Impact of Broadband: An Empirical Study, LECG Ltd

[23] Grimes A, Ren C and Stevens P (2011) 'The Need for Speed: Impacts of Internet Connectivity on Firm Productivity', Ministry of Economic Development, New Zealand

Access by itself may not be sufficient for all firms to benefit, as some will struggle to adopt and extract value

Clayton et al. (2008)[24] note that, for low productivity businesses, there is a negative correlation between higher broadband usage and total factor productivity (and vice versa for high productivity businesses), essentially because such firms find absorption of new technologies more difficult – they take longer to learn effective utilisation strategies, and may lack the investments that higher productivity businesses already have in place which contribute to the more optimal use of broadband. These findings imply, again, that additional support is likely to be important for raising growth, in addition to providing infrastructure. Others[25] also point to the importance of absorptive capacity, in terms of skills, management culture and willingness and ability to make appropriate organisational changes.

As a new technology the uptake and impact of superfast broadband will take time to be realised

Specifically looking at the benefits of superfast broadband there have been few studies relating to what is still a relatively new technology, especially in terms of the effects of its mass penetration. There appears to be some positive correlation between higher connection speeds and growth, with similar positive results for employment[26], and forward-looking studies are positive about increased opportunities for business[27]. COMRES (2014)[28] noted that micro businesses which have superfast broadband already are more likely to use a greater range of services compared to those with ordinary broadband. Some, though, caution about over-optimistic predictions.[29]

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[24] Clayton T, Franklin M, Stam P, Bartelsman E, Farooqui S, Quantin S, and Barbesol Y (2008) *Information Society : ICT Impact Assessment by Linking Data from Different Source.*

[25] Bloom N, Sadun R and Van Reenen J (2012) "Americans Do IT Better: US Multinationals and the Productivity Miracle." *American Economic Review* 102:1; O'Mahony M, Robinson C and Vecchi M (2008) "The Impact of ICT on the Demand for Skilled Labour: A Cross-country Comparison." *Labour Economics* 15:6; Bresnahan TF, Brynjolfsson E and Hitt LM (2002) "Information Technology, Workplace Organization, and the Demand for Skilled Labor: Firm-Level Evidence." *The Quarterly Journal of Economics* 117:1

[26] Forzati M and Mattsson C (2011) Socio-economic Return of FTTH Investement in Sweden , a Prestudy

[27] Dini P, Milne C Milne R (2012) *Costs and Benefits of Superfast Broadband in the UK;* NESTA (2009). *Getting up to Speed : Making Super-fast Broadband a Reality;* Liebenau J, Atkinson RD, Kärrberg P, Castro D, and Ezell SJ (2009) "The UK's Digital Road to Recovery", *SSRN Electronic Journal*; CEBR (2010) *THE CLOUD DIVIDEND : Part One The Economic Benefits of Cloud Computing to Business and the Wider EMEA Economy*

[28] COMRES (2014) *Broadband usage among micro businesses*; study on behalf of BSG

[29] Kenny R and Kenny C (2011)"Superfast Broadband: Is It Really Worth a Subsidy?" *Info* 13:4; Economist Intelligence Unit (2012) *Superfast Britain? Myths and Realities About the UK's Broadband Future*

It is clear that it takes time to fully appreciate the benefits of broadband and convert them to productive returns[30], which implies that the full benefits of adoption will not be seen for some years yet. The general conclusion is therefore that increased usage of faster internet/broadband is beneficial, and has positive macro and firm-level impacts, but that businesses require additional support to maximise these impacts.

Stimulating superfast broadband adoption

The benefits of superfast broadband will be incremental. As each SME takes up superfast broadband they will see a benefit and a return on their investment. To support UK cities to develop the digital infrastructure capability to remain internationally competitive and attractive for investors, business and visitors, BDUK ran the Super-Connected Cities Programme. The £150 million programme included the Broadband Connection Vouchers scheme, which subsidised up to £3,000 of the connection cost of a broadband connection for SMEs in eligible postcodes across 22 'Superconnected Cities', encouraging the adoption of superfast broadband. The Connection Voucher Scheme has since extended and expanded, with a £40 million challenge fund available to over 50 cities and surrounding areas from April 2015. The scheme is technology neutral, so long as long as the speed uplift criteria are met, allowing businesses to choose the connection that suits their needs, and driving competition among suppliers.

At the time of this review, there were no studies evaluating voucher schemes specifically and no evidence of the impact of direct investment (in infrastructure) vs voucher schemes (to encourage adoption)[31]. Businesses have steadily been taking up superfast broadband[32] though access to and take up by has been an issue for some small and medium enterprises. BDUK interventions including the Superfast Broadband Programme and the Connection Voucher Scheme are addressing this and encouraging a higher proportion of smaller businesses to use superfast broadband. The Department for Culture, Media and Sport will publish an evaluation of each these programmes in due course.

[30] Brynjolfsson E and Hitt LM (2003) "Computing Productivity: Firm-Level Evidence." *Review of Economics and Statistics* 885:4, pp793–808

[31] The Department for Culture, Media and Sport will produce an evaluation of Connection Vouchers in due course.

[32] ONS, E-commerce and ICT Activity (2013)

5 Business support

Support linked to superfast broadband adoption and use

Most Local Enterprise Partnerships' (LEPs) and local authorities' economic plans in terms of the rollout of superfast broadband include dedicated elements of awareness raising and support aimed at local businesses maximising their online opportunities. Where these are not obviously present from a review of the documentation (in a small number of areas) in terms of dedicated local provision, they are compensated for by promoting the existence of national or local private provision in the same area. Most dedicated programmes to promote the adoption/use of superfast broadband or the internet more generally drew funds from a combination of a variety of sources (although many included a European Regional Development Fund (ERDF) element which thus restricted the type of businesses which could make use of those services – B2C and agricultural SMEs were often excluded - and limited support to 12 hours maximum per SME). Much support is also currently limited by funding restrictions (with some funds explicitly time-limited), with a large amount of intensive and face-to-face support expiring recently or in the next few months. Programmes often combine multiple funding streams (for example LEP, local authorities, Regional Growth Fund funding, skills funding, challenge funds from BIS, the Department for Communities and Local Government or elsewhere to offer a more integrated programme, enabling a higher number of SMEs across a wider area to be engaged. Information about ongoing support in these areas in the future is also often limited. There is substantial online information and support such as videos, tips, basic information and guides about digital skills from centrally-funded sources, which the programmes make extensive reference to, and refer SMEs to. The knowledge bank established in the local area will continue.

A typical programme may include a combination of some or all of: one-to-one advice; masterclasses, seminars or workshops; one-on-one training or advice; referrals to private providers; online 'knowledge hubs' providing information on various relevant topics and/or links to providers; online training courses; subsidised purchase of equipment (usually on a grant/match funded basis); an 'online presence' review and/or a 'digital healthcheck', with a report and recommendations for actions; events to promote adoption of broadband and raising the level of online transactions more generally; in some instances, funded through specific pots, dedicated support for particular groups including female business owners and agricultural SMEs.

Typical topics for training would include search engine optimisation (SEO), use of particular social media and other online techniques in marketing activity, website design and use of cloud technologies. Given that the majority of these programmes have only relatively recently been established, few give any information about outputs or impacts as yet although, for some, there are details of the anticipated impacts via ERDF applications, local authority minutes or similar. Examples of available schemes are available in Annex 1[33]:

[33] Data is taken from websites of the organisations unless noted

5.1.1 Evaluation of local and regional schemes

There is little evidence of evaluation of the local and regional schemes, partly because they have been initiated relatively recently. It is clear that there is substantial provision at a local level. There is clear signposting in place and there are few obvious gaps in provision, although the level of free provision is limited in some places in terms of numbers (often on a first come, first served basis) or in terms of the total number of hours. What is less clear, from the material made public, is the quality of provision, or how it is being evaluated in terms of effectiveness. BIS is undertaking a formative evaluation of the Small Business Digital Capability Programme Challenge Fund. The findings will be published in summer 2015.

To date, there have been few studies specifically examining the impact of superfast broadband on local areas in the UK. As indicated above, the most active research in terms of evaluation of business impacts has been in Cornwall, where Superfast Cornwall Lab's collaborative research programme has produced findings which are more generally applicable to the superfast broadband rollout in other areas (although much of this is necessarily a work in progress). The most recent overarching report (April 2014) contains survey results from 224 businesses which have been connected to superfast broadband for at least 12 months and a 'control group' of 276 non-upgraded businesses.[34]

At the time, Cornwall was reported to be one of the best connected areas in the country, with fibre broadband available to 82% of all homes and businesses; this total included the connection of 4,100 SMEs. The usage of a wide variety of internet functions among the treatment group has increased, and they were using a greater range of functions than the control group. More fundamental impacts such as online marketing and sales were reported by a smaller proportion of the treatment group, with about 40 per cent reporting greater use since upgrading. Benefits reported by the treatment group included saving time/money (79 per cent) and working in new or different ways (55 per cent). 17 per cent directly attributed increased turnover to the upgraded connection, and 20 per cent attributed increased profits, while 42 per cent attributed reduced costs (against 8% reporting increased costs).

Scaling up turnover and employment increases attributed to the upgrade produces estimates for the predicted net impact among the 10,000 anticipated to upgrade, of 2,300 new jobs (associated with GVA increases of £92m) – slightly below project targets - and 3,040 safeguarded jobs (associated with a GVA increase of £125m), well above project targets. Superfast broadband was also found to be influential in start-up of some businesses (according to the report's survey of consumers, this was an important factor for around one-third of new businesses). However, the report confirms that raising awareness of superfast broadband and its potential for business, and further support to help businesses take advantage of transformational opportunities is valuable to actually realise the benefits, as not all businesses have changed the way they use the internet or taken advantage of the possibilities for increased usage. This support may come either from the broadband delivery programme, or from existing training providers (i.e. to 'train the trainers' to deliver appropriate support).

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[34] Serio and Buckman Associates (2014) *Superfast Cornwall Evaluation Update Report*, report for Superfast Cornwall

There has also been an interim evaluation of Superfast North Yorkshire's programme[35], which combined a rollout of superfast broadband alongside a business support programme along the lines of that described above. As of September 2013, access to ERDF-eligible businesses for superfast broadband increased from 22 per cent to 36 per cent, with take-up being 11 per cent (anticipated to rise). The evaluation concludes that there has been evidence of latent unmet demand for a programme integrating broadband and support; this is particularly true in rural areas, where superfast access, and broadband speeds in general, was lowest.

Support has met its target in terms of number of assists, but not in terms of impact; GVA impact – in particular – is lower than anticipated, despite high levels of satisfaction reported by businesses. The funding available has meant a concentration during the 12 hours of support provided per business, on 'less complex activities', predominantly on a one-to-many basis, which offer 'tangible business benefits' to SMEs in the target group – i.e. those with low levels of adoption and internet usage.

Further support is likely to be useful, given the high dependence but low depth of usage among SMEs supported, and could raise extent and usage further, but this can only be accomplished by referral to other providers – i.e. free support may well be at a lower than optimal level, and may not lead to the transformative process which evidence (from business interviews and GVA figures) suggests may be required. As such, the report recommends 'more structured guidance' to SMEs to help them more deeply understand and benchmark their internet use i.e. how they compare to other businesses in the locality/sector, and how they can change the ways in which they exploit the faster connection.

The third evaluation of such support has recently been published by Superfast Lancashire, although at a more preliminary point than the above two reports[36]. The research covered 128 businesses which had received measurable benefits, with evidence showing demonstrable impacts in a wide range of areas. However, it notes that this is very much in the context of an evolving programme; it is too early to decisively answer the question of how superfast broadband, and the support associated with it, has more broadly increased engagement with the digital economy, and how, or if, it has raised the competitiveness of local businesses as a result.

5.1.2 BIS Challenge Fund

Some of the programmes noted above are (partially) funded by a BIS Challenge Fund[37], available to 22 designated LEPs[38] (although in some cases the documentation is unclear on the precise pot from which funds are drawn – an indication both that there are numerous funding options available to undertake this activity at local level and that delivery

[35] Regeneris (2014) Interim Evaluation of Superfast North Yorkshire, report for NYnet

[36] Knight C (2015) Evaluation of Superfast Lancashire business support programme, Superfast Lancashire

[37] https://www.gov.uk/government/publications/2010-to-2015-government-policy-broadband-investment/2010-to-2015-government-policy-broadband-investment

[38] Funding was originally allocated to 22 projects, although two projects decided not to continue, leaving 20 projects in total.

is not centrally mandated or co-ordinated). However, there are a number of initiatives which make it clear that the Challenge Fund is the main source or among the main sources of funding. Again, there is little information on outputs or impacts. Examples of activities which have been funded are included in Annex 2[39]:

5.1.3 Women and Broadband Challenge Fund

The Government Equalities Office (GEO) has made available a challenge fund of £1.1 m (administered by BDUK and GEO and deliverable through local authorities managing the superfast broadband rollout) to help women entrepreneurs (female majority-owned SMEs) to start or grow their business by encouraging them to take advantage of faster internet speeds[40]. The support was time-limited, with support available until Spring 2015. Sixteen local authorities were successful, and projects included are described in Annex 3[41]:

Other digital skills support

In addition to the local initiatives above, there are numerous other initiatives which aim to enhance the extent and effectiveness of SMEs' online activity, either through the provision of more general advice, support or training or through improving the experience and confidence of internet usage.

5.1.4 UKTI E-exporting programme

In September 2014 UKTI launched an e-exporting programme[42], which aims to support retailers to take advantage of online opportunities ,making the best use of omni- and multi-channel commerce through all avenues available (PC, smartphone, tablet, 'old' media, bricks and mortar shops), with a particular focus on newly developing channels. It offers access to digital advisors; an 'e-passport' programme offering ongoing support and advice; access to UKTI advice and support and market news and statistics via Youtube and UKTI twitter feeds; an online communications review; and bespoke virtual and face-to-face events; and an opportunity to take advantage of UKTI's growing relationships with and knowledge of online marketplaces.

This programme follows on from UKTI's earlier *Grow Online, Expand Worldwide* pilot[43], and consolidates a number of pre-existing initiatives under one banner. *Grow Online, Expand Worldwide* aimed to support 7,000 businesses to increase their online exports through awareness raising sessions and workshops, webinars (4,000 businesses); e-commerce masterclasses (1,200 businesses); one-to-one advice sessions (1,500) and a pilot of the e-marketplace initiative (100 businesses).

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[39] Data is taken from the websites of the relevant organisations.

