LONDON *of* CHAMBER
COMMERCE AND INDUSTRY

# CAPITAL CONNECTED:

Helping London businesses grow online

November 2015

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## London Chamber of Commerce and Industry (LCCI)

LCCI represents London businesses' interests to the Mayor and the GLA, national government, Parliament and other relevant stakeholders. LCCI research focuses on business-related matters led by the views and experiences of our member companies and is characterised by its independence and solution-focused approach.

Any data reproduced from the report should be fully referenced.

LCCI would like to thank everybody that contributed to this report.

## Methodology

ComRes interviewed 510 London business decision makers between 7 and 20 May 2015 online. Data was weighted to be representative of all London businesses by company size and broad industry sector.

ComRes is a member of the British Polling Council and abides by its rules. Data tables are available on the ComRes website, www.comres.co.uk.

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# FOREWORD

Digital connectivity is fundamental to London business growth. Many companies now see the online marketplace as their main area to conduct business, relying on online portals such as social media, webpages and eCommerce facilities to engage with customers and sell their products or services.

While a number of sole traders and small firms continue to operate effectively offline, their potential to grow could be enhanced through developing an online presence. Yet, a significant proportion of smaller London firms find it challenging to develop an online profile.

Enabling small businesses in London to realise the benefits of the digital economy will be key to their future success, as well as reaffirming the capital's place as a world-leading business centre. London Chamber of Commerce and Industry (LCCI) believes that Government and City Hall have a responsibility to ensure that disconnected sole traders and small businesses are not left behind as the marketplace becomes more digitised.

Underpinning all of this will be the ease and reliability with which London businesses are able to connect online. No area in London should be deprived of affordable superfast internet connections, and it is unacceptable that 'not-spots' in the capital still exist. For London to remain at the cutting edge of the business world, government, business groups, office landlords and internet service providers must work together to help firms take advantage of the many opportunities to grow online.

**Colin Stanbridge, Chief Executive, LCCI**

# 1. EXECUTIVE SUMMARY

The digital economy has transformed the way that we do business. Smartphones and tablet devices have made it easier for people to browse online and make purchases at any time. For firms, the digital economy offers unparalleled opportunities to engage online with existing and potential customers to grow their business. Recent research indicates that the UK economy could receive a boost of over £90 billion if companies fully develop their digital potential.[1]

As the digital revolution evolves, businesses without any form of online presence risk falling behind. Sole traders and small firms in particular represent a large part of the London business community, but may lack the resources or skills to take advantage of opportunities to become more 'digitised'. On top of this, London firms require fast and reliable internet access to make the most of online platforms. A failure to get more businesses engaged in the digital economy could impact on London's ability to compete globally.

Informed by a ComRes survey of over 500 London business decision makers, as well as in-depth interviews, this report explores the level to which London businesses are utilising online platforms to grow and the reasons why firms may not have online services in place.

The report delivers the following key findings:

- **24%** of London firms have no online facilities at all
- **59%** of micro businesses (one to nine employees) have a company website, compared to **92%** of those with more than ten employees
- **47%** of London businesses are using at least one social media platform
- **44%** of London firms without a website cited a lack of relevance as the main reason for not having one, followed by the cost of setting up (28%) and a lack of staff with the right skills (14%)
- **36%** of London businesses have been negatively affected by slow internet connection speeds over the last 12 months

The report makes recommendations in the following areas:

### i) Raising businesses' awareness of the benefits of developing an online presence should be a priority

Stronger government support is needed to tackle the awareness gap and encourage more sole traders and small businesses to explore opportunities for growth online.

A strong online presence presents opportunities for conducting business online overseas. Export performance among London businesses has been persistently sluggish. UKTI's e-Exporting programme provides firms with direct support to increase their online exports.

> **Recommendation 1:** The Greater London Authority (GLA) could form a new business panel focused on raising awareness of the benefits of developing an online presence among offline sole traders and small businesses in London.
>
> **Recommendation 2:** To support small business expansion once they have an established online presence, Government should promote its e-Exporting programme more widely, providing information to businesses once they have had an active registered web domain for a year.

### ii) Firms need workers with the right skills to increase their business presence online

Sole traders and small businesses require workers with basic digital skills to grow their online presence. The Government's SME Digital Capability Engagement programme shows that small firms can better utilise digital platforms for their business if they are aware of the opportunities and equipped with the skills that they need, yet the programme's insufficient timespan meant that more offline companies could have been reached.

Social media platforms offer businesses real opportunities for engagement with customers and potential consumers, but many lack the skills or knowledge to take advantage. Stronger Government support to equip small businesses with the skills to devise an effective social media strategy could enable them to make the most of its potential.

[1] The Telegraph: *Companies could unlock £92bn of digital growth,* 19 October 2015

Recommendation 3: The Government should create a new SME Digital Capability engagement programme to help sole traders and small businesses develop the basic digital skills needed to grow their online presence. Responsibility and delivery of the programme should be devolved to cities and regions to tailor to local business needs. The programme should last for at least the duration of this Parliament.

Recommendation 4: The Government should develop a Massive Open Online Course (MOOC) to support smaller businesses in developing an effective social media strategy. This should be advertised extensively through *Do More Online* and other MOOC learning platforms, as well as offline to connect with companies that require the most support.

### iii) The cost of setting up a website can deter businesses from developing their online presence

The Government's *Growth Vouchers* programme helped businesses subsidise the cost of strategic advice to enable them to 'make the most of digital technology'. However, not enough small businesses had the opportunity to apply for the programme, and the Voucher could not be applied to the actual cost of setting up a website.

Recommendation 5: The Government should reintroduce the *Growth Vouchers* scheme and allow businesses to claim against the cost of building a website. Opportunities to apply for Vouchers should be advertised more extensively to London firms through the GLA as part of a proposed business panel to improve the awareness of growing online.

### iv) Companies require fast and reliable internet access to make the most of online platforms

Slow internet speeds in London affect firms' ability to operate effectively online. *Broadband Connection Vouchers* help businesses afford the cost of superfast connections where fibre optic coverage is limited – extending the scheme would enable more London firms to upgrade.

Delivering high-speed connections to businesses in central London has been slow. With internet connectivity now regarded as a 'fourth utility', firms in London should not be affected by delays in setting up fast and affordable connections.

Recommendation 6: The Government should extend funding and availability of the *Broadband Connection Vouchers* until at least 2017, so that more businesses can take advantage of superfast broadband connections. The GLA should work closely with local authorities to ensure the availability of the Vouchers is more consistently advertised across the capital.

Recommendation 7: The Greater London Authority could look at ways to encourage commercial property developers and office landlords to fix high-speed broadband connections into building plans, so that businesses setting up in London are able to obtain superfast broadband immediately and at a lower cost.

## 2. THE UK'S DIGITAL ECONOMY

The UK has rapidly evolved into a 'digital nation'. More people than ever are online, with 39.3 million UK adults browsing the web on a daily basis.[2] Smartphones have become the most popular means for individuals to access the internet, and the take-up of tablet devices has increased equally rapidly, making it easier than ever to browse online.[3] Online platforms have become all pervasive, radically changing the way we interact with each other, with businesses and with Government.

As a result, the digital technology sector – companies selling software, hardware, digital expertise and technical solutions – is booming.[4] Importantly, **unprecedented levels of internet access have also transformed commercial opportunities for all businesses by creating an ever growing online marketplace. This report analyses the 'digitisation' of London businesses – the extent to which London businesses utilise digital platforms and the benefits they provide for maximising business growth.**

The ways that businesses can utilise digital platforms are many, from building brand awareness among new customers to selling goods and services online ('eCommerce'). Consumers have been quick to engage with businesses online due to the substantial benefits the digital economy brings in terms of ease of use, competitive pricing, and improved customer service. Official data indicates that in 2015 over three quarters (76%) of UK adults had bought goods and services online, compared to just over half (53%) in 2008.[5] eCommerce has become entrenched in how business is conducted and has led to the UK becoming one of the largest per capita eCommerce markets globally.[6]

Businesses are now able to interact with their customer base in ever more innovative ways, including responsive website design, social media or mobile applications – each providing unique opportunities for engagement (see Table 1).

