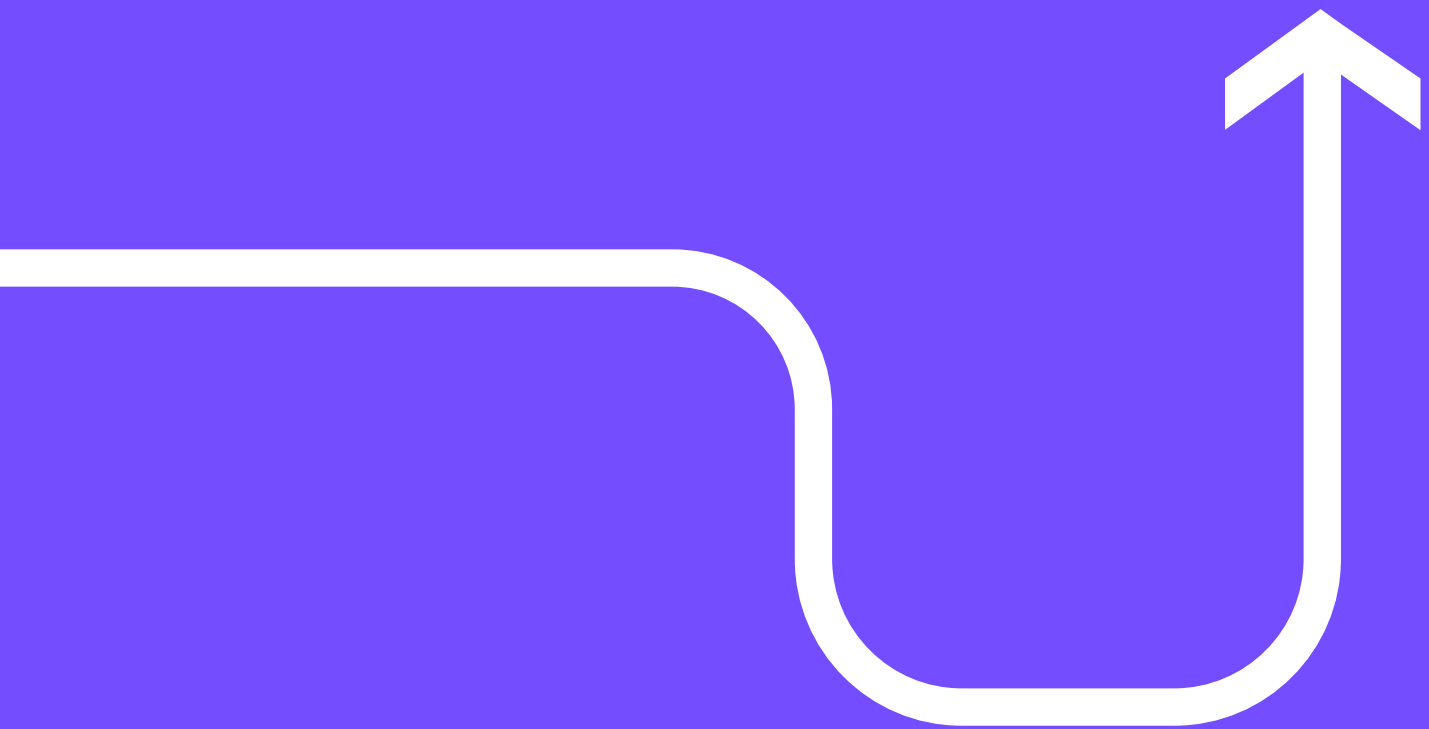


Crossing the digital divide

BaseKit 2022 micro
business report



“

By the end of this decade, a number of businesses will have achieved net-zero or become carbon negative...



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Introduction

Digital is the norm now,
soon it will be the only option

A new era is expected on the business and micro business horizon.

By the end of this decade, a number of businesses will have achieved net-zero or become carbon negative, sustainable technology will verify a product's environmental, social and governance credentials before people make a purchase, and the world will be much closer to a circular economy – KMPG even predicts that nature will be recognised as a living entity with its own set of rights.¹

When it comes to digital, the shifts will be monumental. Gigabit internet will have been rolled out to every home and business in the UK², the average monthly data use on wireless cellular networks could increase to 600GB per person³, and 5G mobile will be available for 90% of the UK population, with 6G hot on its heels.⁴ That's to say nothing of the global influence that new tech will have on digital payments, data sharing and automation.

Such changes are bound to have an effect on businesses – and they will either be left behind or catapulted ahead. For instance, Gartner predicted that by 2030, 80% of heritage financial service firms will go out of business or become irrelevant⁵, while McKinsey predicts that connected technologies will create \$620bn of value in agriculture.