[40] https://www.gov.uk/government/news/female-entrepreneurs-set-to-benefit-from-superfast-broadband

[41] http://www.prowess.org.uk/business-online-women supplemented by data from websites of relevant organisations

[42] https://www.gov.uk/e-exporting

[43] https://www.gov.uk/government/news/new-support-to-help-7000-businesses-export-online

5.1.5 Digital Business Academy

The Digital Business Academy (DBA) was established by the government-funded organisation Tech City UK, in partnership with three providers of learning material: Cambridge University's Judge Business School, University College London, and Founder Centric. DBA offers a number of Massive Online Open Courses (MOOCs) concerned with digital business skills – i.e. free online courses on various aspects of creating and growing a digital business: start-up, marketing, digital product development, branding and finance[44]. There are a large number of 'rewards' for participants, depending on the courses they complete including eligibility for certain awards depending on completing some or all courses, or a specific combination of courses. Most of these rewards are free, but, for the most part, businesses only 'earn' the chance to apply for the rewards, rather than getting the reward as a matter of course. Rewards include space in business facilities (e.g. 'borrow a desk', 'free co-working space' for a limited time, including some mentoring support); fast tracks to various interviews for placements or internships; limited free mentoring, coaching or training or advice on business plans. Businesses learn at their own pace, and can take as many or as few of the eight modules as they wish, with each taking 5-15 hours to complete. The initiative was launched in November 2014; as of spring 2015, the DBA's press release[45] notes that is has achieved over 12,000 sign-ups to courses, of which (released data shows) 'up to' 26% have completed their course; that rate is claimed as quadruple the industry average. The figure of 12,000 sign-ups to courses, assuming many users complete more than a single course, implies that the total number of users was likely to be somewhat lower than 12,000[46]. In terms of type of users, 23 per cent are existing businesses (aiming to grow), 56 per cent wish to establish a business, and the remaining 21 per cent are aiming to gain or upgrade digital skills in order to obtain a job (although there is no information on whether they are already in employment and wish to gain a new or better position, or are currently unemployed)[47]. The DBA's appeal is stronger for younger learners, with approximately half of users being under 30[48].

5.1.6 Cyber security

Evidence from several reports, as noted above, suggests that one of the main barriers to SMEs doing more business online relates to concerns about the security of such transactions[49]. To alleviate these concerns, BIS and DCMS have put in place several initiatives to improve the level of cyber security in small businesses:

- *Cyber Essentials*. This scheme offers freely downloadable documents guidance and a checklist showing how SMEs can protect themselves against the most common cyber threats on the internet. Firms can choose to be assessed and receive a Cyber

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[44] http://www.digitalbusinessacademyuk.com

[45] http://www.digitalbusinessacademyuk.com/online-learning-driving-digital-economy

[46] As of July 2015, over 16,500 businesses have signed up with over 9,000 starting courses.

[47] Ibid

[48] Ibid

[49] Lloyds Bank/Accenture (2015), House of Lords (2015) *ibid*

Essentials badge to demonstrate to their customers they take cyber security seriously.

- *Small Businesses: What You Need to Know About Cyber Security*. A short guide containing clear, simple advice on how small businesses can stay safe online and protect their cashflow and reputation.

- *Responsible for Information*. A free, one-hour, online e-learning module showing small business owners and staff to protect against fraud and cyber-crime

- *Cyber Security Innovation Vouchers.* An extension of Innovate UK's Innovation Vouchers scheme, to allow SMEs to bid for up to £5,000, from a £1m pot, to bring in outside expertise in to order to improve their cyber security.

5.1.7 Digital High Streets

The Future High Streets Forum, and the Digital High Streets Advisory Board (DHSAB) were tasked by Department for Communities and Local Government (DCLG) to examine the challenges faced by Britain's high streets, and how the digital revolution can be harnessed to revitalise them. Their recent report[50] outlines possible ways in which high streets may change in the future, and how high streets may respond to the changing expectations of consumers in the light of online retailing. Most relevant to the focus of this report, the board recommended:

- the use of mobile digital marketing methods and information provided virtually, to better integrate the online and physical shopping experience.

- 'blurring' of physical and online brands/offerings e.g. in-store picking up/alteration/returns of purchases made online, greater use of brand-based apps, 'show-rooming' to lead to online purchase; greater use of in-store personalised information services directed at mobile devices.

- linking of information/services relating to the high street as a whole to geolocation services.

- relevant investment in digital skills, and encouragement of partnerships, to enable these challenges to be responded to at a local level.

- ongoing infrastructural improvements in broadband and mobile internet access, including superfast broadband, 3G+ mobile speed and wifi hotspots for consumers and businesses (if necessary, and possibly sharing business connections to boost consumer access).

- building digital confidence among consumers to ensure that they are comfortable with accessing the full range of information and services, and ensuring

[50] Digital High Street Advisory Board (2015) *Digital High Street 2020 Report*

interoperability of wifi standards etc to maximise the likelihood of being able to connect while mobile.

- analysis of data captured from relevant internet usage to better target services (usage, opening hours, local marketing and transport needs).

For SMEs, the report's recommendations focuses on ensuring that retail SMEs devote sufficient time to learning, that it is cost-effective, and learning of basic digital skills (through Go-ON UK, and the other schemes outlined here). Given pace of change of digital development, these recommendations centred on the *outcomes* from digital skills, rather than simply the skills themselves. This would entail providing retailers with the skills and knowledge to – partly – decide what digital skills are needed to trade more effectively, rather than outlining the skills needed directly, but also that cyber security for SMEs is increased that their confidence in using e-commerce is raised.

The Digital High Street Skills programme[51], which predates the report's publication, was developed with the help of the Employer Ownership Fund by the National Skills Academy for Retail and the Association of Town and City Managers. This offers training and mentoring for small retail businesses at substantially reduced rates. The Fund was initially accessible to all retail businesses with fewer than 250 employees in England and available until the end of July 2014, but has also been (part-)funded by organisations in several local areas subsequently. For example, Cornwall and the Isles of Scilly LEP brought together a number of funding streams to offer the subsidised training to SMEs in early 2015 (reduced from £255 to £120)[52]. Completing the training allowed businesses access to apply to a £40,000 fund to apply for a voucher worth £1,000 to use in selected local digital services suppliers. Similarly, training for a limited number of SMEs in the Enterprise M3 area was provided at no cost to the businesses in early 2015, funded by the LEP[53], while a similar package was offered by Destination Chesterfield in late 2014[54].

5.1.8 Do More Online/digitalskills.com

The main government funded website to promote online business to sole traders and micro businesses is Do More Online[55] available under the 'Business is Great' campaign. This provides access to resources online; users can also get advice through a business support helpline including dedicated topic guides and links to relevant guidance online. The site is linked to the small business section of digitalskils.com site (delivered by Go-ON UK and supported by BIS) which 'supports the digital champions who help others

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[51] https://www.atcm.org/programmes/digital_high_street/dhs_skills

[52] http://www.cornwallandislesofscillylep.com/digital-high-street-skills-.html

[53] http://www.enterprisem3.org.uk/news/digital-high-street-skills-programme-delivered-in-the-enterprise-m3-area/

[54] http://www.derbyshireretailhelp.co.uk/derbyshire-retail-help-blog-for-latest-news-and-articles-on-shopping-and-retailing-in-general/free-digital-workshops-chesterfield/1612/

[55] http://www.greatbusiness.gov.uk/domoreonline/

to reach their digital potential' i.e. providing links to relevant support, raising awareness of trading online, including the use of case studies to illustrate benefits to businesses of basic digital skills, information on funding opportunities, courses and events, and a forum for peer support. Many local schemes direct users to these sites, unless more locally devised resources are provided. The sites are recently established (digitalskills.com is still in beta) and to date there are no published evidence on impacts or outputs.

5.1.9 Go-ON UK

Go-ON UK is a cross-sector digital skills charity, with a diverse range of delivery partners, aiming to raise awareness of the SME Digital Capability programme, and in particular supporting LEPs in awareness raising activity. During its first year it is estimated that the Programme inspired 300,000 SMEs and educated 5,500, leading them to take further action. The programme's ambition is to engage the 1.6m SMEs with little or no web presence, or wish to scale a basic e-commerce capacities[56].

To date, the initiative of most relevance to SMEs to be evaluated has been its regional pilot programmes, organised by Go-ON UK and delivered through the Tinder Foundation's UK Online centres.[57] The findings of the 2015 Lloyds Bank UK Business Digital Index, reported above, singled out large increases in digital skills in the North East and North West regions, attributed (at least in part) to these areas being the location of: '*The successes in the North East and North West suggest that the regional model undertaken by organisations such as Go-ON UK has had an impact. We need to understand how organisations can do more to support this model across further regions and local areas*' (Lloyds Bank, 2015).

The North East pilot was run in association with Lloyds Bank, and took place from February to August 2014 with a small number of businesses in the North East, including Lloyds Bank Business customers. The pilot aimed to understand how best to design a delivery model for digital support for SMEs, and devised a twofold strategy: (i) training local stakeholders as 'Small Business Digital Champions' to support business customers in sourcing digital training and raising their confidence, as well as direct support on basic digital skills; and (ii) face-to-face training through the UK Online centre, geared to their initial skill levels to allow development at their own pace. The feedback was positive, in terms of both raising confidence and skills levels, resulting in time and costs savings within the businesses. As such, this supports the broad delivery model which, as outlined above, is operative in most areas – motivation, confidence- and awareness-raising initiatives among business owners with only basic digital skills are key, with delivery being locally organised and delivered through a trusted, named local delivery partner in a user-led flexible approach. The report also recommends a national organisation could play an important role as a partner in a scalable delivery model, through the referral of customers to training providers and ensuring a joined up approach between multiple providers and referrers so that businesses can be directed to the most appropriate support.

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[56] http://www.go-on.co.uk/18billion-online-opportunity-for-uk-smes/

[57] Tinder Foundation/Lloyds Bank (2014) Supporting Small Businesses with Digital: a Pilot Project. An Evaluation Report, Tinder Foundation/Lloyds Bank

Go-ON UK's partners are training their staff to be Digital Champions (e.g. Lloyds has announced plans that a quarter of their workforce will be champions by 2017) or individuals able to support the enhancement of digital skills across both individuals and businesses. There are also similar schemes at a local level, through private sector organisations without formal links to Go-ON UK (e.g. Barclay Bank's Digital Eagles), but – other than the evaluation evidence from the North East – there is little information available about the reach and extent of Digital Champion initiatives. Part of the BIS support for the Tinder Foundation will train 750 Digital Champion volunteers based in local community organisations.

Other Go-ON UK activity has included (i) delivering and/or organising awareness-raising speeches and facilitation of workshops at major events (e.g. The Greater Birmingham and Solihull Digital Summit); engaging with the Federation of Small Businesses in order to help wider awareness-raising activities; (ii) engaging with the LEP network to raise awareness of the importance of digital skills; facilitating collaboration and best practice sharing between LEPs and corporate partners; and hosting the inaugural meeting of the LEP Digital Skills steering group. Future activity will concentrate on similar initiatives, in particular to facilitate a network of local delivery partners, including working through the Growth Hubs, and identifying gaps and opportunities for SME digital skills development – i.e. following the approach taken in the North East.

5.1.10 Tinder Foundation

As noted above, the Tinder Foundation is being supported by BIS. The contract to deliver the Future Digital Inclusion Fund[58], awarded in November 2014, is intended to lead to 750 people being trained as Digital Champion volunteers, and support their work through UK Online Centres, based in informal settings in local community organisations. This work is intended to enhance digital skills among 200,000 people (including, but not restricted to, SME owners) in 2014-15, leading to 2,000 people gaining a City & Guilds certificate in basic online skills.

Other Tinder activity of relevance to this report includes:

- Delivery of pilots for SME engagement (detailed above);
- Funding from the Prince's Countryside Fund to support small businesses in six rural areas to improve digital skills via one-to-one training and network building between the SMEs and local partners, with the service delivered through Digital Advice Hubs.[59]
- Bespoke packages of digital skills training and related activities for businesses.[60]

[58] http://www.tinderfoundation.org/our-thinking/news/tinder-foundation-wins-future-digital-inclusion-contract

[59] http://www.tinderfoundation.org/what-we-do/supporting-rural-smes

[60] http://www.tinderfoundation.org/about/work-us

6 Digital skills support in other countries

Many OECD countries are undertaking similar schemes to those listed above, although – again – details and evaluation evidence is lacking. For the most part, reports[61] suggest that the UK is one of the most advanced countries in terms of exploiting the potential of the internet, implying that there are relatively lessons to learn in terms of the broad outline of the programmes (as opposed to the details of individual delivery, and how outcomes are realised); this situation may change once evaluation and impact evidence is available to provide guidance on what works well. This section provides information about some typical programmes from OECD countries.

E-skills for Europe

In February 2014, a European Commission report examined the progress and recommendations for future policy in the area of e-skills for jobs.[62] It noted the prevalence of strategic, long-term plans involving stakeholders and partnerships across the public and private sectors, and noted that '*The United Kingdom has extensive experience in e-skills related policy development and remains a benchmark for multi-stakeholder partnership in this domain*' (p6). Possible ideas singled out by the report as good practice which may be followed up include, in particular, issues surrounding e-leadership, in which the UK receives its lowest score, although it still remains more advanced in this area than many countries; e-leadership training is, in general, a rarity among European programmes. In this area, the UK may learn some lessons from the small number of countries which are placing greater emphasis on high-level e-leadership skills and a greater integration between e-leadership and traditional business skills training, compared to the basic level of digital skills training which is more common in UK programmes. For example:

- *Finland*: large-scale promotion of entrepreneurship predominantly in the digital domain, including training for prospective owners in both e-leadership and traditional business skills.
- *Germany*: the Software Campus was among the earliest European initiatives to promote e-leadership skills alongside 'traditional' business training.
- *Netherlands*: integrated business development initiatives (e.g. the Brainport Talent Region); national campaigns and training schemes targeting SMEs (e.g.'Slimmer & veilig ondernemen in 1 minuut')

[61] e.g. House of Lords (2015) *ibid*

[62] Gareis K, Hüsing T, Birov S, Bludova I, Schulz C and Korte WB (2014) *E-Skills for Jobs in Europe: Measuring Progress and Moving Ahead*

In terms of multi-stakeholder partnerships to enhance digital skills, the UK is already undertaking at least some activity in all of the areas identified by the report: awareness raising (of the importance of digital skills); training at an early age; initiatives focusing on girls and women; tailored education and training; career support for ICT practitioners; e-skills frameworks; national e-skills partnerships with at least some government leadership. Based on the latest available data, the UK had a maximum rating of 5 on the e-skills activity index, and 4.5 on the digital literacy activity index, and an 'e-skills gap' (looking at hard-to-fill vacancies) of 3 out of a maximum rating of 7 (where 7 indicates the greatest gap).