Table 1: Business benefits of online platforms

| Online platform | Business usage |
|---|---|
| Website | Provides prospective and existing customers an insight into what a business does, the goods/services it offers, etc. eCommerce solutions can also be integrated to enable customers to make transactions online. |
| Responsive website design | Website is programmed to optimise customer experience on a wide range of devices, from desktops to mobiles and tablet devices. |
| Facebook | Can be used to create business/product pages and interact with 'fans'. Facebook can also be used for targeted advertising campaigns. |
| Twitter | Provides opportunities for individuals to 'follow' business profiles in order to receive live updates and interact. |
| LinkedIn | More orientated towards businesses using B2B marketing campaigns. It also provides options to maintain contact with clients, as well as reviews, references and recruitment opportunities. |

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[2]  This is approximately 78% of the UK population. ONS (2015): *Internet Access Households and Individuals 2015*
[3]  Smartphones have, for the first time, overtaken laptop ownership, with 66% and 65% respectively, while over 54% of households now own at least one tablet computer. Ofcom (2015): *Communications Market Report*
[4]  Of 47,200 digital companies analysed in a recent report, over half were formed since the start of 2008 and 15% were set up in 2013-14 alone. Inner London has the largest volume of digital companies and workers, with over 250,000 people employed. Tech City UK (2015): *Powering the digital economy 2015*
[5]  ONS (2015), op.cit.
[6]  Ofcom (2014): *International Communications Market Report*

The benefits of business 'digitisation' are also undisputed. Recent research suggests that UK businesses could unlock up to £92 billion of growth by improving the way they harness technology, with over one million new jobs created.[7] By establishing a strong online presence, businesses are able to better engage with a wider array of potential customers and expand their consumer base, even beyond geographical boundaries.[8] As well as facilitating business growth, online technologies enable businesses to reach new customers in an efficient way, thus boosting business productivity.

> "Digitally disconnected businesses will say that they don't need a website and have plenty of work on. That is great if you have no intention of expanding further and never face competitive pressure from new market entrants. But customers are increasingly searching online and without a professional attractive web site you can really miss out. Some kitchen-fitters, for example, have really advanced websites where you can do a virtual walkthrough of a kitchen, despite traditionally being a very manual industry. If a customer is spending a lot of money on a new kitchen, then they are going to do their research online. You don't have to sell your products or services online, but it can be a showroom for what you do."
>
> Neil Dagger, Senior Product Marketing Manager, Nominet (The UK internet domain registry)

While the UK's digital revolution enhances businesses that actively embrace it, it also poses challenges to those that may struggle to do so. At a time when online retailers are set to overtake conventional retail chains in terms of sales,[9] businesses have to be ready to ensure that they can use online platforms to retain and safeguard their market stake. Therefore, **understanding how to engage with customers through online platforms is increasingly important to the success of London businesses.**

> "'Disruption' is the buzzword in the industry. The only thing you can be definitely sure about is that in five years' time things will change. Businesses need to make themselves 'disruption-proof', and the only way to do that is to constantly keep tabs on what people say they want, how they actually behave, and how they communicate with you."
>
> Marian Cramers, Strategic Partnership Manager, Crimson Hexagon (medium-sized social media analytics company)

Digital customer engagement is a key strategic and spending priority for many businesses,[10] but many firms without an online presence run the risk of falling behind. If these businesses remain unaware of the benefits of going online, and the skilled workforce and the digital infrastructure (such as superfast broadband and mobile coverage) are not in place to enable London businesses to become more digitised, then London's international competitiveness could be under threat.

This report outlines ways in which London businesses are utilising online platforms and the barriers that are preventing firms from further embracing the digital revolution. Given the right incentives and tools, London businesses are well placed to take advantage of the opportunities that embracing digital technology and expanding their online presence offer. Government could play an important role in supporting businesses to maximise their growth online, and ensure that companies – particularly sole traders and small businesses – are not left behind.

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[7]  The Telegraph: *Companies could unlock £92bn of digital growth,* 19 October 2015
[8]  While the majority of online purchasers are domestic, an increasing number are from overseas. 91% of domestic online shoppers purchased from UK sellers in 2014. 23% of UK adults purchased goods online from other EU countries in 2014 compared to 12% in 2008, while 21% bought goods from the rest of the world, a three point rise compared to 2008. ONS (2014): *Monitoring Ecommerce 2014*
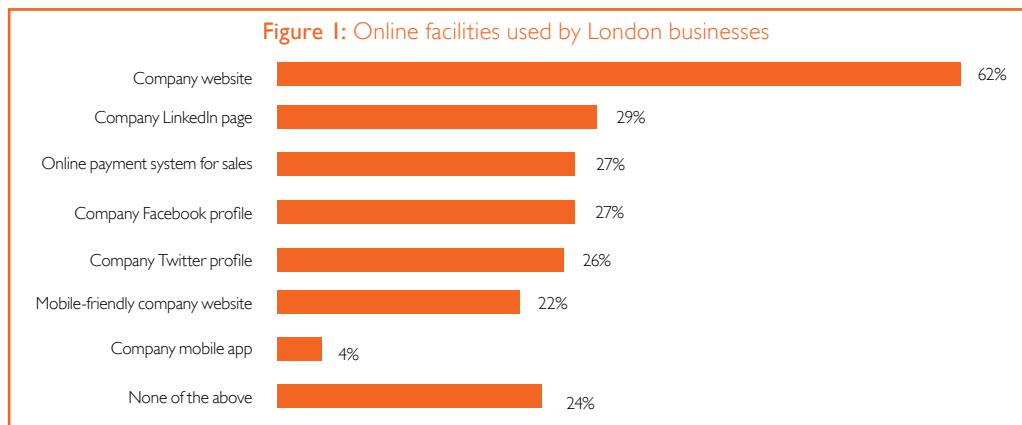[9]  The Telegraph: *Internet-only stores to overtake retail giants' online sales this year,* 31 July 2015
[10]  McKinsey (2014): *The digital tipping point: McKinsey Global Survey Results*

## 3.  BUSINESS USE OF ONLINE PLATFORMS

It has become increasingly important for businesses to adapt to the changing digital environment and develop a stronger online presence. Being able to operate effectively in the digital marketplace through a strong web presence allows firms to reach a wider audience, provide consumers with access to products and services outside of standard business hours, and engage and build a positive brand with customers, as well as a host of other advantages.

To determine the ways in which London businesses are currently utilising online platforms as part of their business operations, LCCI conducted a survey of over 500 London businesses with leading polling agency ComRes.[11]  The survey results showed that **having a website was the most common form of online presence for London firms**, with just under two-thirds (62%) having a company website (see Figure 1). The proportion of those firms with their own website varied by company size: **for micro businesses (one to nine employees), just 59% of businesses had a company website, compared to 92% of those with more than ten employees.**

**Figure 1:** Online facilities used by London businesses

| | |
|---|---|
| Company website | 62% |
| Company LinkedIn page | 29% |
| Online payment system for sales | 27% |
| Company Facebook profile | 27% |
| Company Twitter profile | 26% |
| Mobile-friendly company website | 22% |
| Company mobile app | 4% |
| None of the above | 24% |

**Q.** Which of the following online facilities, if any, does your business currently have? Base: all London businesses (n=510)

Having a mobile-friendly company website in place was far less common; among those London businesses who have a company website, only a third (35%) stated that it was optimised for mobile use. Following Google's change to its search algorithms in April 2015, which lowers the page rankings of websites that are not mobile-friendly, many businesses could experience reduced website traffic unless they take action to make their website more mobile-friendly.[12]  27% of London firms had in place an online payment system (such as PayPal or Worldpay) that allowed for credit or debit card transactions for their products or services.

**Just under half (47%) of London businesses were using at least one of the social media platforms tested for their company.** LinkedIn was the most common option, with 29% of firms having a company LinkedIn page, compared to 27% with a Facebook page and 26% with a Twitter account. Although many companies do have a social media presence, its effectiveness is dependent on the company's dedication to utilising its potential.

