

Untapped tech adoption could boost UK economy by £232 billion annually

3 years ago



Sage, the leader in accounting, financial, HR, and payroll technology for small and medium-sized businesses (SMBs), launched its new [*Digital Britain: How Small Businesses are turning the tide on tech*](#) report revealing how SMBs are at a critical tech tipping point, representing a significant opportunity to boost the UK's economy.

Highlights:

- *Use of technology by small and medium businesses (SMBs) contributes £216 billion to the UK economy; but if SMBs unlock the full benefits of technology, this could add an extra £232 billion, boosting the value of tech use to the UK economy by almost double to £448 billion annually*
- *92% of businesses see technology as critical to their survival, but worry about lack of capital, knowing where to invest and not having the right policy framework to enable economic growth*
- *Accessing and understanding commercial data represents the most significant opportunity to drive business performance; but only a quarter have adopted technology to collect and analyse this data,*
- *Southeast and Northeast identified as national leaders, with Sunderland Central leading the way out of ten surveyed constituencies; top sectors nationwide include Healthcare, Hospitality and Construction*

Sage commissioned the study, which was launched at a House of Commons event today, of 5,000 SMBs across the country to understand the level of digitalisation and how it is boosting UK economic growth.

SMBs are an integral part of the UK's economy, representing 61% of UK jobs and 52% of UK turnover¹.

The research shows SMBs are using technology to cut costs (62%) and better compete for hard-pressed customers (68%). Ninety-two percent of SMBs now depend on technology for business survival but concerns around costs, skills and knowledge are holding them back from going further and faster.

With the right policy framework, Sage's new report reveals the huge potential for SMBs to create a high-growth digital economy, which could unlock an extra £232 billion for the economy annually.

Sage is calling on big tech companies and government to adopt a pro-tech, pro-enterprise approach and deliver improved financial incentives to encourage greater investment in productivity-enhancing technologies, more data sharing so SMBs can innovate and adequate futureproofing of digital infrastructure.

Steve Hare, CEO, Sage, commented: “Over the past two years, businesses have demonstrated incredible resilience against a backdrop of huge uncertainty. We know there’s been a significant shift in the adoption of technology, with 91% of SMB telling us it was vital in the creation of their business.

“Digitalisation amongst SMBs represents a significant opportunity for the UK in terms of economic contribution, job creation and the upskilling of the workforce, which cannot be overlooked. But we need to help businesses take full advantage of the strength of technology; to do this, the government must prioritise the incentives needed to encourage further investment.”

Research findings:

The top barriers for investment are cost and understanding:

- The most significant barrier is cost, with 41% concerned about adopting new tech due to cash flow pressure and 24% unsure of the return on investment
- Second is awareness, with 34% stating they are unaware of which solution is right for them
- Almost a third (30%) say that training staff on new processes and breaking habits are also a barrier

SMBs must prioritise investment in digital tools to successfully mitigate against macroeconomic challenges

- The threat of a recession, continued inflation and increased costs are [significantly] impacting SMBs
- Over 9 in 10 businesses (92%) state that technology is important to their survival and growth, and 88% say that it is key to business resilience

Data is an important area of untapped potential

- Technology that generates data (websites, social media, accountancy, and HR software) have been widely adopted by small and medium sized business – and continue to see high levels of investment
- However, only 24% of SMBs have adopted tech to collect and use data, such as data analytics software
- Five sectors with the lowest adoption of data analytics technology are beauty and wellbeing, retail, creative industries, hospitality, and education

The pandemic prompted a fundamental perception shift across SMBs regarding digital technology

- 92% say that digital tools have been vital to their survival through the pandemic
- Of businesses founded in the past two years, 91% credited their creation to new and innovative technologies
- 8 in 10 SMBs say that technology is important to achieving their business goals. This is reflective of every sector and region in the UK
- Over 75% of businesses stated that online reputation information, such as online reviews and ratings (‘Blue Tick Tech’) is important to them

Effective action by government and policy makers could unlock an additional £232 billion in gross value add via digitalisation to the economy

- Sage and Strand Partners worked with Oxford Analytica to undertake an economic modelling study to determine the value of tech to the UK economy; this took in to account the extent to which tech enables increased sales and services to customers, reduced costs and operating expenses and internal efficiencies
- These all represent key inputs into Gross Value Added (GVA), a leading measure of the size of the economy which is used to determine GDP.

Calls to Government

Based on the *Digital Britain* findings, Sage has three asks of the government and other big technology companies to help deliver a robust and dynamic digital landscape:

1. Financial Incentives: access to tax incentives and reforming Help to Grow: Digital to scale digital adoption and boost productivity. This includes:

- Expanding the range of technologies Help to Grow: Digital covers to include a wider range of solutions
- Allowing SMBs to deduct 200% of their expenditure on newly adopted productivity-enhancing technology from their tax bill
- Stopping the progression of the Online Sales Tax in any form

2. Data: encourage more public sector data sharing to provide useful insights for SMEs. This includes:

- Developing a clear plan for opening government and public sector data sets that will enable real-time insights to empower SMBs
- Establishing a consistent set of industry standards to enable a more trusted, efficient, and innovative data-sharing culture across business, third parties and government
- Creating an AI framework that will enable all businesses to use data more freely for research purposes

3. Infrastructure: acting upon and endorsing Mobile UK's call to fund Digital Champions for local authorities to help coordinate and prioritise digital connectivity.

[You can download the report here](#)