The report goes onto list a number of good practice examples drawn from various countries. E-Skills UK is reported as '*the European benchmark for comprehensive initiatives addressing the e-skills challenge, in spite of recent cuts in government funding and increased reliance on project funding. The partnership benefits from strong government backing, formalised through its status (since 2003) as a Sector Skills Council. Other success factors include effective coordination of all main national stakeholders, while being driven by the requirements of employers. The range of activities cover nearly all types of initiatives discussed in the present report. The programmes offer companies, institutions and individuals a wide range of opportunities to participate and benefit.*' (p54).

Digital Entrepreneurship Monitor

The Digital Entrepreneurship Monitor website[63] collates examples of good practice from EU member states (and elsewhere). Given the conclusions reported above, and (in some cases) the lag in reporting these good practices, many are already in place in the UK. Below is a selection of overseas good practices which may potentially be applicable in the UK, in a modified form taking account of the social and economic contexts:

- *Germany*: the eStandards initiative promotes the use of common data exchange standards and networking, in order to encourage connections and supply chain opportunities between larger organisations and SMEs,

- *France*: digital loans *(Prêts numériques*) are available to SMEs (over three years old) to support the adoption of digital solutions, or integrate digital technology in products or services. The loan package, worth a total of €300m with a state contribution of €27m, provides loans of between €200,000-€3m to SMEs.

- *Ireland*: the Internet Growth Accelerator Programme provides e-leadership skills through intensive management development for internet companies with high growth potential.

- *Luxembourg*: Europe4Startups gives 12 months of free access to cloud services, networking and business support to startup businesses.

[63] https://ec.europa.eu/growth/tools-databases/dem/monitor

- *Portugal*: to encourage more small businesses to develop their online presence, PME Digital – an initiative of the Ministry of the Economy – provides advice, supports development of an action plan and makes links to relevant skills providers to purchase the necessary services to develop, for example, a website. CRM services or an e-commerce platform.

- *Spain*: the Digital Entrepreneur XXI programme, supported by Caixa Bank, Microsoft and Barcelona City, runs a four-part programme for new businesses with high growth potential, with a competitive element: (i) training, lasting a week, covering business planning and issues specific to digital businesses; (ii) workshops on business management; (iii) personalised mentoring on the business plan and validation of their idea; (iv) conferences and networking lunches with relevant stakeholders. There is a follow-up investment forum for participants. Winners receive promotion, funding and incubator opportunities.

- *Australia*: the Digital Brisbane strategy has a number of strands to encourage online activity. Among them is the digital business power-up programme has three different offers, depending on the digital maturity of the business. For digitally advanced businesses, it offers online tools to keep up to date with relevant information; support to identify web needs, mentors and suppliers; and access to international speakers and entrepreneurs. For the lower level of digitally active businesses, the programme offers access to relevant digital support, self-assessment and online diagnostic tools to identify digital gaps and needs. For digital novices, it offers, a minimum of 50 opportunities a year for face-to-face training, education and information events; basic web tools; and seminars, forums, conferences and training to progress. The Digital Business Kits programme provides funding to ten industry ‘peak bodies’ (such as advocacy groups, trade bodies and unions) to develop and promote industry-specific 'how-to' guides for SMEs to support their engagement with the digital economy.

7 Evidence review: conclusion

The impression given by the evidence that there is substantial activity at both the local and national level – some of which (as identified by the small number of evaluation studies published to date) is excellent. However, there is no clear overarching evidence for how the various strands of activity interact, which initiative could act as a 'gateway' and how SMEs progress in terms of developing digital skills. In some parts of the country (the South West and Birmingham, for example) there is clear evidence of a more thought-through package of digital skills training, and a clear commitment to developing such skills. Elsewhere, however, while support does exist in most areas, it is often small-scale, and/or dependent on packages of funding which are limited in terms of time, location and eligibility. In addition, there is relatively little evidence available in terms of impacts. This is, in some ways, unsurprising given that much provision has only recently been established.

This evidence thus, in many ways, reiterates the position stated in the Strategy for Digital Inclusion[64],which states that support delivered at local level (for both individuals and businesses) often consists of *'isolated and disjointed initiatives to combat digital exclusion [which] have not made the most of our combined efforts and expertise. Although competition is good, it is sometimes stopping people and organisations from working together to give people the best possible support. Organisations are trying to meet the needs of those funding support, rather than the needs of users. This can be confusing for those looking for support. In order to help people go online [...we have to] make it simpler and easier for people to get support.*'

[64] https://www.gov.uk/government/publications/government-digital-inclusion-strategy/government-digital-inclusion-strategy

8 Digital Capabilities Survey

Aims of the survey

This section of the report details the findings of a quantitative study among 803 small and medium sized businesses (SMEs) in England into their digital capabilities. The survey was commissioned by the Department for Business, Innovation and Skills (BIS), and was carried out by BMG Research in partnership with the Policy Research Group, Durham University, with fieldwork occurring in March and April 2015.

Evidence on the effectiveness of digital support to small businesses has so far been limited. The focus of the Government's programme has been on businesses that were not online, or had basic online capability. This survey seeks to establish the level of digital engagement among SMEs in early 2015, the potential to expand digital capability, and the barriers to doing so.

Method

Eight hundred and three owner/managers of SMEs in England were interviewed using Computer Assisted Telephone Interviewing (CATI) between March and April 2015. The contact sample was drawn from SMEs that had previously taken part in the BIS's 2014 Small Business Survey (SBS)[65], and that had agreed to recontact at a later point. This method allowed for efficiencies in interviewing, but also allowed for stratification of the sample by the apparent level of digital engagement (as established in SBS). To this end, those most active, and those least active in digital engagement were mildly oversampled.

SBS's sample design under-represents SMEs with no employees. They form 15 per cent of actual interviews, but in the analysis they are weighted to represent 76 per cent of the SME population, this being the employment size profile established in BIS's Business Population Estimates (BPE)[66]. This means that, in this survey, the findings for all SMEs tend to be dominated by those with no employees. It also means that a relatively small number of interviews gained in the Digital Capabilities survey were with SMEs with no employees, as they constituted only a small proportion of the SBS contact sample.

At the analysis stage, data were weighted to size and sector based on the 2014 BPE. Unweighted and weighted profiles of those interviewed are shown in the table below, as is the overall accuracy of findings for sub-groups.

[65] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/414963/bis-15-151-small-business-survey-2014-sme-employers_v1.pdf
[66] https://www.gov.uk/government/statistics/business-population-estimates-2014

Table 8.1: Unweighted and weighted sample sizes, statistical confidence in survey findings[67]

	Unweighted n=	Weighted n=	Standard error at 10%/90%	Standard error at 50%
All England	803	803	+/- 2.1%	+/- 3.5%
No employees	107	612	+/- 5.7%	+/- 9.5%
Micro businesses (1-9 employees)	275	157	+/- 3.5%	+/- 5.9%
Small businesses (10-49 employees)	271	29	+/- 3.6%	+/- 6.0%
Medium-sized businesses (50-249 employees)	150	5	+/- 4.8%	+/- 8.0%
ABCDEF Primary/manufacturing/ construction sectors	167	205	+/- 4.6%	+/- 7.6%
GHI Retail, transport and food service	212	152	+/- 4.0%	+/- 6.7%
JKLMN Business services	275	270	+/- 3.5%	+/- 5.9%
PQRS Other services	149	177	+/- 4.8%	+/- 8.0%

This overall sample is sufficiently large to allow reporting on findings with a high degree of statistical reliability. For example, based on all respondents, if ten per cent answer affirmatively to a question, then the 'real' proportion is between 7.9 and 12.1 per cent (based on accuracy of +/- 2.1 per cent).

Unless stated otherwise, all findings reported in bold in the tables are statistically significant when a finding for a sub-group is compared with the overall total. In this instance it should be noted that the comparison is between the sub-group (e.g. all micro businesses), and the total minus that sub-group.

[67] The table presents the overall accuracy of findings overall and for sub-groups, at the 95% confidence level, associated with findings of 10%/90% and findings of 50%.

9 Overall usage of the internet

This section explores how and where the internet is used by businesses

Where internet is used

Table 9.1: Where the internet is used – by employment size

	All SMEs	No employees	Micro (1-9)	Small (10-49)	Medium (50-249)
n=	803	107	275	271	150
	%	%	%	%	%
At home	85	86	**80**	81	86
At work	82	78	**92**	**97**	**99**
Via a smart phone	67	66	68	**74**	**82**
Somewhere else	8	8	9	**11**	7
Do not use the internet	2	2	1	*	0

Base = all SMEs. Question C3. Figures in bold are statistically significant at the 95% confidence level for each column against the total (minus the column tested). * = a figure of less than 0.5%, but greater than zero

Eighty-five per cent of SMEs use the internet at home, and 82 per cent use it at work, with this proportion increasing with the size of the organisation. Two per cent of SMEs claim that they do not use the internet at all. These are mainly SMEs with no employees.

Table 9.2: Where the internet is used – by sector

	All SMEs	ABCDEF Primary/ Construct-ion	GHI Retail/ Transport/ Food	JKLMN Business services	PQRS Other services
n=	803	167	212	275	149
	%	%	%	%	%
At home	85	82	**79**	88	88
At work	82	**64**	**88**	**90**	86
Via a smart phone	67	**50**	**77**	**74**	68
Somewhere else	8	**2**	**19**	9	5
Do not use the internet	2	2	*	0	**5**

Base = all SMEs. Question C3. Figures in bold are statistically significant at the 95% confidence level for each column against the total (minus the column tested). * = a figure of less than 0.5%, but greater than zero

Looking at the data by broad sector, SMEs in the retail, accommodation, food service and transport sector are the least likely to use the internet for business purposes at home 979 per cent), but they are more likely than average to use the internet at work (88 per cent), via smart phones (77 per cent), or elsewhere (19 per cent). Those in the business services sector are also more likely than average to use the internet at work (90 per cent) or via a smart phone (74 per cent).

Those in primary and construction sectors are less likely than average to use the internet at work (64 per cent) or via smart phones (50 per cent). A sub-division of this broader sector, those in construction are the least likely to use the internet at work (55 per cent). This might relate to the mobile nature of their work, but it is also notable that only 43 per cent of them access smart phones for the internet. The vast majority of the construction sector (88 per cent) has internet access at home, and all those interviewed had some form of internet access. This was not true of those in the manufacturing sector, however, where 11 per cent have no internet access at all for work purposes.

Those in other services are also more likely than average to have no internet access at all (five per cent). Breaking this down further, those in education were the most likely to have no internet access (21 per cent).

Perhaps surprisingly, the proportion of SMEs in the West Midlands with no internet access is much higher than anywhere else in England (15 per cent), but there were no differences according to whether an SME is in a rural or urban location.

Broadband

Table 9.3: Whether have broadband – by employment size

	All SMEs	No employees	Micro (1-9)	Small (10-49)	Medium (50-249)
n=	803	107	275	271	150
	%	%	%	%	%
Any broadband	91	90	94	**98**	95
- Super fast	39	40	35	40	**56**
- Normal	47	45	52	50	**31**
- Don't know if superfast	4	3	6	**7**	**8**
No broadband	10	11	7	**2**	**3**
Don't know if have it	*	0	*	0	**1**

Base = all SMEs. Question C4/C5. Figures in bold are statistically significant at the 95% confidence level for each column against the total (minus the column tested). * = a figure of less than 0.5%, but greater than zero

Ninety-one per cent of SMEs have broadband. Thirty-nine per cent have superfast broadband[68], and 47 per cent normal broadband. Medium-sized businesses are the most likely to have superfast broadband, but in general broadband is the norm for all sizes of business.

By sector, those in primary (82 per cent), transport, accommodation and food (86 per cent) and other services (86 per cent) are the least likely to have broadband.

General usage of the internet for business purposes

Table 9.4: General usage of the internet for business purposes – by employment size

	All SMEs	No employees	Micro (1-9)	Small (10-49)	Medium (50-249)
n=	803	107	275	271	150
	%	%	%	%	%
Finding information for the business	87	86	**92**	**93**	**96**
Emails to customers	85	84	**89**	89	**93**
Online banking	82	81	86	**89**	**91**
Paying bills	78	75	**85**	**85**	**89**
Ordering from suppliers	76	75	**82**	**82**	**84**
Paying taxes online	75	73	**82**	**82**	78
Advice on regulation	72	70	**76**	**86**	**88**
BACS payments	71	67	**82**	**84**	**94**
Promoting goods or services	70	65	**83**	**86**	**94**
Seeking general business advice	63	62	**67**	**71**	**78**
(Other) Government transactions	61	56	**74**	**79**	**76**
Social media	46	43	**55**	**57**	**63**
Taking bookings, appointments, orders without payment at time	29	26	**35**	**39**	**44**
Taking sales, orders or bookings with payment at the time[69]	22	21	24	**30**	**37**
None of these	6	**7**	**1**	**0**	**0**

Base = all SMEs. Question C1. Figures in bold are statistically significant at the 95% confidence level for each column against the total (minus the column tested)

[68] Superfast broadband is defined as speeds of 24Mbps or above. The UK government's ambition is to provide 95% of the UK with those speeds or higher by 2017, with the rest having a minimum speed of 2Mbps.

[69] Please note that this is a different definition used from that which defines e-commerce in Section 4 of this report, and therefore the two measures result in slightly different figures

The most common uses of the internet for business services are for finding out information (87 per cent), emailing customers (85 per cent) and online banking (82 per cent). Only 29 per cent use the internet for taking bookings, appointments or orders without payment at the time, and only 22 per cent for taking booking with payment at the time, i.e. for e-commerce. In general, the larger the organisation, the more uses of the internet are made.

By sector, use of social media is most common in retail/wholesale (60 per cent) and business services (55 per cent), and is least common in construction (23 per cent).

E-commerce is most common in retail/wholesale (62 per cent), the primary sector (36 per cent) and transport, accommodation and food (35 per cent). It is least common in construction (four per cent) and other services (15 per cent).