> *"We find LinkedIn quite effective. We test our content type, time of day and frequency of postings each week and through this, we've been able to figure out where LinkedIn has been really effective for us. I think LinkedIn as an organisation do quite a good job at trying to educate users about how to get the most out of the platform, so if you are savvy and willing to put the time in, then you can build a sound strategy. But you have to be committed and willing to do it; a half-committed approach will be less effective."*
>
> Ryan Procter, Digital Marketing Officer, Tech City UK (technology and digital firms incubator)

Facebook and Twitter usage varied by company size. A quarter (24%) of businesses with 1-9 employees had a company Facebook page, compared with 50% for firms with 10 or more employees. Similarly, 24% of 1-9 size firms had a company Twitter page compared to 43% of businesses with 10+ employees. Only 45% of London firms with 1-9 employees had either a company LinkedIn, Facebook or Twitter page compared to 65% for 10+ sized firms.
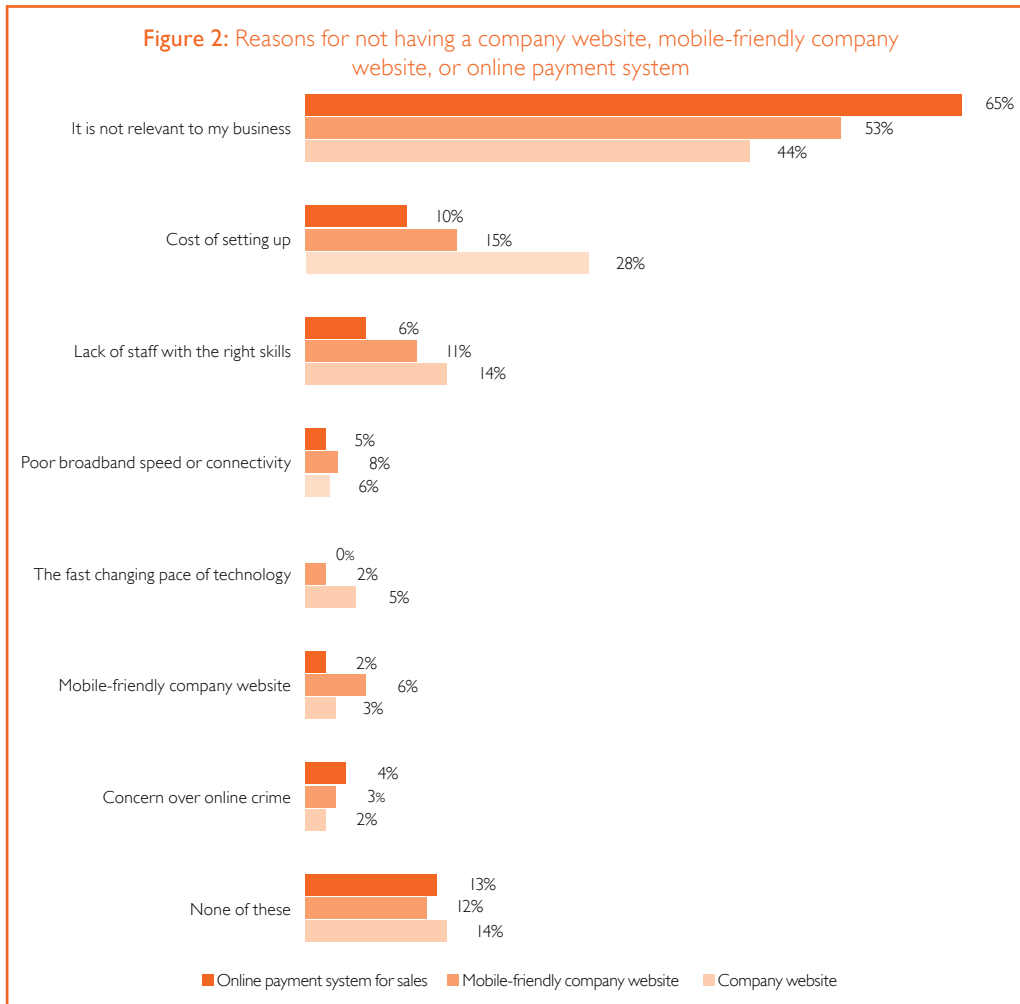
A concern is the proportion of London businesses that have either limited or no online presence at all. **A quarter (24%) of London firms said that they had none of the online facilities tested in place for their business**, be it a company website, social media page, or a mobile application. Given that these are the most typical forms of online facilities available to businesses, the results suggest that a large proportion of London companies continue to operate solely offline.

11  ComRes survey for LCCI of 510 London business decision makers, May 2015
12  The Guardian: Google's *'mobilegeddon' will shake up search results,* 20 April 2015
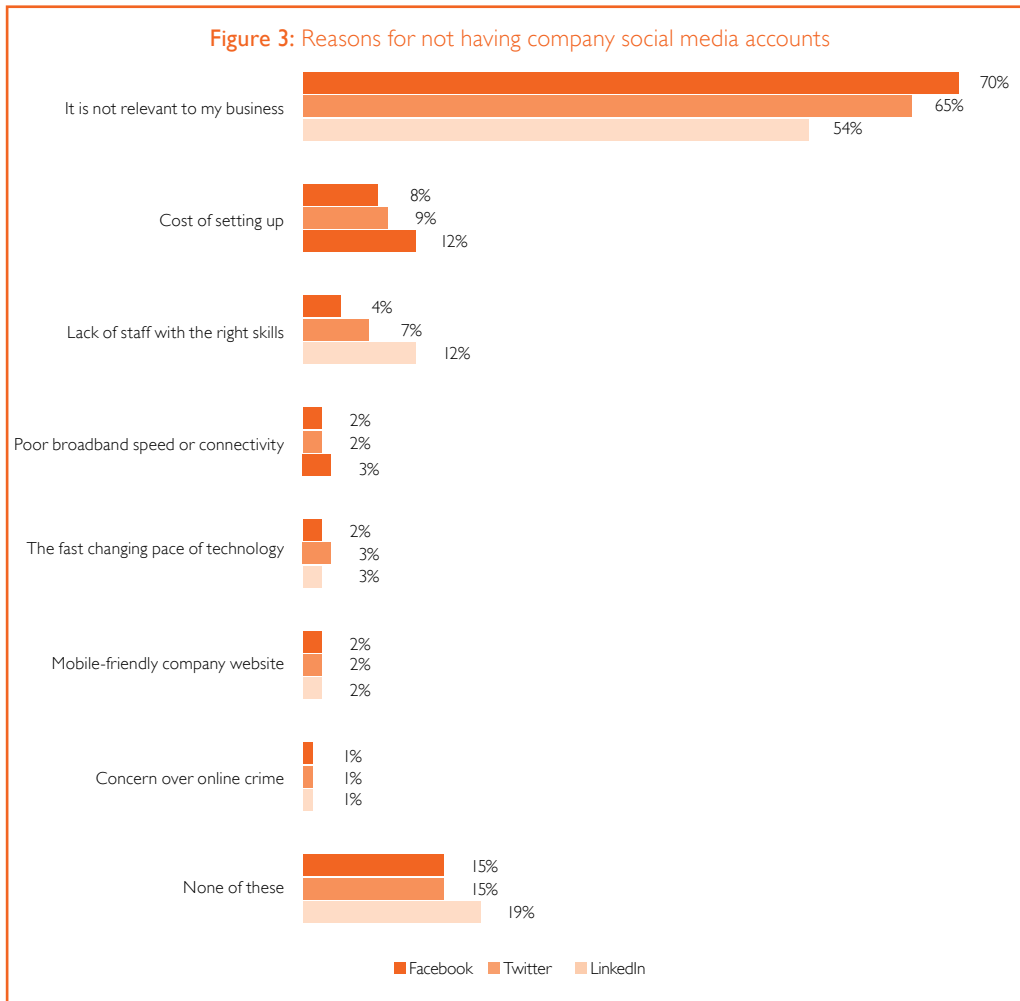
When asked about the main reasons why their company did not have each of the online facilities tested in place, the most common answer was that it was not relevant to their business. 44% of London firms without a website cited a lack of relevance to their business as the main reason for not having one. The same reason was even more likely to be given by firms without a mobile-friendly company website (53%) or an online payment system (65%) (see Figure 2).

Cost and skills were secondary reasons for not having an online presence. The cost of setting up was a factor cited by over a quarter (28%) of London businesses without a website and by 15% of those without a mobile-friendly company website. A lack of staff with the right skills was an issue for 14% and 11% of these London firms respectively (see Figure 2).

