A REPORT ON THE DIGITAL CAPABILITY OF SMALL AND MEDIUM Sized ENTERPRISES IN GREATER BIRMINGHAM

FEBRUARY 2015
GREATER BIRMINGHAM AND SOLIHULL LOCAL ENTERPRISE PARTNERSHIP (GBSLEP)

The GBSLEP is a business-led partnership which brings together the private sector, local government, further and higher education and other stakeholders with the single purpose of driving economic growth and job creation. It is one of the largest LEPs in the country, spanning a population of nearly two million people and 70,000 businesses.

It comprises the local authority areas of Birmingham, Bromsgrove, Cannock Chase, East Staffordshire, Lichfield, Redditch, Solihull, Tamworth and Wyre Forest.

DIGITAL BIRMINGHAM

Digital Birmingham are the digital delivery arm of Birmingham City Council and lead on smart city and digital strategy across the region, exploiting smart technologies for an inclusive, sustainable and green economy.
FOREWORD

THE GREATER BIRMINGHAM DIGITAL AUDIT

The Greater Birmingham and Solihull Local Enterprise Partnership’s (GBSLEP) Strategy for Growth aims to develop the right conditions for businesses to flourish, grow and take advantage of the many opportunities our region presents.

Our vision is to re-establish Greater Birmingham as the major driver of the UK economy outside of London and we are starting to make good progress. The recently released economic output data shows that the GBSLEP economy grew in real terms by 2.5% between 2012 and 2013, well above the national rate of 1.6%. The GBSLEP area has also seen 43,500 private sector jobs created since 2010, outperforming the national growth rate and one of the strongest performing LEPs nationally.

We hear many stories of success from big companies but I know small companies create even more jobs. This is why the start-up figures for 2014 are so encouraging. There were 18,337 new businesses registered last year – more than any UK city outside of London.

Our economy is on the up, SMEs have a critical part to play, and we must build on this burgeoning success.

THE TIME IS RIGHT FOR DIGITAL

This audit has been carried out to identify the role digital technology is taking in supporting and sustaining business growth. 92% of businesses in our region say having a digital capability is important for their business, compared with 71% nationally.

SMEs across Greater Birmingham understand the benefit of technology. They want to do more to take advantage of the estimated £18.8bn of revenue available to businesses that use digital technologies effectively.

Despite this recognition of the critical role technology plays in driving growth, some businesses do not exploit it because of a skills gap – this is why we are launching The Greater Birmingham Digital Academy.

The Academy will provide training for SME owners and staff to acquire the knowledge and skills they need to grow their business in the digital era. This is a wonderful opportunity to work and develop at the cutting edge of digital business – right here in Greater Birmingham.

The support you need is here and available to you now. Take it.

Andy Street
Chairman, Greater Birmingham and Solihull Local Enterprise Partnership

1 Lloyds Bank UK Business Digital Index, 2014
2 “This is for everyone” – The Case for Universal Digitisation, Booz & Co, 2012
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The Greater Birmingham Digital Audit provides a benchmark of the level of digital capability of Small and Medium sized Enterprises (SMEs) across Greater Birmingham.

This independent audit, commissioned by Digital Birmingham and undertaken by Customer Plus, a customer experience consultancy, was conducted during January 2015.

The audit gauges the attitudes of SMEs towards digital technologies, benchmarks their digital capability and assesses the link between digital capability and business performance.

The outcomes of the survey have been used to provide a benchmark of digital capability and inform the content of The Greater Birmingham Digital Academy.

Representing a Region

400 SMEs out of the 70,000 businesses located in Greater Birmingham (ONS, 2014) took part in the audit, which was carried out via telephone, email and using a dedicated online survey portal.

The audit was completed by SMEs from a range of industries including construction, information & communications and manufacturing; drawing responses from Wyre Forest to Solihull and Burton-upon-Trent to Redditch.

The Conducting Agency

Customer Plus is an independent customer experience consultancy specialising in research, strategy, communications and training. Customer Plus is a Market Research Society (MRS) company partner and strictly adheres to the MRS code of conduct.

The results in the audit are statistically representative and meet the industry standard of being to a 95% confidence level with a margin of error below ±5%.

In other words if the same number of people were sampled randomly on 100 occasions, the results would lie within ±5% of those given on 95 occasions.
There is a need to make companies more aware of our digital era. SMEs lack the ability to actually implement these digital tools or they are scared to try.