Connectivity

Table 9.5: How good or poor is internet access – by employment size

	All SMEs	No employees	Micro (1-9)	Small (10-49)	Medium (50-249)
n=	797	105	272	270	150
	%	%	%	%	%
Good	68	69	68	66	**76**
- Very good	29	28	30	33	**37**
- Fairly good	40	40	38	**34**	39
Neither good nor poor	18	18	19	17	17
Poor	12	12	13	**16**	8
- Fairly poor	7	7	9	7	6
- Very poor	5	5	5	**10**	**1**
Don't know	2	2	*	1	0

Base = all SMEs with internet access. Question C6. Figures in bold are statistically significant at the 95% confidence level for each column against the total (minus the column tested). * = a figure of less than 0.5%, but greater than zero

Over two thirds (68 per cent) of SMEs rate their internet access as good. Although medium sized businesses are the most likely to consider their internet access as good (76 per cent), good connectivity is not necessarily related to size, as small businesses with 10-49 employees are the most likely to consider their internet access poor.

By sector, internet access is most likely to be considered poor in the primary sector (22 per cent), transport, accommodation and food (20 per cent) and other services (19 per cent).

There are some regional differences here. Twenty-eight per cent of SMEs in the North east rate their connectivity as poor, which compares to one per cent in London.

This suggests that those in rural areas have poorer connectivity, and indeed this appears to be the case. Using a broad urban/rural classification[70], 23 per cent in rural areas claim poor connectivity, compared to six per cent in urban areas.

Those without broadband access are more likely than average to rate their connectivity as poor (23 per cent), as are those with standard broadband (20 per cent, compared to just two per cent of those with superfast broadband).

Table 9.6: Whether experience connectivity problems – by employment size

	All SMEs	No employees	Micro (1-9)	Small (10-49)	Medium (50-249)
n=	797	105	272	270	150
	%	%	%	%	%
Any	51	51	49	53	**42**
- Slow download speed	39	40	35	40	34
- Poor wi-fi connectivity	26	28	**21**	27	21
- Loss of internet on a regular basis (e.g. once a week or more)	18	18	19	**24**	14
- Good broadband not available in area	17	17	18	**22**	17
- Problems dealing with internet supplier	11	11	11	12	8
- Internet not available in area	3	2	4	**5**	**5**
- Other problems with internet	5	6	5	3	2
None	48	48	51	47	**58**
Don't know	1	1	**0**	**0**	0

Base = all SMEs with internet access. Question C7. Figures in bold are statistically significant at the 95% confidence level for each column against the total (minus the column tested). * = a figure of less than 0.5%, but greater than zero

[70] This is based on ONS's 2011 Rural-Urban Classification For Small Area Geographies (RUC2011) (http://www.ons.gov.uk/ons/guide-method/geography/products/area-classifications/2011-rural-urban/index.html). This characterises a range of statistical and administrative units on the basis of physical settlement and related characteristics. There are ten categories which have been amalgamated into two broad classifications: urban (consisting of major conurbations, minor conurbations, cities and towns, and cities and towns in sparse settings); and rural (consisting of town and fringe, town and fringe in a sparse setting, village, village in a sparse setting, hamlets and isolated dwellings, and hamlets and isolated dwellings in a sparse setting).

Fifty-one per cent of SMEs with internet access claimed that they had problems with the internet that affected their business (medium sized businesses are least likely to experience these – 42 per cent). These problems are most likely to relate to slow download speeds (39 per cent), poor wi-fi connectivity (26 per cent), loss of internet on a regular basis (18 per cent) and lack of good broadband in their area (18 per cent). Three per cent of SMEs stated that the internet was not available in their area.

By sector, those in primary (78 per cent) were the most likely to state that they had problems with the internet. Those in business services (45 per cent) were the least likely to say this. For the broad primary/construction sector the most common problems are slow download speeds (60 per cent), loss of the internet (42 per cent) and the lack of broadband availability (40 per cent). Nineteen per cent said that the internet was not available in their area.

By region, those in the South West (67 per cent) were more likely than average to have had any problems. However, the proportion in rural areas that had internet problems (56 per cent) was not significantly statistically higher than those in urban areas (47 per cent).

Rural SMEs are no more likely than those in urban areas to not have internet access available in their area, but they are more likely to not have good broadband available (26 per cent, compared to 12 per cent in urban areas), and to lose internet connections regularly (24 per cent, compared to 15 per cent in urban areas).

Sixty-four per cent of those with standard broadband cited any problems, compared to 39 per cent of those with superfast broadband. Those with no broadband were actually less likely to say they had problems (34 per cent) than those with broadband (52 per cent).

10 Websites

This section looks at websites, who has them, when they were introduced, who designed them and who maintains them.

Whether have a website

Sixty-four per cent of SMEs have a website. The larger the organisation, the more likely they are to have a website.

Table 10.1: Whether have a website – by employment size

	All SMEs	No employees	Micro (1-9)	Small (10-49)	Medium (50-249)
n=	803	107	275	271	150
	%	%	%	%	%
Has a website	64	59	**78**	**86**	**94**
Listed in online directories	53	52	**60**	**48**	49
- Has a website, listed in online directories	40	38	**51**	**43**	**47**
- No website, but listed in online directories	13	14	9	**5**	**2**
Neither	24	28	**13**	**10**	**4**

Base = all SMEs. Question B1/B2. Figures in bold are statistically significant at the 95% confidence level for each column against the total (minus the column tested). * = a figure of less than 0.5%, but greater than zero

By region, SMEs in the East of England (80 per cent), London (76 per cent) and the North East (82 per cent) were more likely than average to have websites. Those in the North West (48 per cent) and West Midlands (36 per cent) were less likely to have them. Businesses in urban areas are more likely to have websites (68 per cent) than those in rural areas (56 per cent).

Seventy-four per cent of SMEs with separate work premises have websites, compared to 53 per cent that are based at home.

Fifty-three per cent of SMEs are listed in online directories, a proportion which rises to 60 per cent among micros. Forty per cent of SMEs have both a website and are listed in online directories, while 13 per cent are listed in online directories but have no website. Overall therefore, 76 per cent of SMEs have some kind of web presence by which to advertise their goods and services, a proportion that rises to 96 per cent of medium sized businesses.

Eighty-three per cent of 'growth[71]' businesses have a website, compared to 69 per cent of those whose performance is stable, and 59 per cent of those who have experienced some shrinkage in terms of employment or turnover.

Seventy-four per cent of businesses that have engaged in any innovation[72] recently have websites, compared to 44 per cent of those that have not. Sixty-eight per cent of exporters have websites, compared to 63 per cent of those that do not export.

Table 10.2: Whether have a website – by sector

	All SMEs	ABCDEF Primary/ Construct-ion	GHI Retail/ Transport / Food	JKLMN Business services	PQRS Other services
n=	803	167	212	275	149
	%	%	%	%	%
Has a website	64	**54**	68	68	64
Listed in online directories	53	51	52	53	57
- Has a website, listed in online directories	40	36	47	42	38
- No website, but listed in online directories	13	15	**5**	11	**19**
Neither	24	31	27	21	17

Base = all SMEs. Question B1/B2. Figures in bold are statistically significant at the 95% confidence level for each column against the total (minus the column tested). * = a figure of less than 0.5%, but greater than zero

By sector, those in the broad primary/construction sector are the least likely to have websites (54 per cent have one), but they are as likely as other sectors to have listings in online directories. In terms of having no web presence, there are no significant differences

[71] Growth businesses are SME employers that had increased the numbers employed by five per cent or more in the last year with a minimum of three new employees, or SME employers that had increased turnover by five per cent or more in the last year, with a minimum increase of £50,000. Stable businesses are SME employers that had the same numbers, or who employed up to two more or fewer employees than 12 months previously, and whose turnover increased or decreased by less than £50,000. Shrinking businesses are those that had decreased the numbers employed by five per cent or more in the last year with a minimum of three employees lost, or SME employers that had decreased turnover by five per cent or more in the last year, with a minimum decrease of £50,000. In addition, this group could not have grown employment or turnover by five per cent or more. These categories were defined from information in the 2014 Small Business Survey.

[72] This measure derives from answers given in the Small Business Survey 2014. It refers to businesses that have introduced new or significantly improved products or services, or new or significantly improved processes. This question was only asked of half the sample in SBS 2014.

between the broad sectors. However, looking at sectors in finer detail, we find that only 45 per cent in transport, accommodation and food have a website, and only 43 per cent are listed in online directories, with 50 per cent having neither of these – nearly double the average for all SMEs.

The newer the business, the more likely they are to have websites. Eight-four per cent of businesses aged zero to two years have websites, compared to 77 per cent of those aged three to five years, 70 per cent of those aged six to ten years, 64 per cent of those aged eleven to twenty years, and 52 per cent of those aged over twenty years. However, these figures do not show the bigger picture, as small and medium-sized businesses are more likely than average to have websites, and they tend to be older than businesses with less than ten employees, as they have had more time to grow in terms of employment.

If we combine age and size of business into four broad categories, we find that 70 per cent of very small businesses (less than ten employees) aged up to twenty years have websites, compared to just 50 per cent of these which are aged over twenty years. For businesses with ten or more employees, the age of business does not seem to affect whether they have a website. Eighty-four per cent of these aged up to twenty years have websites, compared to 90 per cent of these aged over twenty years. Therefore, it is the very small businesses aged over twenty years that are the most resistant to having a website.

How websites can be used

Of those with websites, 16 per cent allow customers to make appointments for visits or call outs, and 71 per cent allow customers to leave contact details for SMEs to get in touch. Twenty-six per cent of these websites do not allow either of these to happen, a proportion that does not change by SME size.

Allowing the customer to set their own appointments for visits or call outs is most common in the primary (35 per cent) and construction (33 per cent) sectors. It is least common in retail/wholesale (seven per cent).

Seventeen per cent of SMEs with websites, or 11 per cent of SMEs overall, have e-commerce where customers can order and pay for goods or services directly from the website. This is examined in the next section in this report.

When website introduced

Six per cent of SMEs with websites first introduced these in the last 12 months, the same proportion that first introduced one over 15 years ago. The larger the SME, the more likely they are to have a longer established website. The median period for a website to have been introduced is six years ago (2009).

By sector, those with websites in primary, construction and retail/wholesale were more likely to have introduced websites recently (median = introduced 2011-2012), whilst those with websites in transport, accommodation and food, business and other services have more established websites (median = introduced 2007-2008).

Table 10.3: When website first introduced – by employment size

	All SMEs	No employees	Micro (1-9)	Small (10-49)	Medium (50-249)
n=	653	64	215	232	142
	%	%	%	%	%
Up to 1 year ago	6	7	4	4	**1**
Over 1 year, up to 3	16	16	18	**8**	**5**
Over 3 years, up to 5	23	26	**16**	**14**	**10**
Over 5 years, up to 10	26	23	**32**	**37**	**35**
Over 10 years, up to 15	21	20	22	20	21
Over 15 years	6	6	4	**10**	**13**
Don't know	2	1	**4**	**7**	**14**

Base = all SMEs with websites. Question B7. Figures in bold are statistically significant at the 95% confidence level for each column against the total (minus the column tested). * = a figure of less than 0.5%, but greater than zero

While generally older businesses tend to have more established websites, older businesses are still introducing their first website, as evidenced by the finding that ten per cent of SMEs aged over 20 years first established their website in the last year.

Website re-design

Table 10.4: Number of times website has undergone a significant redesign – by when website first introduced

	All SMEs	Up to 5 years ago	Over 5 years, up to 10	Over 10 years ago
n=	653	196	221	191
	%	%	%	%
Never	22	**38**	**12**	**8**
Once	30	**38**	29	**20**
2-3 times	31	**23**	36	35
4-5 times	8	*	**18**	**13**
6-10 times	5	*	4	**16**
More than 10 times	2	*	1	**7**
Don't know	1	*	1	1

Base = all SMEs with websites. Question B8. Figures in bold are statistically significant at the 95% confidence level for each column against the total (minus the column tested). * = a figure of less than 0.5%, but greater than zero

Twenty-two per cent of SMEs with websites have never had them redesigned. Thirty per cent have had them re-designed once, 31 per cent two to three times, and 15 per cent four times or more.

The number of times a website has been re-designed is largely dependent upon when the website was first introduced. Therefore, of those first introduced in the last five years, the median number of re-designs is just one, compared to two to three times for websites introduced five years ago or longer. The larger the SME, the earlier a website was likely to be introduced, which explains why the median number of redesigns for small and medium sized businesses was two to three years ago, but just once for micros and those with no employees.

Sixty-eight per cent of SMEs used an external party the last time their website was designed. This was most likely to have been a design agency, followed by consultants and friends/family members. Larger SMEs were more likely to have engaged external parties.

Table 10.5: Who designed website last time it underwent a significant redesign/when it launched – by employment size

	All SMEs	No employees	Micro (1-9)	Small (10-49)	Medium (50-249)
n=	653	64	215	232	142
	%	%	%	%	%
Any external party	68	65	**73**	**73**	71
- Design agency	28	25	**36**	33	**43**
- Consultant	22	22	23	26	22
- Friend/family member	12	13	11	10	**5**
- Other	8	9	6	7	4
Internally designed	32	35	**26**	**25**	**25**
Don't know	*	0	1	**2**	**5**

Base = all SMEs with websites. Question B9/B10. Figures in bold are statistically significant at the 95% confidence level for each column against the total (minus the column tested). * = a figure of less than 0.5%, but greater than zero

By sector, 96 per cent in construction used an outside party, as did 77 per cent in retail/wholesale. Those in business services (58 per cent) and other services (54 per cent) were less likely than average to use outside parties. For business services, this finding is partly explained by the 15 per cent within this sector that help design websites for others. Indeed, of those that do design websites as part of their activity, only 21 per cent used an external party to help in the design of their own website.

Updating and maintaining websites

Sixteen per cent of SMEs have a website that is involved in any kind of e-commerce. This might allow customers to order and pay for goods and services directly from their website, or the website allows customers to make bookings or order, without direct payment at the time (see section five). These websites are frequently updated for this purpose: 38 per cent weekly or more often, and a further 27 per cent less often than weekly, but at least monthly.

Table 10.6: Frequency of updating website

	Adding new products or services that can be bought directly (base = all that have website that uses e-commerce/can take bookings)	**Content about the business** (base = all using website for self-promotion)
n=	186	614
	%	%
Weekly or more often	38	21
1-3 times per month	27	23
4-6 times per year	9	12
1-2 times per year	7	33
Less often/never	12	10
Other	6	2
Don't know	1	1

Base = all SMEs that use e-commerce/use websites for promotion. Question B12a/B12b

The vast majority (95 per cent) of SME websites allow the business to promote or showcase its goods or services, giving contact details so that customers can get in touch. Websites are updated less frequently for this purpose than they are for e-commerce. Twenty-one per cent of websites used in promotion are updated weekly or more often, 23 per cent one to three times per month, and 12 per cent four to six times per year. A third of these websites are only updated annually, and ten per cent less often or never at all.