**Figure 2:** Reasons for not having a company website, mobile-friendly company website, or online payment system

| Reason | Online payment system for sales | Mobile-friendly company website | Company website |
|---|---|---|---|
| It is not relevant to my business | 65% | 53% | 44% |
| Cost of setting up | 10% | 15% | 28% |
| Lack of staff with the right skills | 6% | 11% | 14% |
| Poor broadband speed or connectivity | 5% | 8% | 6% |
| The fast changing pace of technology | 0% | 2% | 5% |
| Mobile-friendly company website | 2% | 6% | 3% |
| Concern over online crime | 4% | 3% | 2% |
| None of these | 13% | 12% | 14% |

Q. Which of the following reasons, if any, explain why your business does not use each of the following online facilities? Base: all London businesses without each of these online facilities (n=161-379)

Relevance was also the predominant factor for not utilising social media platforms, including Facebook (70% among those without a Facebook page), Twitter (65%) and LinkedIn (54%) (see Figure 3). A lack of awareness or understanding (12%) and lack of staff with the right skills (12%) were also significant factors for businesses that did not have a LinkedIn page.

**Figure 3:** Reasons for not having company social media accounts

| | Facebook | Twitter | LinkedIn |
|---|---|---|---|
| It is not relevant to my business | 70% | 65% | 54% |
| Cost of setting up | 8% | 9% | 12% |
| Lack of staff with the right skills | 4% | 7% | 12% |
| Poor broadband speed or connectivity | 2% | 2% | 3% |
| The fast changing pace of technology | 2% | 3% | 3% |
| Mobile-friendly company website | 2% | 2% | 2% |
| Concern over online crime | 1% | 1% | 1% |
| None of these | 15% | 15% | 19% |

■ Facebook ■ Twitter ■ LinkedIn

Q. Which of the following reasons, if any, explain why your business does not use each of the following online facilities? Base: all London businesses without each of these online facilities (n=343-364)
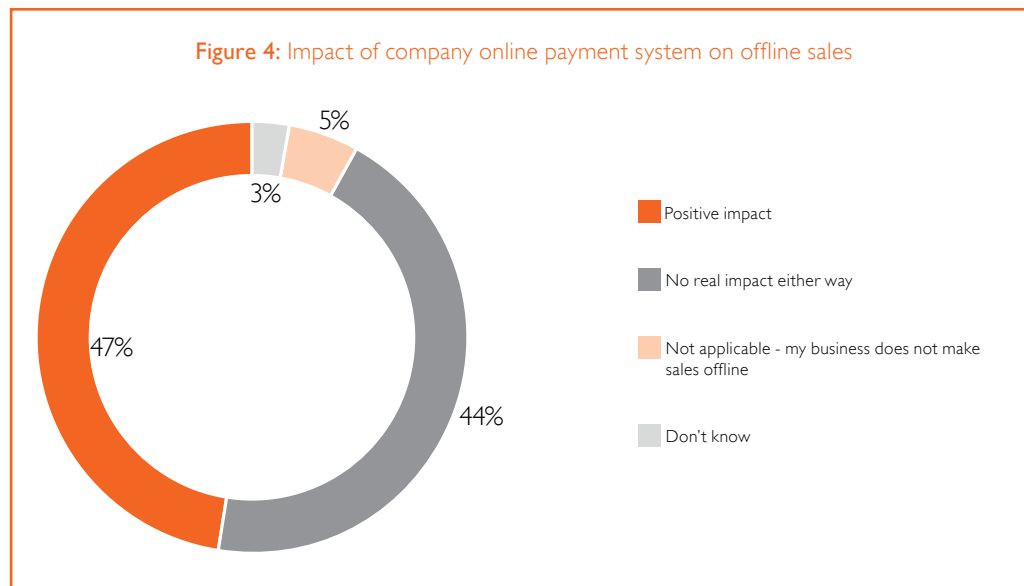
With a perceived lack of relevance to their business, limited digital skills and the cost of setting up hindering London firms from increasing their online presence, the following sections look at how these issues can be addressed.

## 4. WHY ONLINE PLATFORMS MATTER

According to our poll of London firms,[13] **a perceived lack of relevance is the greatest barrier to businesses enhancing their online presence**, in particular social media pages (see Figures 2 and 3).

Some small businesses may choose not to change from an offline model of operating because they are unaware of the benefits that an online presence can bring. Recent Government research found that as many as two million sole traders and small businesses in the UK have no online presence.[14] Many small businesses, such as tradesman, beauticians or fitness companies, driving instructors and other small service providers, are comfortable operating purely offline, using traditional means to promote themselves and win new business. If this model has always worked for them, then they may see little reason to develop an online presence. Yet, as the UK's digital economy continues to blossom, many businesses have found themselves under pressure as competitors embrace new technology and digital solutions, leaving them at a competitive disadvantage.

One of the most positive impacts of developing a stronger online presence is business exposure to a wider consumer audience. Having an online presence can help businesses reach new consumers previously unaware of their products or services. Furthermore, it can strengthen relationships at a local level, helping to turn an online connection into offline custom. According to LCCI's survey, **nearly half (47%) of London firms that make sales through an online payment system said that it had a positive impact on the number of sales that they made offline** (see Figure 4). None of these businesses surveyed stated that an online payment system had a negative impact on their offline sales.



**Figure 4:** Impact of company online payment system on offline sales

- Positive impact
- No real impact either way
- Not applicable - my business does not make sales offline
- Don't know

**Q.** Has your business's use of sales through an online payment system (including PayPal, WorldPay and online tools for credit / debit card payments, but excluding manually typed emails) had a positive or negative impact on the number of sales your business makes offline?
Base: all London businesses who make sales through an online paying system (n=130)

An online presence also provides a business with extra legitimacy in a market where consumers are regularly using the internet to gather information about potential purchases. 69% of UK adults currently use the internet to find information about goods and services, the second most common internet activity behind email.[15] Many prospective customers now expect to be able to find information about a business online, before deciding whether to buy. Without a basic online presence, businesses may struggle to instil confidence that they are a legitimate trusted company and risk losing business.

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[13] ComRes survey for LCCI of 510 London business decision makers, May 2015
[14] Smallbusiness.co.uk: *Small companies miss out on online sales,* 28 November 2014
[15] ONS (2015): *Internet Access Households and Individuals 2015.* For more information on Go ON UK, please visit http://www.go-on.co.uk/

> **Case study: Verifying business credentials online**
>
> Neil Dagger, Senior Product Marketing Manager at Nominet, highlights how the trend towards verifying business credentials online could have an impact on long-term growth: *"There are so many programmes you see on the television made around poor consumer experiences where they have had really bad builders or poor service. People are now looking for more tangible credentials for tradesmen, especially for work that involves entering a home. An offline business might have a full order book now, but actually over time it might become increasingly difficult for them to secure orders because people are not confident over their credentials or reputation."*
>
> The growth of third-party websites such as checkatrade.com and Rated People has allowed some sole traders and small businesses, typically trade services that have in the past operated offline, to gain a simple online presence. Through such websites, firms are able to register their services and highlight their portfolio of work where potential customers can see reviews of previous jobs, providing the degree of reassurance that consumers are looking for and giving wider exposure and visibility to their services.

The Government has provided some support to businesses to inform them about the benefits of going online. In addition to gradually transforming the way it delivers services through the Government Digital Service (GDS), in November 2014 the Government launched its *Do More Online* campaign targeting sole traders and small businesses without an online presence. Support consisted of a SME Digital Capability Programme run by Local Enterprise Partnerships (LEPs), online resources, an advice and support helpline, and the www.digitalskills.com/business website in partnership with digital skills charity Go ON UK.[16]

While it is clear that developing an online presence may not be relevant for some businesses (such as newsagents), the online marketplace presents real opportunities for growth for other firms that remain digitally disconnected. For such companies, further support is needed to make them aware of how they might benefit going online. Government efforts to date are positive, but a significant proportion of London companies remain offline – 24% of London businesses still have no form of online presence, including a website or company social media page.

Efforts by the Greater London Authority (GLA) to support business growth online have so far focused on boosting affordable access to superfast broadband connections, referenced in the Mayor of London's Digital Inclusion Strategy.[17]  As part of its digital connectivity offering, the GLA could establish a separate panel focused on tackling the awareness gap, similar in nature to the Connectivity Advisory Group. The panel should be formed of small businesses and leading London business groups that understand the challenges that sole traders and small businesses face, with the aim of raising awareness of the benefits of developing a digital presence for offline firms in London.