Business located in Halesowen

TERMINOLOGY

In this report digital tools refers to the technologies available to businesses including websites, cloud based IT systems, online accounting tools, Customer Relationship Management (CRM) systems, Enterprise Resource Planning, VOIP telephony, digital infrastructure and connectivity.
EXECUTIVE SUMMARY

The Greater Birmingham Digital Audit is the first ever digital benchmark for the Greater Birmingham region exploring the digital maturity and capability of SMEs across all industries and all sectors.

This report is based on the findings of an in-depth audit of 400 SMEs across Greater Birmingham. It examines SMEs’ attitudes towards and their use of digital technologies, the benefits of using digital technologies, and the barriers to organisations realising these benefits.

WHAT THIS AUDIT WILL DO

The results of the audit will:

1. Establish an understanding of the level of digital capability across Greater Birmingham
2. Identify the links between digital capability and business performance
3. Ensure the content within The Greater Birmingham Digital Academy reflects the needs of businesses in the region

KEY FACTS FROM THE AUDIT

Three in four businesses are optimistic about the future and predict an increase in turnover during the next 12 months

54% of businesses cited an increase in turnover over the past 12 months. One in four attributed their business growth to the uptake of digital technologies

57% of businesses said they did not fully understand what benefits they would gain from using digital technologies

One in three businesses said lack of skills is a barrier to doing more online

Over half of the businesses questioned did not know where to access digital advice and business support

One in ten businesses thought that connectivity was neither reliable nor affordable

THE STORY IN GREATER BIRMINGHAM

Digital technology is having a significant impact on the growth of businesses in Greater Birmingham. 54% of businesses say their turnover increased during 2014 and one in four attribute this growth to increased use of digital technology.

However, too few businesses are taking advantage of digital technology. Only 43% of businesses state they fully understand the benefits digital technology can bring – and just over a third of businesses identified investment in digital technologies as a high priority for the future.

Yet, 92% of businesses surveyed say that having a digital capability is important for their business. So what is stopping these businesses from taking advantage of digital?

A lack of time, a lack of digital skills, and an unknown cost of investment. In particular, connectivity is a key barrier for many businesses to take advantage of digital technology.

Businesses in Greater Birmingham do want to get ahead. 72% expect their turnover to grow in the next 12 months – and they expect investment in digital technology, access to new markets and an improving economy to contribute to their success.

But 61% of businesses do not agree there is sufficient training or support to adopt digital technologies. And 68% say they would benefit from support being available.

AUDIT RECOMMENDATIONS

The audit has identified three clear investment and support priorities that businesses in Greater Birmingham are asking for to maximise their growth potential. These are:

1. Develop digital business skills
2. Access to better, faster and affordable connectivity
3. Ease-of-access to business support
Technology is very important for us. It’s an essential part of business - today we’re developing ever more products linked to the digital market.

Business located in Solihull
THE BUSINESS CASE FOR DIGITAL - AND THE DIGITAL CASE FOR BUSINESS

Businesses across Greater Birmingham are taking advantage of digital technologies and seeing tangible benefits.

Over half of those surveyed (54%) state their turnover increased during 2014 - a reflection of the positive economic outlook for the region (Q4 of 2014 saw GDP grow 0.5% in Greater Birmingham – ONS, February 2015). One in four attributed this growth to the increased use of digital technologies.

A GLOBAL AND LOCAL TREND

This is a trend reflected globally. SMEs who use digital as part of their business processes have 22% higher revenue growth than those with low or no use of the internet as well as experiencing an estimated 10% increase in productivity (The Internet Economy in the G-20, Boston Consulting Group 2012).

And the Lloyds Bank UK Business Digital Index 2014 also identified the business case for digital.

41% of the most digitally mature SMEs rate themselves as confident or very confident on the prospect of the UK economy, and almost two in three digitally mature businesses state they achieved above or significantly above performance expectations.

THE POSITIVE CORRELATION BETWEEN DIGITAL CAPABILITY AND BUSINESS GROWTH IN GREATER BIRMINGHAM

Businesses state they see many benefits from the implementation of digital technologies, including:

- 44% found a correlation between increased digital capability and greater customer interaction
- 54% believe they had attracted more customers because they had increased their digital activities
- 44% felt they had saved time due to increased use of emails and digital automation
- 41% felt that increased digital capability had improved their marketing performance

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attracting more customers</td>
<td>54%</td>
</tr>
<tr>
<td>Saving time</td>
<td>44%</td>
</tr>
<tr>
<td>Greater customer interaction</td>
<td>44%</td>
</tr>
<tr>
<td>Better return on marketing spend</td>
<td>41%</td>
</tr>
</tbody>
</table>
58% of businesses that are comfortable with digital technology predict an increase in turnover in the next 12 months.