Larger SMEs are more likely to have frequent updates for promotional purposes: with 44 per cent of medium-sized businesses updating weekly or more often, compared to 20 per cent of those with no employees. By sector, those in business services update most frequently for promotional purposes, with 33 per cent doing so weekly or more often.

Twenty-seven per cent of SMEs with websites pay an outside individual or organisation to maintain or update their website on a regular basis. This is more likely to be the case for SMEs engaging in e-commerce (37 per cent) than those that use their website only for promotion (24 per cent).

Micros (34 per cent) and small businesses (37 per cent) are more likely to pay an external party than those with no employees (24 per cent) or medium-sized businesses (31 per cent). By sector, those in primary with websites are the most likely to pay (45 per cent), those in other services (19 per cent) the least likely.

Table 10.7: Whether pay somebody to maintain website – by use of website

	All SMEs	Use for e-commerce or to take bookings	Used only for promotion
n=	653	186	443
	%	%	%
Yes	27	**37**	24
No	73	**63**	76
Don't know	1	*	1

Base = all SMEs with websites. Question B13. Figures in bold are statistically significant at the 95% confidence level for each column against the total (minus the column tested). * = a figure of less than 0.5%, but greater than zero

Of those that pay outside parties, the median annual fee is between £251 and £500. This amount increases to between £1,001 and £5,000 per annum for medium-sized businesses. Those with any kind of e-commerce that pay an outside party typically pay between £501 and £1,000 per annum.

Impact of having a website

Among those with websites, two-thirds (67 per cent), say that the introduction of a website has enabled them to gain new customers. Half say that it has led to increased sales, a third (32 per cent) that it has saved time on marketing, a quarter that it has led to cost savings. Seventeen per cent say that it has led to sales to overseas markets for the first time. Just under a quarter (24 per cent) say that it has had no impact.

Table 10.8: Impact of introducing a website – by sector

	All SMEs	ABCDEF Primary/ Construct-ion	GHI Retail/ Transport/ Food	JKLMN Business services	PQRS Other services
n=	653	129	165	234	125
	%	%	%	%	%
New customers	67	50	74	66	79
Increased sales	50	48	**62**	45	48
Time saving in marketing	32	**21**	39	33	33
Cost savings	25	**12**	**39**	26	23
Sales to overseas markets for the first time	17	15	**25**	18	**8**
No impact	24	**39**	17	21	18

Base = all SMEs with websites. Question B9/B10. Figures in bold are statistically significant at the 95% confidence level for each column against the total (minus the column tested). * = a figure of less than 0.5%, but greater than zero

Although the combined primary and construction sectors are the most likely to say there has been no impact, the picture between primary and construction is very different. Only five per cent in primary said their website has had no impact, compared to 54 per cent in construction. Similarly, only six per cent in retail/wholesale said the website has had no impact, compared to 41 per cent in transport, accommodation and food. There are no significant differences in terms of impact according to the size of the SME.

Plan to introduce a website in future

Of those currently without websites, 20 per cent have plans to introduce one in future. Combining this proportion with those that currently have websites, we find that overall 29 per cent of SMEs do not have, and do not intend to get a website. This proportion is 34 per cent for those with no employees, 16 per cent for micros, ten per cent for small businesses and four per cent for medium-sized ones.

By sector, 42 per cent in primary, and 46 per cent in construction have neither a website nor plans to introduce one. This compares to 31 per cent in transport, accommodation and food, 26 per cent in other services, 25 per cent in business services and just six per cent in retail/wholesale.

Of those with no website, and no plans to introduce one, 32 per cent are listed in online directories or promoted by other websites. This means that, of all SMEs, twenty per cent do not have a website, are not listed in online directories or promoted by other websites, and have no plans to introduce a website in the future.

11 E-Commerce

This section looks at the various types of e-commerce that SMEs may participate in, plans for introducing them in the future, and reasons for introducing and not introducing them.

Incidence of types of e-commerce

The survey defined three different types of e-commerce activity: (a) SMEs with websites that can take payment directly; (b) SMEs with websites that allow customers to make bookings or orders, without payment being taken at the time; and (c) SMEs that can sell through third party websites. Overall, the proportion of SMEs involved in each of these types of e-commerce is equal at eleven per cent.

Table 11.1: Whether have e-commerce – by employment size

	All SMEs	No employ-ees	Micro (1-9)	Small (10-49)	Medium (50-249)
n=	803	107	275	271	150
	%	%	%	%	%
Any e-commerce/can take bookings	21	20	24	**30**	**34**
(a) E-commerce through own website	11	10	11	**18**	**22**
(b) Can take bookings/ orders through own website	11	11	11	**18**	**18**
(c) E-commerce through third party websites	11	11	9	9	14
Has website, no e-commerce/bookings	43	39	**55**	**56**	**61**
None of these	36	41	**22**	**14**	**5**

Base = all SMEs. Question B1/B3/E1. Figures in bold are statistically significant at the 95% confidence level for each column against the total (minus the column tested). * = a figure of less than 0.5%, but greater than zero

Combining these categories shows that:

- Sixteen per cent have websites that are involved in both or either of types (a) and (b), meaning that their website is capable of taking orders
- Seventeen per cent are involved in either (a) or (c), meaning that they can take payment via any website.
- Twenty-one per cent practice any of (a-c), meaning that they engage in any form of e-commerce (including taking orders/bookings without direct payment[73]).

Larger employers are more likely to be using e-commerce overall. This is the case for own website-driven e-commerce, but not e-commerce through third party websites.

Table 11.2: Whether have e-commerce – by sector

	All SMEs	ABCDEF Primary/ Construction	GHI Retail/ Transport / Food	JKLMN Business services	PQRS Other services
n=	803	167	212	275	149
	%	%	%	%	%
Any e-commerce/ can take bookings	21	14	**46**	18	**12**
(a) E-commerce through own website	11	**5**	**32**	10	**1**
(b) Can take bookings or orders through site	11	4	**29**	10	7
(c) E-commerce through third party websites	11	10	**16**	8	10
Has website, no e-commerce or bookings	43	38	**22**	**50**	**56**
None of these	36	**48**	32	32	31

Base = all SMEs. Question B1/B3/E1. Figures in bold are statistically significant at the 95% confidence level for each column against the total (minus the column tested). * = a figure of less than 0.5%, but greater than zero

[73] Please note that this is a different definition used from that which defines e-commerce at Table 2.4, and therefore the two measures result in slightly different figures

By broad sector, those in GHI (which merges retail, wholesale, transport, accommodation and food) are the most likely to be participating in e-commerce, with 32 per cent selling directly from their own websites, 29 per cent being able to take bookings, and 16 per cent trading through third party websites. Overall, 46 per cent in this broad sector are involved in e-commerce.

Breaking out sector G (retail/wholesale), we find an even greater proportion involved in e-commerce. Sixty-two per cent have e-commerce driven from their own website, 36 per cent can take orders via their own website, and 20 per cent trade through third party websites. Overall, 63 per cent in sector G participate in any form of e-commerce.

Nineteen per cent of growth businesses use e-commerce through their own website (a). Thirty-seven per cent have any form of e-commerce or ability to take orders/bookings (a-c).

Nineteen per cent of businesses engaged in innovation use e-commerce through their own website (a), compared to six per cent of those that have no innovation. Thirty-two per cent have any form of e-commerce or ability to take orders/bookings (a-c), compared to ten per cent of those that have no innovation.

Thirty-three per cent of exporters use e-commerce through their own website (a), compared to six per cent of non-exporters. Thirty-eight per cent have any form of e-commerce or ability to take bookings (a-c), compared to 11 per cent of non-exporters.

Table 11.3: Whether have e-commerce – by age within employment size band

	All SMEs	0-9 employee, aged up to 20 years	0-9 employee, aged over 20 years	10-249 employee, aged up to 20 years	10-249 employee, aged over 20 years
n=	803	252	126	195	224
	%	%	%	%	%
Any e-commerce/ can take bookings	21	23	16	**29**	**32**
(a) E-commerce through own website	11	13	6	**17**	**20**
(b) Can take bookings or orders through site	11	13	8	**19**	**18**
(c) E-commerce through third party websites	11	11	9	10	9
Has website, no e-commerce or bookings	43	47	**33**	**54**	**58**
None of these	36	30	**50**	**16**	**10**

Base = all SMEs. Question B1/B3/E1. Figures in bold are statistically significant at the 95% confidence level for each column against the total (minus the column tested). * = a figure of less than 0.5%, but greater than zero

Looking at e-commerce by age of business within size, businesses with less than ten employees aged up to twenty years are more likely to engage with it (23 per cent), than those aged twenty years or more (16 per cent). Among businesses with ten or more employees, there are no significant differences according to the age of the business.

Effectiveness of websites for e-commerce

Of those with e-commerce driven from their own websites, 82 per cent felt their website is effective for this (46 per cent very effective, 36 per cent very effective). Only 17 per cent felt their website is ineffective.

For those whose websites allow customers to make bookings or orders without payment, 64 per cent felt these websites are effective for this (31 per cent very effective, 33 per cent fairly effective). Twenty-nine per cent felt their websites are ineffective.

Of those using third party websites, 29 per cent trade through EBay and 26 per cent through Amazon. There were smaller numbers of mentions for laterooms.com, bookings.com, justeat.com, play.com and various (unspecified) Government and Local Authority websites.

Plans to introduce e-commerce/booking system on own website

Six per cent of SMEs plan to introduce e-commerce on their own websites, i.e. allowing customers to order goods and services, and pay for them at the same time. Most likely to do this are medium-sized businesses (12 per cent).

Table 11.4: Plans to introduce e-commerce on own website – by employment size

	All SMEs	No employ-ees	Micro (1-9)	Small (10-49)	Medium (50-249)
n=	803	107	275	271	150
	%	%	%	%	%
Have e-commerce through own website already	11	10	11	**18**	**22**
Plan to introduce e-commerce	6	6	8	8	**12**
No plans to introduce e-commerce	54	50	**65**	**65**	**62**
No plans to introduce a website	29	34	**16**	**10**	**4**

Base = all SMEs. Question B3/B4/B5. Figures in bold are statistically significant at the 95% confidence level for each column against the total (minus the column tested)

Twelve per cent of those in the primary sector plan to introduce e-commerce on their own websites, as do 15 per cent in the transport, accommodation and food sector. This compares to just 0.4 per cent in construction planning to do this.

Seven per cent of SMEs plan to take bookings or orders on their own websites, without payment at the time. This proportion does not differ significantly by employment size. By sector, this is most likely to be the case in other services (14 per cent), and least likely in construction (one per cent).

Table 11.5: Plans to take bookings on own website – by employment size

	All SMEs	No employ-ees	Micro (1-9)	Small (10-49)	Medium (50-249)
n=	803	107	275	271	150
	%	%	%	%	%
Can take bookings on own website already	11	11	11	**18**	18
Plan to introduce system to take bookings	7	7	8	9	10
No plans to introduce system to take bookings	52	49	**64**	**63**	**67**
No plans to introduce a website	29	34	**16**	**10**	**4**

Base = all SMEs. Question B3/B4/B5. Figures in bold are statistically significant at the 95% confidence level for each column against the total (minus the column tested). * = a figure of less than 0.5%, but greater than zero

Those planning to introduce e-commerce or a bookings system on their website (12 per cent of all SMEs) were asked what had caused them to make this decision. Of these, 17 per cent have chosen to diversify the business; 15 per cent said it was due to customer demand; for 13 per cent it was down to business expansion; for 12 per cent it was to keep up with the competition; and for 10 per cent it was part of their business development plan. Some verbatim examples of why SMEs are planning to do this are shown below:

"It is the new business need. It is the way people make business now. People search online and buy online.[74]"

"We realise our current website is ineffective as we export.[75]"

"It cuts down the amount of phone calls. It is cheaper and more efficient.[76]"

"It's better for the customers, and customers have been asking for that[77]."

[74] Zero employees, architect, business 11-20 years old, West Midlands.

[75] 10-49 employees, manufacturer, business more than 20 years old, West Midlands.
[76] 10-49 employees, advertising agency, business 11-20 years old, London.
[77] 50-249 employees, food service, business 2 years old, South East.

Reasons not to consider e-commerce/taking bookings

Of those with websites that do not plan to introduce e-commerce or take bookings, 80 per cent said that they had no goods or services that could be ordered directly from a website, or could not be booked via a website. This proportion did not vary by employment size, but those in business services were the most likely to say this was the reason (92 per cent of those with websites, not planning e-commerce).

Table 11.6: Reasons why would not consider e-commerce/taking bookings – by sector

	All SMEs	ABCDEF Primary/ Construct -ion	GHI Retail/ Transport/ Food	JKLMN Business services	PQRS Other services
n=	521	107	121	187	106
	%	%	%	%	%
No goods or services can be ordered direct	80	76	**60**	**92**	82
Not relevant to the business's needs	4	*	**13**	4	1
Too costly/expensive	3	1	0	3	**8**
Other reasons	6	**13**	2	1	8
No particular reason	5	6	**17**	*	1
Don't know	3	4	**9**	*	3

Base = all SMEs with websites that do not plan to introduce any form of e-commerce/take bookings). Question B6/B6a. Figures in bold are statistically significant at the 95% confidence level for each column against the total (minus the column tested). * = a figure of less than 0.5%, but greater than zero

The other reasons given for not introducing e-commerce/a booking system include it not being relevant to the business's needs, and it being perceived to be too costly. Verbatim examples of these reasons are as follows:

"Our products are not easily available because they are bulky items and costly items, so it would not be suitable to get orders from the all over the country[78]."

"I prefer being in control of it myself.[79]"

"I do not need a bookings system in my line of business.[80]"

[78] 10-49 employees, manufacturer, business over 20 years old, Yorkshire/Humberside.
[79] Zero employees, construction, business over 20 years old, East of England.
[80] Zero employees, transport, business 4 years old, East of England.

12 Social media

This section looks at social media, and the way it is used by SMEs.

Social media platforms used by businesses

Forty-six per cent of SMEs said that they used the internet for social media purposes, this proportion rising to 63 per cent among medium-sized businesses.