> <u>Recommendation 1:</u> **The Greater London Authority could form a new business panel focused on raising awareness of the benefits of developing an online presence among offline sole traders and small businesses in London.**

## Exporting through online platforms

A strong online presence presents opportunities for conducting business outside of the UK's borders. While domestic custom accounts for the vast majority of UK businesses' online transactions, the international marketplace is fast developing, with small businesses in the UK increasingly selling their products overseas via eCommerce platforms.[18]  It is estimated that UK online retail exports will reach £60 billion by 2018.[19]

As recent UK growth has been dependent on strong domestic consumer spending, realising the UK's export potential remains an ongoing challenge. While the UK's trade deficit remains stubbornly high,[20] London firms have also experienced stagnating export demand over the course of 2015.[21]

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[16]  For more information, please visit https://www.gov.uk/government/news/government-launches-support-to-help-small-businesses-do-more-online
[17]  For more information, please visit https://www.london.gov.uk/sites/default/files/Digital%20Inclusion%20Strategy%20Final_4.pdf/
[18]  According to freelancer.co.uk's small business survey, there was a 36% increase in the number of small businesses in the UK selling their goods overseas in 2013. The Guardian, *How to export through online sales,* 18 February 2013
[19]  Gov.uk: *Sell online with UKTI's e-Exporting Programme,* 8 September 2014
[20]  ONS (2015): *UK Trade July 2015*
[21]  LCCI (2015): *Capital 500 Quarterly Economic Survey,* at http://www.londonchamber.co.uk/Capital500

In September 2014, UKTI launched a new e-Exporting programme designed to help UK companies with an online presence increase the amount they export abroad through online channels. The programme provides businesses with direct support to sell their products online through connections developed with over 400 e-marketplaces worldwide.[22]  However, **more could be done by Government to make businesses aware of the programme and support small firms in making the most of their online presence.**

Wider promotion of UKTI's e-Exporting programme to small businesses with an established online presence could be an effective way of highlighting online exporting opportunities and support services. UK businesses that have had an active registered web domain for over a year could receive information about opportunities to further develop their business online, including information on UKTI's e-Exporting programme.

> <u>Recommendation 2:</u> **To support small business expansion once they have an established online presence, Government should promote its e-Exporting programme more widely, providing information to businesses once they have had an active registered web domain for a year.**

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[22]  Gov.uk: *Online exporting package launched to help British businesses 'sell while they sleep',* 8 September 2014

## 5. ADDRESSING DIGITAL SKILLS CHALLENGES

Although lack of relevance was cited as the main reason for London firms not to develop their online presence, a shortage of staff with the right skills to identify or take advantage of online platforms was also an issue.[23] 14% of London businesses without a website said this was the reason for not having one, while 12% of London firms without a LinkedIn company page stated a lack of staff with the right skills was a reason for not having a company profile. Skills were also seen an issue for businesses not having a mobile-friendly company website (11%) or company mobile app (10%).

Skills shortages have been a persistent issue for London firms over the last 12 months. Half (49%) of London businesses looking for new staff in the third quarter of 2015 experienced difficulties finding suitable workers, with skilled manual and technical staff the positions where firms with difficulties recruiting were most likely to experience issues.[24] As the digital economy continues to rapidly expand, the UK risks falling behind if there are not enough workers available to meet companies' demands for skilled employees. It is estimated that the UK will need 2.2 million digitally skilled workers by 2020 to satisfy its digital potential, with 47% of new digital and tech jobs created in the next five years located in London and the South East.[25]

> *"Every industry at the moment is being disrupted by technology, so it is fundamental that more is done to educate and provide access to digital skills from primary/secondary level. But there also has to be a more agile and contemporary take on core subjects at the point of specialising at degree course level or equivalent."*
>
> Richard Dennys, Head of Digital Business Academy, Tech City UK (technology and digital firms incubator)

While firms in the technology and digital sector require medium and high-level skills, sole traders and smaller businesses tend to require more basic digital skills, including being able to create basic digital content to engage with communities (such as through a website or social media), being able to communicate and interact with others, and the ability to solve problems using digital tools.[26] It is estimated that a million small businesses in the UK do not have the skills to prosper in the digital age,[27] while recent Government research found that a quarter of SMEs (23%) do not possess basic digital skills.[28]

A number of Government and private sector initiatives are underway to boost the level of digital skills in the UK. Many have focused on developing the long-term pipeline of talent to meet the UK's future digital needs. Changes to England's school curriculum from 2014/15 have seen the introduction of computer programming in primary and secondary schools, with children learning about the basics of code from the age of five.[29] Tied into this is a £500,000 fund to train new and existing teachers in software coding to support children developing programming skills from an early age. The Government also announced the creation of The National College for Digital Skills, due to open in London in 2016, with the aim of teaching 5,000 students technological skills over the next five years.[30] Private-led initiatives, such as *wearedotdotdot*[31] and the Makers Academy,[32] are also helping new learners develop their programming skills in order to access opportunities in tech and digital companies.

To support smaller businesses with basic digital skills, the Government launched the SME Digital Capability Programme as part of its *Do More Online* campaign. Funding was provided to 22 Local Enterprise Partnerships (LEPs) to support SMEs capacity to grow online. Smaller businesses and sole traders were primarily targeted through offline methods, such as workshops and events, face-to-face support and phone advice. A post-project evaluation found that the programme had exceeded targets in terms of the number of people engaged and nearly two-thirds of business participants had taken action following the training. But a longer timeframe for design, development and delivery of projects, greater promotion of events, and more hands-on support and follow-up advice were cited as factors that could have improved programme outcomes.[33]

[23]  ComRes survey for LCCI of 510 London business decision makers, May 2015
[24]  LCCI (2015): *Capital 500 Quarterly Economic Survey Q3 2015,* at http://www.londonchamber.co.uk/capital500
[25]  City AM: *Adventure capital: Investors pump £1bn into London's tech sector in 2015,* 7 October 2015
[26]  House of Lords Select Committee on Digital Skills (2015*): Make or Break: The UK's digital future, Appendix 7*
[27]  BBC: *More than 12 million fall into UK digital skills gap,* 19 October 2015
[28]  Department for Business, Innovation and Skills (2015): *Evaluation of the Small Business Digital Capability Programme Challenge Fund*
[29]  The Telegraph: *Teaching our children to code: a quiet revolution,* 4 November 2013
[30]  City AM: *David Cameron announces creation of London's first digital skills hub,* 8 December 2014
[31]  An online platform that connects people to digital learning programmes to develop their skills, and access job opportunities in east London. For more information, please visit: http://www.wearedotdotdot.com/dashboard
[32]  The Makers Academy was launched in 2013 and helps beginners learn the basics of software development over 12 weeks to help them become Junior Developers. For more information, please visit: http://www.makersacademy.com/about-us/
[33]  Department for Business, Innovation and Skills (2015), Op. cit.

The SME Digital Capability Programme provides evidence that sole traders and small businesses are keen to grow their business online if they are aware of the opportunities and are given the right skills to make the most of digital platforms. To equip offline businesses with the digital skills that they need, **the Government should create a new SME digital capability engagement programme, targeted at upskilling sole traders and small firms to enable them to grow and develop their online presence.**

The new programme should be delivered at regional level and tied into further devolution of skills budgets, so that local programmes are responsive to the digital needs of local businesses. The new SME Digital Capability Programme should last for at least the duration of this Parliament so that delivery agents can more effectively provide the support and follow-up contact required by firms.

> <u>Recommendation 3:</u> **The Government should create a new SME Digital Capability engagement programme to help sole traders and small businesses develop the basic digital skills needed to grow their online presence. Responsibility and delivery of the programme should be devolved to cities and regions to tailor to local business needs. The programme should last for at least the duration of this Parliament.**

## Social media strategy

Social media platforms offer businesses real potential to engage directly with a wider customer base and develop a stronger brand identity among their target audiences, but businesses require the skills and know-how to be able to utilise them effectively.

