



Thursday 8 November, 2012

OVER A THIRD OF SMALL UK FIRMS RISK STUNTED GROWTH THROUGH FAILURE TO EMBRACE THE INTERNET

- *Over a third of UK SMEs are not online and could risk future growth prospects as a result*
- *This is despite evidence of marked improvements in business productivity when SMEs become digitally literate*
- *Business benefits include saving time, increased sales and wider customer reach when the internet is used for day to day business interactions*
- *Lloyds Banking Group is a founder member of Go ON UK – an initiative which aims to make the UK the most digitally capable nation - and this research coincides with the launch of the Go ON's new Digital Skills Charter*

UK small and medium sized enterprises (SMEs) could be putting future growth at risk because they are not making use of the Internet to increase productivity, according to Lloyds Banking Group's new **SME Digitisation Report**.

The report, published as part of Lloyds Banking Group's partnership with Go ON UK – an initiative which aims to make the UK the most digitally capable nation - shows that over a third (37%) of UK SMEs still do not have a website and that one in five (20%) are 'deliberately disconnected' from the Internet.

These are SMEs that have no online presence and only use the Internet on a basic level – as they do not believe it can play a part in the running of their businesses. The research shows that a third of SMEs (30%) are not developing their use of the Internet in any way.

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Despite the large number of businesses that lack digital skills, the report also reveals that, on the other end of the spectrum, just over a quarter (28%) of SMEs have an advanced website, including mobile applications, to help serve their customers and employees. These businesses are aware of the commercial benefits of having a strong digital presence. They are also likely to have experienced growth in the last two years and are open to new and innovative approaches as a route to further expansion.

The research shows that businesses that do take steps to improve their 'digital maturity' report several benefits:

- 78% save time due to automation and electronic communication
- 62% attract customers through effective marketing
- 54% note improved levels of customer interaction and service and wider geographic coverage
- 54% see costs savings
- 51% report greater sales
- 36% enjoy simplified payment processing

David Oldfield, Managing Director, SME and Mid Markets Banking, Lloyds Banking Group said: "There is no avoiding the fact that the Internet is part of everyday life and is an essential ingredient of business growth. This research shows that many SMEs are still not embracing digital technology often because they don't believe there are benefits to be had. But it is clear that when businesses do go digital, the rewards come quickly. "

"There is a clear need to tackle low digital use amongst businesses. As a founding member of GO ON UK we are committed to addressing this skills deficit and we are doing everything we can improve the digital capabilities of our own workforce, our customers and the communities that we serve. Providing people with the right digital skills and confidence to use the technology will empower them to develop their businesses and provide crucial competitive edge."

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The study reveals that the lack of digital maturity is strongly related to turnover and size. Businesses with a turnover of up to £5 million cite a 91% internet usage rate, compared to 64% amongst firms with turnover of between £126,000-£250,000.

Two thirds (60%) of SMEs with between 51-250 employees use the Internet all day every day compared to just over half (55%) of SMEs with 11-50 employees and only a quarter (25%) of businesses with 2-10 employees.

Martha Lane Fox, Chair of Go ON UK said: "The internet contributes more to UK GDP than to that of any other G20 country. It is critical that our SMEs embrace the Internet, develop their online skills and general digital capability in order to ensure their future in a competitive market both here and abroad."

The Digital Skills Charter being launched by Go ON today, sets out a basis on which the UK's digital capabilities can be improved. It states that: everyone in the UK should have the basic online skills to enjoy the full benefits of the web; Communities who don't have the skills to fully enjoy the benefits of the internet should not be left behind; everyone deserves world-class digital services that meet their needs and are useable by all; and that every organisation – in the private, public and voluntary sector – has a role to play in building our nation's digital capability.

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Notes to editors:

Sample size details: 677 UK SMEs.

About Go ON UK: Go ON UK is a charity that aims to make the UK the most digitally capable nation in the world. It has been founded by a radical cross-sector partnership. Age UK, BBC, BIG Lottery Fund, E.ON, EE, Lloyds Banking Group, Post Office, TalkTalk have come together to make the UK the most digitally capable nation, in which everyone and every organisation is able to enjoy the social, economic and cultural benefits of the internet.

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