Table 12.1: Social media platforms used by businesses

n=	Business makes any use of 803	Business has own profile on 803
	%	%
Any use	46	36
- Facebook	32	28
- LinkedIn	29	18
- Twitter	27	19
- A blogging platform	13	7
- YouTube	12	5
- Pinterest	4	2
- Instagram	4	2
- Tumblr	1	*
- Other	1	1
Not used	54	64

Base = all SMEs. Questions D1/D2. * = a figure of less than 0.5%, but greater than zero

Of all SMEs, 32 per cent use Facebook, 29 per cent LinkedIn and 27 per cent Twitter. Thirteen per cent use a blogging platform and a similar proportion YouTube.

Using social media for business purposes, is not the same as having a profile on the platforms. Overall, 36 per cent of SMEs have a profile on any social media platform. This proportion increases with employment size, with 33 per cent of those with no employees having any social media profile, 42 per cent of micros, 47 per cent of small businesses and 56 per cent of medium-sized businesses.

Fifty per cent of growth businesses have a social media profile, as do 49 per cent of stable businesses, but only 34 per cent of shrinking businesses. Fifty per cent of businesses engaged in innovation have a social media profile, compared to 29 per cent of those not engaged in innovation. Thirty-seven per cent of exporters have a social media profile, compared to 35 per cent of those that do not export.

Fifty per cent of SMEs in the retail/wholesale sector have a social media profile, and this proportion was also higher than average in transport, accommodation and food (43 per cent). By contrast, only 13 per cent in construction have a profile on social media.

Larger SMEs are more likely to have Facebook profiles (26 per cent with no employees, 34 per cent of micros, 39 per cent of small businesses, 44 per cent of medium-sized ones). By sector, 50 per cent in retail/wholesale have a Facebook profile, compared to 13 per cent in construction.

Similarly, larger SMEs are more likely to have LinkedIn profiles (19 per cent with no employees, rising to 32 per cent of medium-sized businesses). LinkedIn is widely used in the business services sector (30 per cent have a profile), but not in retail/wholesale (three per cent).

Again, larger businesses are more likely to engage with Twitter (45 per cent of medium-sized ones have a profile, compared to 16 per cent with no employees). There are no significant differences by sector, other than those in construction are unlikely to engage with Twitter at all (three per cent).

Ways in which social media is used

Of those with profiles, 91 per cent use social media to promote their goods and services, 81 per cent so that customers can contact them, and 29 per cent sell directly from social media.

Table 12.2: Ways in which social media is used – by sector

	All SMEs	ABCDEF Primary/ Constr-uction	GHI Retail/ Trans-port/ Food	JKLMN Busi-ness services	PQRS Other services
n=	371	55	97	145	74
	%	%	%	%	%
Promote goods and services	91	96	91	94	85
Give details so customers can contact	81	91	80	74	85
Customers can buy goods or services directly	29	**63**	28	25	**15**
Other	7	4	7	10	3
No particular purpose	3	2	*	1	**12**

Base = all SMEs that have their own profile on social media. Question D3. Figures in bold are statistically significant at the 95% confidence level for each column against the total (minus the column tested). * = a figure of less than 0.5%, but greater than zero

By employment size, it is the SMEs with no employees that mainly use social media for sales (32 per cent of those with social media profiles, compared to 22 per cent of micros and 21 per cent of small and medium-sized businesses). It is also notable that a much

higher than average proportion of businesses with social media profiles in primary and construction sectors use social media for sales (63 per cent for the two sectors combined).

This suggests that social media can replace the need to have a website that drives e-commerce. Indeed, of those with social media platforms but no websites, 65 per cent use social media to sell directly, compared to 23 per cent with websites.

All forms of e-commerce

The table below summarises all the ways in which SMEs can sell directly to customers using any form e-commerce, be this the ability to buy directly from their websites, use of third party websites, or being able to buy directly using social media.

Table 12.3: Ways in which businesses can sell directly – by employment size

	All SMEs	No employ-ees	Micro (1-9)	Small (10-49)	Medium (50-249)
n=	803	107	275	271	150
	%	%	%	%	%
Any own website, third party website or social media e-commerce	23	23	21	25	**31**
Any own website e-commerce	11	10	11	**18**	**22**
- Own website only	4	4	5	**9**	**8**
- Own website and third party only	2	2	2	2	**6**
- Own website and social media only	3	3	2	5	5
- Own website, third party and social media	2	2	1	2	3
Any third party website e-commerce	11	11	9	9	14
- third party website only	6	7	5	4	5
- third party website and social media	1	1	*	1	0
Any social media e-commerce	10	10	9	10	12
- Social media only	5	5	5	3	4
None of these	77	77	79	75	**69**

Base = all SMEs. Question B3/D3/E1. Figures in bold are statistically significant at the 95% confidence level for each column against the total (minus the column tested). * = a figure of less than 0.5%, but greater than zero

With the inclusion of social media as a potential way to sell directly to customers, nearly a quarter of all SMEs are engaging in some form of e-commerce.

Medium-sized businesses are more likely to making use of any form of e-commerce generally, including social media (31 per cent). Whilst these are more likely than SMEs

overall to have websites that can take direct payment (22 per cent), it is notable that five per cent only use third party websites, and four per cent only use social media.

Because of their use of social media and third party websites, businesses with no employees are as likely as SMEs with up to 49 employees to engage in e-commerce.

Table 12.4: Ways in which businesses can sell directly – by sector

	All SMEs	ABCDEF Primary/ Construct -ion	GHI Retail/ Transport/ Food	JKLMN Business services	PQRS Other services
n=	803	167	212	275	149
	%	%	%	%	%
Any own website, third party website or social media e-commerce	23	20	**39**	20	16
Any own website e-commerce	11	**5**	**32**	10	**1**
- Own website only	4	1	**16**	2	*
- Own website and third party only	2	1	**7**	2	*
- Own website and social media only	3	3	2	5	*
- Own website, third party and social media	2	1	**7**	*	0
Any third party website e-commerce	11	10	**16**	8	10
- third party website only	6	6	2	5	10
- third party website and social media	1	**2**	0	*	0
Any social media e-commerce	10	12	13	10	6
- Social media only	5	7	4	5	5
None of these	77	80	**61**	80	84

Base = all SMEs. Question B3/D3/E1. Figures in bold are statistically significant at the 95% confidence level for each column against the total (minus the column tested). * = a figure of less than 0.5%, but greater than zero

By sector, those in retail/wholesale/transport/accommodation and food service are the most likely to engage in e-commerce through their own and third party websites. However, they are no more likely than other sectors to use social media for e-commerce purposes.

13 Digital capabilities

This section explores SMEs own assessment of their digital capabilities.

Self assessment of business's capability in business technology tasks

Table 13.1: Self-assessment of business's capability in business technology tasks

		Strong	Average	Poor	N/A[81]	Mean score[82]
Use of the internet to source goods/services from suppliers	%	71	8	7	14	4.22
Use of software (e.g. Microsoft Office)	%	68	12	10	10	4.05
Ability to work remotely away from the office	%	55	16	15	14	3.66
Managing online security	%	50	20	15	15	3.56
Technological understanding	%	49	23	21	7	3.41
Managing relationships with customers online e.g. through CRM	%	41	18	21	20	3.35
Creating website content	%	40	11	10	39	3.71
The ability to update own website	%	39	8	13	40	3.69
Using social media	%	30	19	35	19	2.76
Monitoring use of the website, e.g. through Google Analytics	%	25	14	19	43	3.09
The ability to create or develop own website	%	24	12	21	41	3.11
Maximising sales, e.g. through search engine optimisation	%	17	19	19	45	2.86
E-marketing	%	15	24	39	22	2.53
E-commerce	%	11	6	4	79	3.60

Base = all SMEs (n=803). Question F2.

Respondents were asked how capable they thought their business was on a range of tasks to do with business technology. They answered on a scale of one to five, where one was very poor and five was very strong. The scores shown above for 'strong' represent answers of four and five, and 'poor' represents answers of one and two. Where 'not applicable' was given as an answer, this means the SME does not engage with that particular activity.

[81] Not applicable or don't know

[82] Out of 5, where 1 is very poor, and 5 is very strong. Don't know and not applicable responses are omitted from the calculation

Overall, the majority of SMEs answering each question consider themselves strong for most tasks, with the exception of using social media, search engine optimisation and e-marketing where a higher proportion think themselves poor than strong.

Growth businesses have a higher than average assessment of their own abilities. For example, 28 per cent consider themselves strong for e-marketing (compared to a figure of 15 per cent for all SMEs), 27 per cent strong for search engine optimisation (compared with 17 per cent for all SMEs), and 39 per cent strong for using social media (compared to 30 per cent for all SMEs).

Table 13.2: Self-assessment of business's capability in business technology tasks - % poor at tasks – by employment size

	All SMEs	No employ-ees	Micro (1-9)	Small (10-49)	Medium (50-249)
n=	803	107	275	271	150
	%	%	%	%	%
E-marketing	39	39	39	**34**	35
Using social media	35	35	35	**27**	**25**
Managing relationships with customers online e.g. through CRM	21	21	23	21	23
Technological understanding	21	22	19	**11**	**13**
The ability to create or develop own website	21	18	**30**	**31**	**29**
Maximising sales, e.g. through search engine optimisation	19	18	**26**	**25**	24
Monitoring use of the website, e.g. through Google Analytics	19	16	**26**	**23**	18
Ability to work remotely away from the office	15	14	**21**	17	14
Managing online security	15	15	14	13	10
The ability to update own website	13	11	**18**	14	14
Use of software (e.g. Microsoft Office)	10	10	8	**5**	**4**
Creating website content	10	6	**21**	**18**	**16**
Use of the internet to source goods/services from suppliers	7	7	7	6	5
E-commerce	4	3	**8**	**7**	6

Base = all SMEs. Question F2. Figures in bold are statistically significant at the 95% confidence level for each column against the total (minus the column tested.
Shaded figures indicate the top five areas in each category where SMEs consider their capabilities to be poor

The table above shows the proportion of SMEs thinking themselves poor for each task, split by employment size. Crudely, this might be used to create a priority list of the areas where SMEs could use more support. SMEs are most likely to think their capabilities poor in the areas of e-marketing and using social media.

The table also shows the five areas (shaded) where SMEs in each size band are most likely to think themselves poor. There are some variations by size here: for example 22 per cent of SMEs with no employees, and 19 per cent of micros, think their technological understanding is poor, but this is less of an issue for small and medium-sized businesses.

Table 13.3: Self-assessment of business's capability in business technology tasks - % poor at tasks – by sector

	All SMEs	ABCDEF Primary/ Construction	GHI Retail/ Transport /Food	JKLMN Business services	PQRS Other services
n=	803	167	212	275	149
	%	%	%	%	%
E-marketing	39	**51**	33	37	31
Using social media	35	**51**	32	35	**17**
Managing relationships with customers online e.g. through CRM	21	**32**	20	20	**12**
Technological understanding	21	**34**	21	17	**11**
The ability to create or develop own website	21	23	16	24	17
Maximising sales, e.g. through search engine optimisation	19	21	16	19	21
Monitoring use of the website, e.g. through Google Analytics	19	21	16	22	12
Ability to work remotely away from the office	15	**30**	17	**7**	9
Managing online security	15	**23**	17	18	**1**
The ability to update own website	13	18	**6**	14	11
Use of software (e.g. Microsoft Office)	10	**16**	13	**5**	6
Creating website content	10	13	10	8	8
Use of the internet to source goods/services from suppliers	7	**11**	4	6	5
E-commerce	4	1	**8**	2	6

Base = all SMEs. Question F2. Figures in bold are statistically significant at the 95% confidence level for each column against the total (minus the column tested.
Shaded figures indicate the top five areas in each category where SMEs consider their capabilities to be poor

By broad sector groups, those in primary/construction were more likely than average to consider themselves poor for most tasks, including the ability to work remotely away from the office (30 per cent poor), which is much less of an issue for those in the service sectors.

Self-assessment of business's overall ability to use digital technology

Asked to give their overall assessment of how well they felt their business used digital technology, 20 per cent of SMEs gave a score of between eight and ten (out of ten, representing 'good'), 52 per cent gave a score of between five to seven (representing 'average') and 22 per cent gave a score of between one and four (representing 'poor'). Larger SMEs were more likely to think they are using digital technology to its maximum extent, as are those involved in e-commerce (33 per cent 'good').

Table 13.4: Self-assessment of business's overall ability to use digital technology (marks out of 10) – by employment size

	All SMEs	No employ-ees	Micro (1-9)	Small (10-49)	Medium (50-249)
n=	803	107	275	271	150
	%	%	%	%	%
One to four (poor)	22	21	26	22	**14**
Five to seven (average)	52	52	52	48	53
Eight to ten (good)	20	19	21	**29**	**32**
Don't know/not applicable	6	8	**1**	**2**	**1**
Mean score out of 10	5.86	5.90	5.67	6.07	**6.40**

Base = all SMEs. Question I5. Figures in bold are statistically significant at the 95% confidence level for each column against the total (minus the column tested)

By broad sector, those in business services are the most likely to think they are using digital technology to its maximum extent (29 per cent 'good'). Those in other services are the least likely to rate their own digital ability highly.

Table 13.5: Self-assessment of business's overall ability to use digital technology (marks out of 10) – by sector

	All SMEs	ABCDEF Primary/ Construction	GHI Retail/ Transport/ Food	JKLMN Business services	PQRS Other services
n=	803	167	212	275	149
	%	%	%	%	%
One to four (poor)	22	22	21	19	29
Five to seven (average)	52	49	**61**	49	51
Eight to ten (good)	20	22	14	**29**	**7**
Don't know/not applicable	6	7	4	3	**13**
Mean score out of 10	5.86	5.99	5.70	**6.18**	**5.32**

Base = all SMEs. Question I5. Figures in bold are statistically significant at the 95% confidence level for each column against the total (minus the column tested)

14 Digital strategies

This section looks at various measures that SMEs have implemented in order to improve their digital capabilities.

Whether SMEs already have digital capabilities - summary

Table 14.1: Whether SMEs already have digital capabilities – by employment size

	All SMEs	No employ-ees	Micro (1-9)	Small (10-49)	Medium (50-249)
n=	803	107	275	271	150
	%	%	%	%	%
Have internet security systems	78	5	**87**	**90**	**94**
Have an online achievement plan[83]	33	2	37	40	**50**
Have a business plan including digital training	32	1	32	**41**	**45**
Any digital improvements in the last 12 months	27	4	**34**	**46**	**51**
Any significant digital improvements planned for next 12 months	26	5	28	32	**34**
Have search engine optimisation	23	9	**33**	**45**	**52**
Have a digital marketing plan	11		**18**	**24**	**35**

Base = all SMEs. Question F3/G1/G3/G5/G6/G9. Figures in bold are statistically significant at the 95% confidence level for each column against the total (minus the column tested)

Internet security systems

Seventy-eight per cent of SMEs have internet security systems. This proportion increases to 94 per cent among medium-sized businesses.