> *"There isn't a single industry for which social media isn't relevant. The only bottleneck for industries is that you need to have the visionary leadership within a business to fit that into certain departments, and then you need the resources, analysis and technical skills to be able to use all of them effectively."*
>
> Marian Cramers, Strategic Partnership Manager, Crimson Hexagon (medium-sized social media analytics company)

The most popular social media platforms have huge and actively engaged audiences (Facebook currently has nearly 1.5 billion monthly active users, while Twitter averages 304 million monthly active users and LinkedIn 380 million).[34] Having access to such large potential audiences allows businesses to raise awareness of their products or services, engage directly with customers, and allow customers to buy goods or services directly.

The vast majority of SMEs with a company social media profile use it to promote awareness of their goods and services, with customer contact also an important factor.[35] However, how a business can utilise social media effectively will depend on the type of audience it intends to reach, as well as the desired outcomes. Certain social media platforms, for example, may be more suitable for building brand awareness for 'B2B' companies, while others would better suit a 'B2C' company looking for new customers. Businesses, particularly smaller firms, should develop their social media presence on platforms that are going to be relevant to their overall business aims, rather than taking a one-size fits all approach to increasing their online presence through social feeds.

> *"Our business is heavily reliant on our website and raise awareness of it through social media. We currently have over 100 registered users to our website since we launched in July 2015. We are up to about 1,400 Twitter followers and nearly 400 Facebook fans. We find that the best way of getting members and visitors to our website is to recruit them via social media first. We will use the same approach when we launch our mobile app in December."*
>
> Angela Moran, Founder, Amvigo (small online travel company)

Social media analytics tools can help businesses better understand their customers and determine how to best target relevant audiences. For businesses that already have a company profile or account, *Facebook Insights* and *Twitter Analytics* can provide them with free and useful statistics on their posts, their reach, and information on their fans.

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[34] Information taken from statista.com. Figures correct as of October 2015.
[35] Department for Business, Innovation and Skills (2014): *Digital Capabilities in SMEs: Evidence Review and Re-survey of 2014 Small Business Survey respondents,* p.54

Other social media analytics tools, such as *Hootsuite*, can provide more detailed information that enables companies to understand their competition better, to find out what audiences are saying about their brand, and the keywords that are generating 'buzz', which they could use to make their content more relevant. They also provide segmentation of audiences by age, gender, location or other criteria to generate targeted campaigns of products or services. Specialist social media analytics companies can also provide businesses with more detailed insights into how social platforms can work for them.

The Government's *Do More Online* campaign website provides some useful information to support businesses with developing their social media presence, as does Go ON UK's Digital Skills website. Outside of basic guidance, however, **the Government could provide more support to businesses by developing a free Massive Open Online Course (MOOC). This should be targeted at sole traders and small firms lacking the digital skills or understanding required to develop a social media strategy that fits in with their overall business aims.** The online course should be marketed extensively through the Government's *Do More Online* campaign, as well as MOOC learning platforms such as *Future Learn.* If promoted effectively, such an e-learning course could help social media platforms become a more integrated aspect of businesses' engagement with consumers and potential customers.

> Recommendation 4: The Government should develop a Massive Open Online Course (MOOC) to support smaller businesses in developing an effective social media strategy. This should be advertised extensively through *Do More Online* and other MOOC learning platforms, as well as offline to connect with companies that require the most support.

## 6. MAKING DIGITAL PLATFORMS AFFORDABLE

The cost of setting up and maintaining online services, such as a website, can often deter businesses from developing a stronger online presence. **28% of London businesses without a company website said that the cost of setting it up was a factor for them not having one**, with all of these being companies with 1-9 employees.[36] In addition, 15% of the capital's firms without a mobile-friendly website cited cost as a factor.

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Case study: Creating a website

Amvigo, a new start-up company which specialises in connecting like-minded travellers to one another for trips abroad, found that the cost of creating their website was the biggest hurdle to setting up their business online. Angela Moran, Founder of Amvigo, discovered that incorporating everything that they wanted into the website design would cost far beyond their business' means: *"You have a huge idea about what you want your website to look like, and the features you want to include. You might want to throw everything at it, but if you do, costs can quickly snowball."*

The company found that careful consideration of how to spend the budget helped them streamline what it wanted to deliver to its customers: *"Our initial website design was overcomplicated, and might have been difficult for customers to navigate. So we stripped it right back – we realised that people needed to understand how to use our business in its simplest form first and then build on it. Cost is a problem, but it is a bigger problem if you don't have your thinking cap on about how to spend it effectively; you need to simplify what you want to deliver."*

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While setting up and maintaining a website can be costly for firms, it can also be done in a fairly affordable manner. Setting up a business domain name can come at minimal cost, with some registrars offering a single domain for as little as £1 for a year's registration, depending on the chosen suffix.[37] Businesses can choose to register multiple suffixes to encourage a wider range of visitors to discover their site.

In order to make a website accessible to others on the internet, a firm's website needs to be hosted on a web server, which comes at an additional cost. Web hosting companies can offer either shared web hosting services (where multiple clients will share the same server) or a dedicated web server. Shared web hosting services can start from as little as £1 per month for a basic package.[38] The exact cost of shared web hosting, however, depends on the volume of traffic to the website, the amount of information and photo or video content, and the need for other features such as security certificates (SSL) to keep payments and customer data secure. Alternatively, a dedicated web hosting service can offer full control of the content and applications and not having to compromise your website's performance by sharing it with multiple sites. However, firms can expect to pay around £50 per month for the service.

There are a number of free and low-cost tools for website design. *Wordpress,* for example, allows individuals and businesses to create their own basic blog or website for free, with firms able to pick from several themes and templates according to their preference. More advanced features however, such as website customisation, eCommerce facilities, more website storage and customer support, come at an additional annual cost.[39] Other online platforms, including *Squarespace*[40] and *MrSite*,[41] also enable users to create websites using templates and tools at a fixed monthly cost, with the price dependent on the amount of web space, pages and online features required.

Businesses that prefer not to develop a website themselves may opt to hire a web designer or creative agency. Setup and annual management costs will vary depending on the features required by the business, but can cost anything from a few hundred pounds, to tens of thousands of pounds. However, a good web design company will often provide a more tailored level of service, utilising programmers and graphic designers to help the business achieve the functionality and look that they want from their website. For firms that are looking to sell their products and services online, web designers or creative agencies may be a better option, given the additional complexity of building a reliable and secure eCommerce site that would generate consumer confidence and boost online sales.

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[36]  Almost all 10+ companies had a company website and were not asked this question. ComRes survey for LCCI of 510 London business decision makers, May 2015
[37]  Based on Go Daddy prices in September 2015 for a single .uk domain name
[38]  Based on Go Daddy prices in September 2015 for basic Wordpress hosting
[39]  A 'Business' website package on Wordpress costs £250 per year. For more information, please visit https://store.wordpress.com/plans/
[40]  For more information, please visit http://www.squarespace.com/
[41]  For more information, please visit http://www.mrsite.com/uk/

Investing well in a website from the outset can save a business from having to make more significant investments into its website infrastructure in the future. Some lower-cost websites may not have a content management system (CMS) in place, meaning that any content changes come at an additional cost. They may also lack a responsive web design, which optimises websites to adapt to screen size on mobile devices (i.e. mobile-friendly websites). Recent changes made by Google that lower the search rankings of companies with no or poor mobile sites have meant that firms that did not initially have a website that was responsive to browsers on mobile devices are having to spend money to make their websites more mobile-friendly. A further change by Google that penalises businesses for using 'interstitial adverts' is due to be implemented on 1 November 2015 and may similarly have an impact on some firms' visibility online.[42]

> "It is surprising how few people know about mobile-friendly sites and the importance of responsive web design. That seems to be picking up pace since Google begun penalising sites which are not mobile-friendly. We are working with some clients to make their existing sites mobile-friendly, and working with others to upgrade their websites to make them fully responsive."
>
> Jovan Maric, Managing Director, Square Daisy (Digital Marketing agency)

To help small businesses access expert advice from the private sector, in January 2014 the Government launched the *Growth Vouchers* scheme, which could be used for 'making the most of digital technology'. It allows eligible small firms to claim matched funding of up to £2,000 towards obtaining strategic business advice to develop their business; Government funding for the programme totalled £30 million.[43]

While the *Growth Vouchers* programme has provided welcome access for small firms to Government funding to support their digital growth, the outcome of the scheme has thus far been disappointing. Applications to the programme closed on 31 March 2015 and it was hoped that 20,000 firms would take up the vouchers; yet, it is estimated that there have only been around 7,000 successful recipients.[44] Limited marketing of the scheme and the short timeframe for which the *Voucher* was open to applicants has meant that few small businesses were aware of it.