0% of businesses that do not feel comfortable with digital technology predict an increase in turnover in the next 12 months.

Businesses are starting to pick up on the benefits of social media - although too few have a strategy to implement digital marketing effectively.

Business located in Lichfield.
DIGITAL USAGE ACROSS GREATER BIRMINGHAM

It is perfectly clear the usage of digital technology drives business growth. Not one of the businesses surveyed who state they are not digitally capable predict turnover growth in the next 12 months.

THE DIGITAL TECHNOLOGIES SMES USE OR PLAN TO USE IN THE NEXT 12 MONTHS

<table>
<thead>
<tr>
<th>Technology</th>
<th>Usage Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Website</td>
<td>95%</td>
</tr>
<tr>
<td>Internet banking</td>
<td>85%</td>
</tr>
<tr>
<td>Smart phones</td>
<td>87%</td>
</tr>
<tr>
<td>Tablets</td>
<td>75%</td>
</tr>
<tr>
<td>Cloud-based IT systems</td>
<td>75%</td>
</tr>
<tr>
<td>Online accounting software</td>
<td>52%</td>
</tr>
<tr>
<td>CRM systems</td>
<td>62%</td>
</tr>
<tr>
<td>Mobile-enabled technology</td>
<td>55%</td>
</tr>
<tr>
<td>VOIP Telephony</td>
<td>53%</td>
</tr>
<tr>
<td>Trading online</td>
<td>49%</td>
</tr>
<tr>
<td>Enterprise Resource Planning</td>
<td>46%</td>
</tr>
<tr>
<td>3D printers</td>
<td>24%</td>
</tr>
</tbody>
</table>

EMBRACING THE DIGITAL ADVANTAGE

Businesses are starting to take full advantage of the opportunities available through digital marketing – 91% state they saw positive results from their efforts.

95% of SMEs in Greater Birmingham state they have a website, compared to just 50% across the UK as a whole (Lloyds Bank UK Business Digital Index, 2014).

THE DIGITAL MARKETING TOOLS SMES USE OR PLAN TO USE IN THE NEXT 12 MONTHS

<table>
<thead>
<tr>
<th>Marketing Tool</th>
<th>Usage Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Website</td>
<td>75%</td>
</tr>
<tr>
<td>Social media marketing</td>
<td>68%</td>
</tr>
<tr>
<td>Email marketing</td>
<td>66%</td>
</tr>
<tr>
<td>Search Engine Optimisation (SEO)</td>
<td>58%</td>
</tr>
<tr>
<td>Content marketing</td>
<td>52%</td>
</tr>
<tr>
<td>Digital display marketing</td>
<td>48%</td>
</tr>
<tr>
<td>Mobile marketing</td>
<td>35%</td>
</tr>
<tr>
<td>Paid search marketing</td>
<td>32%</td>
</tr>
<tr>
<td>Quick Response (QR) codes</td>
<td>28%</td>
</tr>
</tbody>
</table>

Website, social media and email marketing are the key tools used by businesses, however they are not necessarily using these strategically.

Just two in five businesses have a digital marketing strategy in place.
There is a lack of business support for small and micro businesses across Greater Birmingham - we need to understand what digital advances might be relevant to us.

Business located in Birmingham
TOO FEW BUSINESSES ARE TAKING ADVANTAGE OF DIGITAL TECHNOLOGIES

Despite the positive correlation between digital capability and business performance there are too few businesses in Greater Birmingham taking advantage.

Just over half of businesses state they have access to the technology to become more digital.

For some this is down to a lack of awareness. One in five businesses do not fully understand the benefits digital technologies could bring.

And others have further concerns – only one in three state investment in digital technologies is a high business priority.

So, while businesses are taking advantage of digital for marketing, they are not leveraging the same benefit from their data.

And there is a further confusion about the perceived benefits of digital and the very real commercial objectives of businesses.

BUSINESSES ACROSS GREATER BIRMINGHAM ARE NOT TAKING ADVANTAGE OF DIGITAL TECHNOLOGIES

- 59% said they do not have a digital marketing strategy
- 62% stated they do not undertake any form of data analysis
- 46% believe they do not take advantage of cloud technologies
- 25% said as a business they do not encourage employees to work remotely

However, almost two thirds of businesses are not using tools such as data analysis, business intelligence or big data to understand and analyse business performance.