By sector, a lower than average proportion in retail/wholesale (71 per cent) have such systems. Only 26 per cent of internet users that do not have broadband have security systems.

[83] This could include increasing online sales, engagement with customers and suppliers online, online brand awareness, and usage of social media

Of those with internet security systems, 36 per cent did not know which one they had. Of those that did know, Norton was the system most commonly used (25 per cent), followed by AVG (16 per cent).

Table 14.2: Internet security system used (where known)

n=	372
	%
Norton	25
AVG	16
Avast	9
McAfee	8
Kaspersky	8
Firewall	7
Anti-virus	4
Symantec	4
E-set	3
Bull Guard	3
Microsoft Security Essentials	2
Sophos	1
Other	23

Base = all SMEs that know which internet security system they use. Question G1.

There are a large number of systems used by less than one per cent, including Barracuda, Panda, Vipre and Webroot.

Norton appears to be mainly used by very small SMEs (25 per cent of both micros and those with no employees, but only 13 per cent of small, and three per cent of medium-sized businesses). Similarly, Avast is used by 11 per cent with no employees, but only four per cent of employers. McAfee is used by 20 per cent of employers, but only four per cent of those with no employees. AVG is equally likely to be used by all size bands.

Online achievement plans

One third of SMEs (35 per cent) agreed that they have a plan for what they wanted to achieve online, and how they are going to get there. This could involve increasing sales, engagement with customers and suppliers, brand awareness and the tools to achieve this, such as email and social media. Half of medium-sized businesses (50 per cent) have such a plan.

Online achievement plans are most common in the retail/wholesale (59 per cent) and other services (44 per cent) sectors. Only 11 per cent in construction have such a plan.

Fifty-eight per cent of those involved in e-commerce have an online achievement plan.

Business plan including digital training

Thirty-two per cent of SMEs have a business plan which includes measures for improving digital skills, knowledge and capabilities. This proportion rises to 41 per cent for small businesses, and 45 per cent for medium-sized ones.

Such plans for digital training are most common in the retail/wholesale sector (66 per cent). They are least common in transport, accommodation and food (13 per cent). 55 per cent of those involved in e-commerce have such a plan.

Digital improvements in the last 12 months/next 12 months

Twenty-seven per cent of SMEs say that there have been digital improvements in their business in the last 12 months, while 26 per cent say there will be significant improvements in the next 12 months. Forty-one per cent of SMEs have either made improvements in the last 12 months, or plan to do so in the next 12 months, meaning that 59 per cent have not and will not make improvements over this two year period.

The larger the SME, the more likely they are to have made digital improvements in the last 12 months (24 per cent with no employees, 51 per cent of medium-sized businesses). However, going forward, there is less of a difference between size bands, with 25 per cent with no employees planning to make digital improvements, compared to 34 per cent of medium-sized businesses.

In the last 12 months, 35 per cent in retail/wholesale, and 33 per cent in business services had made digital improvements, compared to just 11 per cent in the primary sector.

Over the next 12 months, 35 per cent in the primary sector, and 37 per cent in transport, accommodation and food plan to make digital improvements, compared to just ten per cent in construction.

Without prompting, respondents were asked what these digital improvements were/will be. Almost half of answers relating to the last 12 months concerned building a new website, or upgrading the existing one, and this was also the main improvement planned for the next 12 months. Other answers related to new or upgraded software, the introduction of social media, faster broadband speeds, digital marketing, and new IT or telecommunication equipment.

Examples of digital improvements that will be made over the next 12 months are as follows:

"We are changing from analogue to googleplus. We are making our CRM system website interactive with partners globally. We are upgrading our Facebook presence and Googleplus profile, capturing social media feeds and marketing by email[84]."

[84] 10-49 employees, manufacturer, business over 20 years old, East of England.

"Increasing email marketing, and also beefing up the search engine optimisation so we have better visibility[85]."

"To make it easier for my contractors to have gadgets and be able to use them on the premises for repairs[86]."

Table 14.3: Digital improvements made in the last 12 months/planned for the next 12 months (spontaneous answers)

	Improvements in last 12 months	Planned improvements for the next 12 months
n=	323	247
	%	%
New/upgraded website	47	32
New/upgraded software	9	1
Introduced social media (generally)	7	6
Introduced/updated Twitter	6	0
Faster broadband speeds	3	10
Increased digital marketing	3	2
Introduced/updated LinkedIn account	3	*
Introduced/updated Facebook account	2	1
New computers	2	7
New/updated phone system	1	*
New/updated servers	1	*
Use of cloud systems	1	*
Other	32	43

Base = all SMEs that have made digital improvements in the last 12 months/will make them in the next 12 months. Question G9/G11. * = a figure of less than 0.5%, but greater than zero

Search engine optimisation

Twenty-three per cent of SMEs have somebody working for them, or an external organisation, that helps with their search engine optimisation. This proportion rises to 52 per cent among medium-sized businesses.

The proportion is highest in the retail/wholesale (37 per cent) and primary (30 per cent) sectors. It is lowest in transport, accommodation and food (17 per cent) and other services (18 per cent). Forty-one per cent of those that use e-commerce have search engine optimisation.

Of those with search engine optimisation, 78 per cent consider it effective (23 per cent very effective, 55 per cent quite effective). Eleven per cent consider it ineffective, and 11

[85] 10-49 employees, professional/scientific, business over 20 years old, London.
[86] 1 to 9 employees, electronic repair, business 4 years old, London.

per cent are not sure. Most likely to think it effective are those in other services with SEO (98 per cent).

Digital marketing plans

Eleven per cent of SMEs have a digital marketing plan. That is, a strategy to maximise the business benefits or marketing through digital channels. This proportion rises to 35 per cent of medium-sized businesses.

Twenty-three per cent in retail/wholesale have a digital marketing plan, as do 19 per cent in business services. This contrasts with the two per cent in construction and other services that have digital marketing plans.

Twenty-four per cent of exporters, and 30 per cent of those that use e-commerce have digital marketing plans.

Impact of digital improvements

Those that had made digital improvements in the last 12 months were asked what effect these had. Fifty-four per cent said they had increased sales, 53 per cent had gained new customers, 39 per cent had saved time on their marketing, and 30 per cent had saved money. Only four per cent had made sales to overseas markets for the first time, and for 23 per cent there had been no impact so far.

Table 14.4: Impact of digital improvements made in the last 12 months

n=	323
	%
Increased sales	54
New customers	53
Time savings in marketing	39
Cost savings	30
Sales to overseas markets for the first time	4
None of these impacts	23

Base = all SMEs that have made digital improvements in the last 12 months. Question G10.

15 Digital advice/support

This section looks at the types of advice SMEs receive on digital issues.

Whether received advice or support on improving digital capabilities

Twenty-one per cent of SMEs have ever received advice on how to improve their digital capabilities. This proportion rises to 47 per cent of medium-sized businesses.

Table 15.1: When last received advice or support on improving digital capabilities – by employment size

	All SMEs	No employ-ees	Micro (1-9)	Small (10-49)	Medium (50-249)
n=	803	107	275	271	150
	%	%	%	%	%
Ever	21	17	**33**	**41**	**47**
- Last 12 months	16	12	**28**	**34**	**37**
- 1-2 years ago	3	3	3	4	**82**
- 3 years ago or more	2	2	2	2	1
- Don't know when	*	0	1	*	**2**
Never	78	83	**66**	**56**	**46**
Don't know if every received advice or support	1	1	1	**3**	**7**

Base = all SMEs. Question H1/H2. Figures in bold are statistically significant at the 95% confidence level for each column against the total (minus the column tested). * = a figure of less than 0.5%, but greater than zero

By sector, 27 per cent in business services have received advice or support on digital issues. Only nine per cent in the primary sector, and seven per cent in transport, accommodation and food have done so. Thirty per cent of exporters have received this type of support, as have 30 per cent of those that use e-commerce.

Most of those that have received advice or support have done so in the last 12 months.

Over three quarters of those supported received support from the private sector, with only five per cent receiving public sector support, and three per cent support from a charity or third sector organisation.

Table 15.2: Source of main advice on the last occasion

n=	Ever received support/advice 289	Received support/advice in last 12 months 235
	%	%
Private sector	76	71
Public sector	5	4
Charity/3rd sector	3	3
Website/book information	*	0
Educational institution	*	*
Other	15	18
Don't know	2	2

Base = all SMEs that have received advice or support to improve their digital capabilities. Question H4. Figures in bold are statistically significant at the 95% confidence level for each column against the total (minus the column tested). * = a figure of less than 0.5%, but greater than zero

Half (52 per cent) of those that received digital support paid for it. This was most likely to be the case for small (65 per cent) and medium-sized businesses (69 per cent) that received support. Seventy per cent in retail/wholesale that had support paid for it, as did 63 per cent who use e-commerce.

Type of advice/support received

Just over half of the paid support received (52 per cent) was related to building websites. Around a third related to search engine optimisation (35 per cent), 27 per cent related to the use of social media, 25 per cent to digital marketing, and 20 per cent was training in IT skills. Just nine per cent related to selling online/e-commerce.

Support received in the last year does not differ significantly from support received ever.

Of those that paid for support, 88 per cent found it useful (52 per cent very useful, 36 per quite useful). Eleven per cent did not find it useful. Those who use e-commerce were the most likely not to find it useful (20 per cent).

Of those that received any support on digital issues (not just those that paid for it), 32 per cent said that this led to their getting new customers, 30 per cent saved time with marketing, 28 per cent increased their sales, and 26 per cent had cost savings. Four per cent made sales to overseas markets for their first time, and for 34 per cent there was no impact.

Table 15.3: Advice received on the last occasion (spontaneous, based on those paying for advice/support)

	Ever received support/advice	Received support/advice in last 12 months
n=	180	145
	%	%
Building websites	52	37
Search engine optimisation	35	24
Social media	27	14
Digital marketing	25	21
Training in IT/computer skills	20	9
Security	19	14
Saving time	19	14
Digital strategy	12	16
Online marketplaces	11	16
Selling online/e-commerce	9	13
Customer relationship management	9	11
Upgrading current website	8	11
Online finance	7	10
Other	24	33
Don't know	2	2

Base = all SMEs that have paid for advice or support to improve their digital capabilities. Question H6. Figures in bold are statistically significant at the 95% confidence level for each column against the total (minus the column tested).

Type of advice/support that would be useful in future

SMEs were asked what types of support on digital issues would be useful to their businesses in future.

Forty-one per cent said that search engine optimisation would be useful, 39 per cent digital marketing, 37 per cent security, 37 per cent saving time, 33 per cent digital strategy, 30 per cent building websites, 28 per cent training in IT skills, 26 per cent social media, 24 per cent CRM, 21 per cent online marketplaces and 21 per cent e-commerce.

Thirty-four per cent said that none of these types of advice or support would be useful. In general, larger SMEs are more receptive to the idea of support, particularly with regard to support on IT training, CRM and social media.

Support on search engine optimisation is particularly welcomed by those in retail/ wholesale (60 per cent) and business services (51 per cent).

Digital marketing is most appealing to retail/wholesale (60 per cent) and other services (48 per cent).

Table 15.4: Types of advice/support that would be useful to receive in future – by employment size

	All SMEs	No employ-ees	Micro (1-9)	Small (10-49)	Medium (50-249)
n=	803	107	275	271	150
	%	%	%	%	%
Search engine optimisation	41	2	37	39	43
Digital marketing	39	9	39	**44**	44
Security	37	6	39	40	34
Saving time	37	6	**42**	41	43
Digital strategy	33	2	35	**41**	39
Building websites	30	0	31	31	27
Training in IT/computer skills	28	6	**32**	**41**	**42**
Social media	26	5	30	**36**	**39**
CRM	24	2	**29**	**33**	**40**
Online marketplaces	21	9	**25**	**25**	**28**
Selling online/e-commerce	21	0	23	22	24
Online finance	14	3	17	**19**	**21**
Other	2		1	2	1
None of these	34	5	31	**26**	**25**

Base = all SMEs. Question H10. Figures in bold are statistically significant at the 95% confidence level for each column against the total (minus the column tested).

Internet security as a topic is most appealing to those in the primary (56 per cent) and retail/wholesale (55 per cent) sectors. These sectors also have the most interest in saving time (49 per cent of primary, 47 per cent of retail/wholesale), and e-commerce (31 per cent of primary, 54 per cent of retail/wholesale).

Retail/wholesale (46 per cent), business services (39 per cent) and other services (43 per cent) all have an above average interest in digital strategy.

Forty-one per cent of SMEs would consider using (further) external support to improve their business's digital capabilities. This was more likely to be the case for larger SMEs, with 62 per cent of medium-sized businesses being interested.

Type of advice/support that would be useful in future

Sixty-one per cent in retail/wholesale are interested in external support on digital issues, as are 58 per cent in business services. Only 13 per cent in construction would consider external support for this.

Sixty-seven per cent of those that had previously had digital support would consider further support, compared to 34 per cent that have never had it.

Table 15.5: Whether would consider using external support to improve digital capability in future – by employment size

	All SMEs	No employ-ees	Micro (1-9)	Small (10-49)	Medium (50-249)
n=	803	107	275	271	150
	%	%	%	%	%
Would consider any	41	38	**50**	**55**	**62**
- Private sector	33	31	**41**	**43**	**53**
- Public sector	22	21	28	25	**30**
- Website/book information	16	16	17	17	19
- Charity/3rd sector	15	13	**20**	18	21
- Educational institution	15	14	19	16	20
- Other	3	3	2	4	0
Would not consider	56	60	**46**	**41**	**33**
Don't know	3	2	4	4	**6**

Base = all SMEs that have received advice or support to improve their digital capabilities. Question I7/I8. Figures in bold are statistically significant at the 95% confidence level for each column against the total (minus the column tested). * = a figure of less than 0.5%, but greater than zero

A third of SMEs would consider further support from the private sector, 22 per cent from the public sector, 16 per cent from websites or books, and 15 per cent from each of charities/third sector institutions and educational institutions.

Of those that would consider external digital support, 83 per cent would be prepared to pay for it. There was no significant difference in this proportion by employment size. Those in the primary sector are most willing to pay (92 per cent), those in other services the least willing (69 per cent). Exporters are less willing to pay than average (70 per cent).

Impact of additional support

SMEs that would consider external support were asked, unprompted, what the impact would be for their business.