> "The Growth Vouchers programme was really popular – we used it ourselves to obtain marketing advice. Having something like the Growth Vouchers scheme again would be great for SMEs that are cautious about developing their presence online, and would alleviate some of their financial concerns they have, if they can claim back against the cost of building things, such as a website or CRM systems."
>
> John Odam-Adjei, Chief Executive, Medasi (technology consultancy working with SMEs)

To support more small businesses in developing a web presence, **the Government should reintroduce the** *Growth Vouchers* **scheme and keep the programme open to applicants for at least two years.** Rather than restricting its use to strategic advice, the Government should enable *Growth Vouchers* to be used against the cost of setting up a website to help more small firms cover the cost of website development. To ensure that more 'digitally disconnected' London businesses are both aware, and can take advantage of, *Growth Vouchers*, the Government should coordinate marketing of the *Growth Vouchers* with the GLA as part of developing more localised approach to helping companies grow online.

> Recommendation 5: The Government should reintroduce the *Growth Vouchers* scheme and allow businesses to claim against the cost of building a website. Opportunities to apply for *Vouchers* should be advertised more extensively to London firms through the GLA as part of a proposed business panel to improve the awareness of growing online.

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[42] Interstitial adverts are web pages displayed before an expected content page. Websites that show mobile users a whole-page advert for an app before they can use the site are to be penalised under Google's policy change. The Guardian: *Google to punish sites for using interstitial adverts,* 2 September 2015
[43] Growth Voucher claims are not allowed to exceed more than 50% of the eligible costs incurred. For more information, please visit https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/347364/bis-14-1502-growth-vouchers-business-claim-form.pdf
[44] The Government was expected to release figures on the final number of vouchers issued by the end of August, but details had not been released by the time of publication. The Guardian: *Government Growth Voucher scheme branded a failure,* 16 August 2015

# 7. IMPROVING LONDON'S DIGITAL INFRASTRUCTURE

Once they have become digitised, London businesses require fast internet access to make the most of online platforms.

Superfast broadband connections – usually defined as those with speeds above 24 megabits per second (Mbps) – provide a number of benefits for businesses: increased productivity through faster and more reliable internet, improved access to cloud-based services, remote access to company systems for employees, fast upload and download of large files and images, better video conferencing capabilities, as well as general efficiency gains and cost savings.[45] The availability and take-up of faster broadband speeds is estimated to add approximately £17 billion to the UK's Gross Value Added by 2024.[46] Research shows that a 10% increase in the number of business and financial services sector employees using fast broadband can raise overall productivity by 0.9%.[47]

The UK has a relatively strong internet infrastructure, ranking among the top five performing European Union (EU) countries for broadband services.[48] The UK also has the highest level of superfast broadband coverage of the top five EU countries, with 70-75% of households covered, ahead of Germany.[49]

Yet, in significant parts of the country broadband speeds have fallen behind, especially in London. With an average download speed of 26.3 Mbps, London ranked 26th out of 33 European cities in terms of broadband speed, behind Bucharest (81.2 Mbps) and Paris (78.15 Mbps).[50] Between 2009-14, broadband speeds in London increased by 270.3%, compared with an average 448.7% improvement in speeds for the top 10 European cities for broadband.[51]

London also performs badly in terms of broadband speeds when compared with other parts of the country. Despite the Government's commitment of £1.7 billion of investment to improve the UK's internet infrastructure in under-served areas and ensure 95% superfast broadband coverage by 2017, five of the bottom ranking constituencies for superfast broadband coverage are to be found in London, mainly inner-city areas.[52] The London Borough of Westminster, which has over 50,000 businesses, has experienced the biggest problems with slow internet speeds, with less than half of the borough's households having access to superfast broadband.[53] This should ease following BT's recent announcement that its Openreach arm would be extending superfast broadband in Westminster to an extra 40,000 homes and businesses over the next two years.[54] Other London boroughs with limited high-speed broadband coverage include Tower Hamlets and Southwark.[55]

> *"The problem with London's broadband is that the infrastructure cannot cope with the demands of London's rapidly digitising economy. With businesses moving their systems to the cloud, doing transactions online and interacting with their stakeholders over the internet, high performance broadband is essential. It is at the heart of London's digital transformation – as important as canals and railways were in the Industrial Revolution."*
>
> Anthony Impey, Chief Executive, Optimity (small technology service provider)

London businesses are also affected by slow internet speeds. According to LCCI's survey, **over a third (36%) of London businesses have been negatively affected by slow internet connection speeds over the last 12 months.**[56] Central London businesses were slightly worse affected, with 38% of companies based in inner London negatively impacted, compared to 34% of those based in outer London. Where businesses are unable to access superfast broadband on mass-market networks, they can opt either to rely on a slower ADSL product or to pay for a leased line. The latter, however, can be prohibitively expensive for small businesses (typically costing around five times more than a mass-market connection).[57]

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45  Increase Broadband Speed: *Why you need superfast broadband,* at http://www.increasebroadbandspeed.co.uk/reasons-superfast-broadband
46  SQW (2013): *UK Broadband Impact Study: Impact report*
47  BCG (2010): *The Connected Kingdom: How the internet is transforming the UK economy,* p. 14
48  Ofcom (2014): *The European broadband scorecard 2014*
49  Ibid.
50  The Telegraph: *Poor broadband hindering London's digital economy,* 9 December 2014
51  Ibid.
52  The Guardian: *London has the worst broadband in Britain, government statistics show,* 9 February 2015
53  City AM: *Lack of superfast broadband is holding back London businesses,* 30 September 2015
54  BT: *BT announces investment to expand fibre broadband rollout in Westminster,* 14 October 2015
55  Evening Standard: *London one of worst cities in Europe for slow broadband speed,* 3 August 2015
56  ComRes survey for LCCI of 510 London business decision makers, May 2015
57  Ofcom (2015): *Broadband services for SMEs: assessment and action plan*

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Since 2010, the Government has invested over £1 billion to improve broadband and mobile infrastructure in the UK.[58] Part of the Government's SuperConnected Cities programme, the *Broadband Connection Vouchers* scheme allows businesses to apply for a voucher worth up to £3,000 to help them with the cost of setting up a high-speed connection (including alternatives to fibre optics such as wireless technology).[59] The scheme has been a particular success in the capital, with over 11,000 London businesses receiving support to upgrade their internet connections,[60] more than in any other region of the country.

In the 2014 Autumn Statement, the Government committed an additional £40 million to extend the *Broadband Connection Vouchers* programme until March 2016.[61] It is forecast that a further 7,800 SMEs in London could be supported under the scheme during 2015/16, representing £12 million of investment.[62] However, **measures should be taken to extend the scheme until at least 2017**, when the Government intends to reach 95% superfast broadband coverage across the UK. There is clearly high demand for high-speed connections in London and, as coverage extends, subsidising the cost of set up will support business growth in the capital.

Local authorities in London also have a significant role to play in encouraging more businesses to consider upgrading to superfast broadband connections. London local authorities that have been more proactive in advertising the availability of *Broadband Connection Vouchers* have seen greater reward in terms of the number of vouchers issued.[63] As part of an awareness-raising programme led by a new business panel, the GLA should also work more closely with local authorities in London to ensure that *Broadband Connection Vouchers* are consistently advertised to SMEs in their constituencies. With more businesses moving services online and connection speeds becoming increasingly integral to business productivity, it is crucial that London firms are afforded the opportunity to set up high-speed broadband so that they can maintain their competitive edge.

> **Recommendation 6:** The Government should extend funding and availability of the *Broadband Connection Vouchers* until at least 2017, so that more businesses can take advantage of superfast broadband connections. The GLA should work closely with local authorities to ensure the availability of the *Vouchers* is more consistently advertised across the capital.