Given those SMEs who use digital as part of their business processes have 22% higher revenue growth than those with low or no use (as well as experiencing a 10% increase in productivity) it’s clear the lion’s share of efficiencies is yet to be claimed (The Internet Economy in the G20, Boston Consulting Group 2012).
The major barrier to digital working for us is the poor connectivity options available to home workers due to poor infrastructure.

Business located in Birmingham
THE VALUE OF DIGITAL TO BUSINESS IN GREATER BIRMINGHAM

The importance of digital at both the macro and micro level is recognised by the overwhelming majority of SMEs.

Four out of five businesses state the development of digital skills is important to help sustainable growth in the region. And 92% of businesses across Greater Birmingham stated that having a digital capability was important for their business.

Almost three in four businesses predict an increase in turnover during 2015. Those that expect to grow are looking to leverage digital technology to make it happen, and the link between digital maturity and business confidence could not be clearer.

In plain English, businesses comfortable with digital technology expect to grow. The rest expect to be left behind.

BECOMING DIGITAL - THE BARRIERS TO BUSINESS MATURITY

The picture nationally is one of mind-set and attitude. 29% of SMEs UK-wide do not see digital technology as important to their business (Lloyds Bank UK Business Digital Index, 2014).

In Greater Birmingham this is not the problem. Our region has a clear desire to do more business digitally.

However, businesses in Birmingham cited a lack of time, lack of digital skills and unknown cost of investment as barriers to taking advantage of digital.

CONNECTIVITY - A REGIONAL CONCERN?

Connectivity is a clear, specific barrier to digital maturity for businesses in our region. Nine times as many businesses believe poor connectivity is preventing their business doing more online than UK-wide.

And one in ten thought it was neither reliable nor affordable.
We need more information on what’s available. It’s often difficult to find anything - it would be good to have a one stop shop to get digital support for businesses.

Business located in Sutton Coldfield
THE DEMAND FOR DIGITAL BUSINESS SKILLS

Digital capability is important for businesses across Greater Birmingham but there is a perceived gap between the desire to attain it and the ability to make it so.

Just under half of businesses believe they have the knowledge and experience to make their business more digital.

And just over four in ten businesses feel their staff have the knowledge and experience to work in a digital environment.

While businesses have taken to ‘softer’ or more familiar technologies like digital marketing, this lack of skills and knowledge starts to explain the lack of adoption of ‘harder’ digital technologies like data analysis.

Over a quarter of SMEs in Greater Birmingham state they do not understand what big data is or lack the skills to understand the data.

DEVELOPING DIGITALLY - MORE HELP NEEDED?

Two thirds of businesses state they would benefit from support to become more digitally capable, however, over a quarter of businesses state they do not feel there is sufficient training available to support their digital business needs.

More Greater Birmingham businesses are seeking support than nationally, but they are having difficulty finding it. 57% state they do not know where to go for digital support.

Ensuring these businesses seeking support find it – through raising awareness and signposting them to the support available – is a key requirement to close this gap in Greater Birmingham.

WHY THE SKILLS GAP?

The gap between digital maturity and skills development could be explained by under investment, a lack of resources and lack of awareness over where to go for support, and this picture is represented nationally too.

Business budgets are stretched, with only one in four businesses allocating funding to support the development of digital skills (Lloyds Bank UK Business Digital Index, 2014).
The economic outlook for 2015 presents an opportunity for the growth of small and medium sized enterprises across Greater Birmingham.

Digital technology has been identified throughout this audit as a key function to support these businesses to take advantage of this opportunity.

And it is important now more than ever to develop and sustain the digital business skills to support business growth.

**WHAT SMES NEED TO HELP THEM GROW**

The Greater Birmingham Digital Audit provides an invaluable insight into the perceived benefits of digital capability, usage of digital technologies and the digital skill requirements of businesses in the region.

Businesses across Greater Birmingham have stated throughout the audit three clear investment and support priorities to help them succeed and grow.

**CONCLUSION**

The majority of businesses have said throughout this audit they would benefit from greater digital training and support.

Which is why GBSLEP and Digital Birmingham have worked in partnership to launch The Greater Birmingham Digital Academy, a suite of digital workshops delivered by industry experts to help SMEs close the skills gap.

Find out about The Greater Birmingham Digital Academy here: [www.gbda.org.uk](http://www.gbda.org.uk)