Twenty-nine per cent thought this would lead to more sales and customers, nine per cent improved efficiency and performance, seven per cent improved marketing and six per cent business growth. Examples of verbatim answers are as follows:

"It is a different ways to sell services, creating a possible income, and giving myself more time and flexibility.[87]*"*

"It will help me to create a plan for the future development, for our digital footprint[88]*."*

[87] 1-9 employees, office administration, business 11-20 years old, East Midlands.

"It will increase our e-commerce sales, and improve our interaction with customers through social media[89]."

"It would give us access to a big customer base, as well as allowing us to move into social media for a bigger platform[90]."

"Make everything easier. It would improve the way to communicate with customers to get more business[91]."

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[88] 1-9 employees, retailer, business 3 years old, South East.

[89] 10-49 employees, retailer, business 6-10 years old, East of England.

[90] 10-49 employees, manufacturer, business over 20 years old, North East.

[91] Zero employees, food service, business 5 years old, South West.

16 Barriers to digital technology

This section looks at why some SMEs do not engage with digital technology, and the barriers to using digital technology to its maximum extent.

Do not use the internet for work purposes

Overall, just four per cent of SMEs claim they do not use the internet for work purposes. These SMEs represent five per cent of those with no employees, and one per cent of employers.

There were only six such cases of SMEs not using the internet in the survey. Two were manufacturers, one a retailer, two worked in education, and one in social work.

Four per cent of SMEs do not use computers in their business at all (four per cent of those with no employees, one per cent of employers). These tended to be the same SMEs that do not use the internet.

None of those that do not use the internet could think of any ways in which their businesses could make use of the internet to help it drive sales, save time or reach new customers. Nor would any consider using the internet for business purposes in future.

Reasons for not having a website

As discussed earlier in this report, 36 per cent of SMEs do not have a website. This is most likely to be the case for those with no employees (41 per cent), and those in the transport, accommodation and food sector (55 per cent).

Table 16.1: Reason for not having a website currently

n=	150
	%
Not necessary for the business	77
Too expensive to pay somebody to set it up	18
No time to set it up	17
Don't know how to create one	8
Concerns about internet security	5
Other	9
Don't know	5

Base = all SMEs that do not currently have a website. Question I4.

The main reason for not having a website is because it is not considered necessary for the business (77 per cent). Others cite the expense of setting one up (18 per cent), and lack of time (17 per cent). Few said that they do not know how to create one (eight per cent).

Barriers to using digital technology to its maximum extent

Those that rated their businesses from one to seven out of ten in terms of using digital technology to its maximum extent were read a prompted list of potential barriers to making more use of digital resources.

Sixty-one per cent said it was a low priority in the business, 43 per cent said they lacked time, 41 per cent did not want to spend money engaging an outside party, and 40 per cent did not want to have to employ an expert as a member of staff. Thirty-eight cited lack of knowledge.

Table 16.2: Barriers to using digital technology to its maximum extent (based on those rating themselves 1-7 overall) – by employment size

	All SMEs	No employ-ees	Micro (1-9)	Small (10-49)	Medium (50-249)
n=	581	78	214	190	99
	%	%	%	%	%
Low priority in line of business	61	64	**55**	**53**	**50**
Lack of time	43	40	**54**	**57**	50
Cost of engaging an outside consultant/agency	41	42	40	44	34
Costs of employing an expert as a member of staff	40	39	43	**47**	46
Lack of knowledge	38	36	41	**52**	44
Finding the right consultant/agency	33	32	34	**38**	34
Training costs	32	29	**41**	**38**	37
Finding the right member of staff	31	28	**40**	**46**	**43**
Ongoing maintenance costs	29	29	31	**36**	32
Equipment costs	26	22	**37**	**38**	**34**
Other barriers	5	5	6	3	7
No particular barriers	6	7	6	5	4

Base = all SMEs that rate themselves a 1-7 out of 10 for using digital technology to its maximum extent. Question I6. Figures in bold are statistically significant at the 95% confidence level for each column against the total (minus the column tested). * = a figure of less than 0.5%, but greater than zero

Lack of time is a larger barrier to employers than those with no employees. Employers are also more concerned than those with no employees about training costs, finding the right member of staff and equipment costs.

Ninety-eight per cent of those in construction that were asked this question said it was a low priority in their line of business. Lack of time is the greatest barrier in the primary sector (63 per cent). Those in the retail/wholesale sector are most likely to consider the costs of employing an expert a barrier (63 per cent).

17 Annex 1 Projects linked to superfast broadband rollout

Scheme/funders	Details
iNorthumberland: funded by ERDF and Northumberland County Council,	Supports eligible SMEs in connecting to superfast broadband, understand and exploit the associated opportunities it offers, through one-to-one business support delivered in a number of introductory workshops across the county, an online learning portal, and, for more advanced business users, masterclasses in specific topics. According to the ERDF application[92], the Digital Economy Centre for Excellence is aiming to engage 2,119 SMEs by 2015, with the anticipation of 293 new jobs and 20 safeguarded jobs, and increasing the number of businesses with a broadband connection from 79.8 per cent to 95 per cent.
Digital Birmingham (multiple funding streams including LEP (£100,000), ERDF and BIS funding)	Many digital initiatives under a single badge; (i) a 'digital audit' aimed at discovering the patterns of usage of digital technology in Birmingham, leading to tailoring of future support; (ii) the Greater Birmingham Digital Academy provides both awareness-raising and an integrated package of support aimed at maximising SME's exploitation of digital opportunities (one-to-one support, events etc):a business support package aimed at improving digital skills and increasing trading online among 400 SMEs; (iii) a Knowledge Bank provided through the Growth Hub. There has also been a LEP wide audit to ascertain the current digital capabilities of SMEs, and the establishment of the Birmingham Open Data Factory, a portal providing a rich variety of data to better understand Birmingham
Digital INV-ENT, Northamptonshire County Council'	Launched in November 2014, SMEs were invited to apply for up to £10,000 on a match fund basis for investment in IT and digital related activities to support growth e.g. investment in hardware of software, training, setting up e-commerce. 80 applications have been received; £700,000 of grant funding has been requested from an available fund of only £187,000.

[92] DCLG (2014) North East England ERDF Competitiveness Programme 2007 Summary of Projects November 2007 – December 2014

Scheme/funders	Details
Northamptonshire Enterprise Partnership (NEP)	Free workshops through Enterprise Hubs in libraries, webinars and a 'digital healthcheck' service.
Leicestershire County Council in partnership with the Chamber of Commerce Ebusiness Club	Digital events and demonstrations highlighting the benefits of using broadband; full day strategic action planning workshops in order to facilitate putting the knowledge into practice, accompanied by a 1-2-1 support demonstration; seminars to provide businesses with awareness of existing and emerging technologies to improve sales and productivity; full-day 'boardroom' style action planning e-business related workshops; a one-day Conference to include key note presentations, Q&A panel sessions, breakout workshops and an ICT supplier exhibition area.
Superfast Business, delivered by Peninsula Enterprise in (i) Cornwall and the Isles of Scilly; (ii) the remainder of the South West (bar Bristol); and (iii) Cheshire	Each area has slightly different provision and aims but the core content of support is similar. Some evaluation evidence is supplied by their websites, largely in terms of outputs: in the South West the programme has engaged 30,000 businesses, of which 2,000 have had face-to-face support/advice and approximately 1,000 received more intensive support. This has led to an estimated GVA increase of £30m, and generated 300 jobs. In Cheshire, the £1.5m contract provided at least 12 hours consultancy or support to 900 businesses over a two year period (compared to the ERDF target of 830 businesses supported). The programme is expected to create 478 jobs and to support 415 businesses to increase GVA. The Cornwall programme has been more fully (independently) evaluated, and is dealt with in more depth below.
Shropshire and Staffordshire councils' Optimising Business Broadband	£216,500 of ERDF funding to deliver a free programme of events, workshops, downloadable tools and one-to-one support and advice (including the production of an action plan) from specialist ICT business advisers to optimise SME use of broadband and online technologies. .. The project will deliver support to 34 businesses.
East Riding of Yorkshire	Discussions with a business advisor about t he most relevant and appropriate online solutions to SME needs, workshops covering a range of topics (e.g. social media use, website analytics), a diagnostic report, highlighting strengths and, weaknesses and developing an action plan, a bank of online resources.

Scheme/funders	Details
Merseyside Connected, funded by ERDF and BDUK	Fee workshops, events and webinars (on e.g. use of Google Adwords, Content Marketing & Social Media), one-to-one business growth sessions (including a diagnostic session and action plan formulation), and written support to answer more detailed queries. This is, covering 12 hours support of which at least 3 hours is face-to-face (either in person or online).
Lincolnshire County Council	Free awareness events and masterclasses (e.g. on social media, e-commerce, online marketing), advice sessions on best practice and optimising use of online services, one-to-one support and access to new technology, and social media 'surgeries' There is also a 'Superfast Broadband Fund', funded by the Regional Growth Fund and managed by Creative England, in partnership with OnLincolnshire, open to bids from innovative SMEs across the North, the Midlands and the South West of England.
North Lincolnshire. funded by ERDF	A minimum of 12 hours of support from business advisers and IT specialists, including an IT Diagnostic, offering a detailed report, recommendations and solutions, one to one support workshops (on e.g. social media, mobile devices, cloud technologies, SEO), website review, and a cyber security review.
Solent LEP	Free digital healthcheck, a grant of up to £1,500 (match funding) for an eligible digital project, workshops and one-to-one advice and support.
Go Digital, Newcastle (ERDF)	Raised awareness of the opportunities for broadband among 700 SMEs, and engage 260 SMEs using face-to-face support and online tools.
Essex Employment and Skills Board, administered by Essex County Council	a maximum of £4,000 towards training costs of a recruit (external to the business or appointed internally to a new role) focused in the use of digital technology (covering a wide range of job roles). The available funding of £253,720 is intended to provide 70 training grants.

18 Annex 2 Projects funded by BIS Challenge Fund

Scheme/area[93]	Details
Gloucestershire: *Boost Growth*	A diagnostic for businesses with some online presence, has been developed by The Growth Hub and GFirst LEP, to provide relevant information, advice and links to SME users
Tees Valley: *Get Your Head into Digital*	Free workshops (on e.g. SEO, website design, social media)
Solent LEP	(a) a Digital Capability fund for 60 SMEs to access grants £500 - £1500 (match funded) for a wide range of digital projects, and (b) a free Digital Healthcheck
Rural Growth Network (South West LEP with match funding from Devon county council)	Free review of rural micro business websites using specialist website analysis software, supported by a Digital Adviser, leading to an online report, and a conversation with the Growth Adviser to talk through its main points
Growing through Technology (Greater Lincolnshire LEP,)	With funding of £176,000 from Greater Lincolnshire LEP, ERDF and Lincolnshire County Council, the scheme offered a web portal, to provide factsheets, how-to guides, e-learning, events, workshops, one-to-one support and videos to encourage firms to get online and grow through the use of digital technology. E-learning courses will also be available through the new service
Business West (West of England LEP)	Free workshops, to help improve SMEs' digital presence and capability, especially in e-commerce. The workshops are on digital marketing, social media and exporting using online marketing.
Low Carbon business programme (South East LEP)	The three part programme supported SMEs to trade online by providing expert access to topics such as: website design, social media marketing, and web-consultancy surgery sessions for business.

[93] Overall, 20 projects from 22 LEPs were funded by the BIS Challenge Fund.

Scheme/area[93]	Details
Dorset *Growth Hub*	Funding of £95,000, targeted on SMEs with little online presence and/or low digital capability through seminars/workshops (20 businesses) and limited intensive support (to 10 businesses) and possible grants to fund, for example, software or e-commerce development.

19 Annex 3 Projects funded by Women and Broadband Challenge Fund

Scheme/area	Details
Cheshire local authorities	Seminars, presentations and talks to 300 businesses, budding entrepreneurs or women returners; in-depth support (five days consultancy) to 15 businesses/budding entrepreneurs; and the encouragement of peer support.
Dorset Council	Workshops and events presenting a variety of topics to improve digital capabilities, start-up courses for new female entrepreneurs, and networking opportunities to learn from other Dorset women in business.
Cambridgeshire	£75,000 to support 1,500 women to improve digital skills, and access other business-related training. Support includes a challenge fund for business networks; training courses on digital subjects, online resources related to using new and digital technologies, and bursaries to join business network.
Norfolk & Suffolk	Introductory awareness-raising sessions on broadband for business, digital business training sessions which included how to set up a website, e-commerce, digital marketing,and one to one digital mentoring sessions with experts, aiming to engage approximately 100 women over the six months of the programme.
Central Bedfordshire, Bedford and Milton Keynes	One-to-one support via an online business advice portal; mentoring, business advice and planning; training courses (e.g. on social media and website development); and networking opportunities to encourage peer-to-peer support and women and technology focused exhibitions.
Northamptonshire	£23,000 of funding to offer free training sessions to build digital confidence and skills, run through Northamptonshire's libraries' Enterprise Hubs, on website design and social media.
Shropshire & Staffordshire	A programme of conferences, workshops and mentoring sessions about digital skills, also giving access to WiRE's existing network of over 2,000 members to facilitate peer support.

Scheme/area	Details
Surrey *WISE*	Recruited ten 'Social Digital Experts 'as coaches for women who were currently unemployed but expressed a desire to own their own business or return to the workforce, and developed a partnership with the Digital Youth Academy to provide support for the development of websites.
Worcestershire *Women2Web*	Networking events and training with a focus on social media, software, blogging and other similar areas; free child care and mentor scheme.
Newcastle *wwWomen*	Events, workshops, mentoring and masterclasses.
Herefordshire and Gloucestershire *Faster Women*	49 free training and business support workshops across the counties on superfast broadband, covering social media, big data, augmented reality, the 'Internet of Things' and cloud computing.
Kent *The Business Reimagined!*	Course with 30 places aimed at women SME owners, including new start-ups. The group 'takes part in a series of shared experiences such as monthly lectures to build knowledge and expertise', along with support groups and mentoring.
Devon & Somerset	£75,000 of funding to support women (and particularly those in rural areas) seeking to start or grow businesses. They offered peer to peer support through business clubs, mentoring, digital clinics and networking opportunities and events.
East Sussex *Swift Project*	Partnership between the local authority, a voluntary sector group and a networking organisation, supported over 40 women (owners and potential start-ups) to access training on digital skills and business and personal development. Support was also delivered through peer learning and access to mentoring.
New Anglia LEP	£41,000 of funding to give practical help on relevant issues - online mentors, business clubs and training courses – to around 100 women throughout the six-month programme.

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