## Building a digital infrastructure

Poor internet performance in central London can partly be attributed to the infrastructure challenge that Internet Service Providers (ISPs) face in retrofitting an historic city for 21st Century purposes. The Office of the Mayor of London estimates that there are 6,500 properties in 'not-spots' areas in the capital, where internet speeds run ten times slower than the average speed across London.[64]

Part of the reason for slow internet speeds in some areas of London is the limited number of street cabinets, restricting user speeds as demand for broadband has increased.[65] At the same time, the low density of residential households in inner London boroughs has meant that there is little incentive for ISPs to invest in superfast broadband infrastructure, which is largely targeted at residential users.[66] Restrictive EU state aid rules also limit the Government's ability to provide direct investment in local broadband infrastructure.

Alternatives to speeding up the deployment of fibre optic in central London are being explored. 'Microtrenching' is a technique which allows for fibre optic cables to be laid at a more shallow street level, reducing the cost and time of installation against conventional street works buried deeper. However, local authorities have thus far been reluctant to explore this option, as microtrenching can make it difficult to access existing infrastructure, such as gas mains, that may lay underneath, and could lead to connections being disrupted when existing infrastructure needs to be accessed.[67]

[58] Gov.uk: *Broadband Delivery UK, 27 February 2013*
[59] Also known as the 'London SME Connection Voucher Scheme' by the GLA.
[60] As of 25 August 2015. Department of Culture, Media and Sport (2015): *40,000 Businesses have their Broadband Boosted,* 3 September 2015
[61] Gov.uk: *Long term economic plan for London announced by Chancellor and Mayor of London,* 20 February 2015
[62] Greater London Authority (2015): *Super Connected Cities Programme 2015-16 Delivery*
[63] Ibid.
[64] Greater London Authority: *Mayor and Internet providers pledge to improve London's digital connectivity,* 16 September 2014
[65] Mayor of London (2014): *Raising London's high speed connectivity to world class levels*
[66] The Guardian: *London has the worst broadband in Britain, government statistics show,* 9 February 2015
[67] Mayor of London (2014), op. cit.

Case Study: Delivering superfast broadband in central London

Optimity specialises in the provision of a pioneering wireless technology that replaces the need for fibre optics to deliver high-speed internet. The east London-based firm originally started as an IT and Communications business before its founder and Chief Executive, Anthony Impey, identified a way of delivering superfast internet connections without fibre optic cables: *"About two years ago, we were trying to connect a client with fibre optics but we were unable to get any of the major telecom companies to deliver a connection in time. So we installed an antenna on their roof to provide their superfast connection and this provided them with a quality of service that was identical to fibre. It was at this point we realised that every business could connect to the internet in this way."*

The company recognises that London requires greater coverage of superfast internet connections, if it is to remain globally competitive: *"London's slow digital infrastructure is a real challenge for businesses, particularly start-ups and scale-ups. Without alternatives like our wireless technology, London's leading role in the digital economy will be under threat. Demand for our product is driven by the fact that lots of businesses find that broadband isn't fast enough and fibre optic broadband is too expensive, and so our alternative (wireless technology) is the only option."*

Another issue holding back the delivery of high-speed internet in London is the need for wayleaves to deliver connectivity into office buildings. Wayleaves are right-of-way agreements between the internet provider and a building's landlord. A higher proportion of non-standard wayleave agreements are used in London, which takes time to negotiate with landlords and adds to cost. As a result, installations of connectivity into buildings can be delayed by months, affecting businesses that need to be online to function effectively. The City of London Corporation, on behalf of Central London Forward, has been working to develop a new standardised wayleave template to speed up the wayleave process and help businesses obtain fast and affordable connections.[68]

*"Digital infrastructure can present a challenge to us. In the City of London there are still problems with broadband, partly because the age of the architecture means that it can be really hard to get street works done. We get quite a lot of emails from start-ups working particularly in this part of town that have had issues with installation, or that it has taken three months or so to get online when they've moved to a new premise."*

Richard Dennys, Head of Digital Business Academy, Tech City UK (technology and digital firms incubator)

The GLA has been active in identifying and tackling barriers to improving connectivity infrastructure in London. Following the publication of a report identifying ways to improve London's high-speed connectivity,[69] the Mayor of London established the Connectivity Advisory Group (CAG) in order to tackle barriers to delivering high-speed connectivity across London, as well as issues with mobile communications. In June 2015, the GLA launched an interactive Connectivity Map for London, allowing households and businesses to see connectivity in their area, as well as register demand for high-speed internet services. In addition, it was announced that businesses and landlords could register their interest to be part of a *Connectivity Ratings Scheme* for London. It aims to help technology firms and small businesses identify buildings that meet their connectivity needs and to incentivise landlords to improve their digital infrastructure before tenants move in.[70]

The *Connectivity Ratings Scheme* will be important in helping London businesses find office space that accommodates their connectivity needs in the short to medium term. Another way of reducing the financial cost and delay to businesses obtaining high-speed connections that the Government should explore is by **encouraging office landlords to incorporate connectivity into their rental costs for businesses.** Internet connectivity is now rightly regarded as a 'fourth utility' and should be considered as an obligatory provision to businesses when setting up in office. Rather than have businesses set up their own high-speed internet connection in a new building – and experience the cost and delays to getting online that can come with working in central London – office landlords should be encouraged to pre-install high-speed connectivity solutions within the building, and add an extra cost supplement on monthly rents.

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[68] For more information, please visit: http://www.cityoflondon.gov.uk/business/commercial-property/utilities-and-infrastructure-/Pages/Wayleaves.aspx
[69] Mayor of London (2014): *Raising London's high speed connectivity to world class levels*
[70] GLA: *Mayor of London launches major drive to boost connectivity in capital,* 17 June 2015

Pre-installation of high-speed connections into buildings would mean businesses have instant access to superfast broadband when setting up a new office in London, and also make connectivity cheaper since costs could be shared in the building. With fibre optic installations often taking a minimum of three months in London, landlords have a commercial incentive to have high-speed connectivity pre-installed in their buildings to minimise delays in tenants moving into an office and paying rent. An example of pre-installed high-speed connectivity into new office space is 110 Bishopsgate (formerly Heron Tower), where the landlord has installed fibre optic throughout the building to allow tenants to rapidly connect to a network of their choice. The GLA should explore ways it could work with commercial property developers and office landlords in London to encourage high-speed broadband to be automatically factored into building developments, in the same way that gas, water and electricity are considered.

> Recommendation 7: The Greater London Authority could look at ways to encourage commercial property developers and office landlords to fix high-speed broadband connections into building plans, so that businesses setting up in London are able to obtain superfast broadband immediately and at a lower cost.

## 8. CONCLUSION

The digital economy offers vast potential for London firms to expand their business. Yet, as this report has found, a significant number of small businesses in the capital have limited or no online presence, citing a lack of relevance to their business, the cost of setting up, and not having the right skillset as barriers for not making use of online platforms.

Making them aware of their potential to grow online is key to getting more small businesses connected to digital platforms. An online presence can enable firms to reach a wider audience, engage more directly with consumers, be available to customers at all times, and tap into markets outside of the UK. As consumer behaviour shifts more towards mobile forms of browsing and checking companies online before making purchases, digitally disconnected firms will need to enhance their online presence to remain competitive.

The cost of setting up a website is also an issue for smaller London firms. As it becomes more important for businesses to have a website with a responsive design, further investment will be needed to ensure that their website meets future requirements. Government support to assist with the cost of setting up would be an effective way to help businesses develop a strong online presence.

Once they have decided to develop a digital profile, London firms need workers with the right skills. Yet, many sole traders and small businesses lack basic digital skills. More tailored support is needed to help firms make the most of digital platforms and develop a social media strategy so that they can engage effectively online with a wider audience.

Finally, business growth will depend increasingly on fast and reliable internet connections. For London to remain competitive in the future, a strong digital infrastructure is necessary so that businesses are not hindered by slow internet speeds. Making superfast connections affordable for London firms, and ensuring high-speed internet is already fitted in new office buildings will help avoid issues over speed and delays currently being experienced.

A failure to support more smaller London firms moving their business services online will harm London's ability to be competitive in the future. By making businesses more aware of the opportunities, equipping them with the skills they need to develop their online presence, supporting them with the cost of developing a strong website, and creating a reliable and fast digital infrastructure, firms will be better prepared to adapt to the changing digital world. Only by implementing these recommendations can we reach our full potential and ensure that we have our *capital connected*.