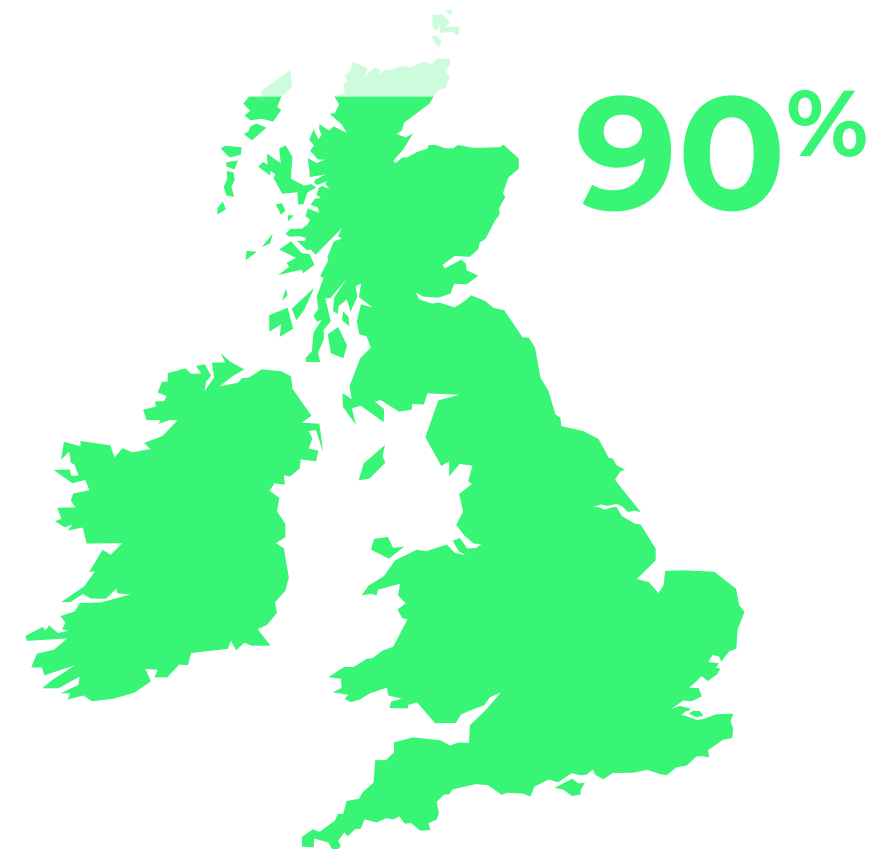
How do micro businesses fare in this morphing landscape?

Currently, 10-year survival rate of small businesses in the US stands at only 33.6%⁷, while in the UK, the five-year survival rate of new enterprises is only 39.5%⁸.

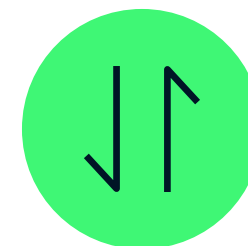
This begs the question: Why?

At BaseKit, we believe anyone with a business idea should have the confidence and ability to start a business and thrive online. But the current pace of technology and digital opportunity, versus the small business survival rate in two of the world's richest economies, is evidence of a disconnect and a digital divide. That is the reason for our research.

By 2030

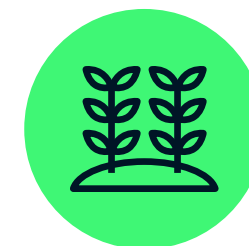


5G mobile will be available for
90% of the UK population



600GB

The average monthly data use on wireless cellular networks could increase by 600GB per person



\$620bn

Connected technologies will create \$620bn of value in agriculture



80%

80% of heritage financial service firms will go out of business or become irrelevant

1 KMPG: [Looking ahead ESG 2030 predictions](#)

2 Gov.uk: [Project Gigabit](#)

3 Huawei: [Intelligent World 2030](#)

4 Future Agenda: [The UK in 2030](#)

5 Gartner: [Gartner says digitalization will make most heritage financial firms irrelevant by 2030](#)

6 McKinsey: [Agriculture's connected future](#)

7 U.S. Small Business Administration: [Frequently Asked Questions](#)

8 Statista: [Survival rate of new enterprises in the United Kingdom](#)



The micro business digital divide: Discovering the state of the nation

In August 2022, BaseKit commissioned an online survey with YouGov to discover more about micro businesses and the significance of the digital divide.

A nationally representative sample of 529 micro business owners in Britain were interviewed, representing a broad spectrum of sectors from construction, manufacturing to retail, hospitality, transportation, IT, media and health services – to name just a few.

Our research shows it is clear that a digital divide is very much in place.

- 26% don't have a website
- 77% are unlikely to search for new digital tools
- 39% don't know who to trust to provide those digital tools

Our findings suggest, to be part of the digital future, micro business owners will need more than gigabit connectivity, they will need support. While governments can offer some help here, the lion's share of this support will fall to companies with micro business customers. Conveniently, the companies who can offer support are also likely to win the loyalty of those micro business customers – and keep it until 2030 and beyond.

The results display a micro business climate that is reluctant to adapt to digital technologies – at least on the surface. On closer inspection though, the reasoning behind this reluctance is well within the power of larger organisations to influence and drive change.

In this report, we're going to dive deep into four main areas:

- Micro business owner expectations
- Micro business owner motivations
- Barriers to adopting technology
- Winning micro business owner loyalty

Together with the insights, this report also includes perspective from:

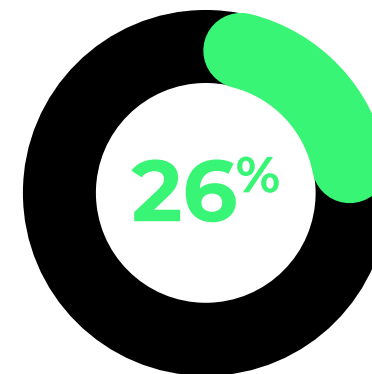
Simon Best – The CEO of BaseKit, Simon has nearly 15 years of experience building micro business products, which have been used by small businesses around the world.

Paul Simon – A former business growth specialist at ActionCOACH, Paul has spent 30 years in banking and finance and is now part of a business development bank dedicated to helping small businesses.

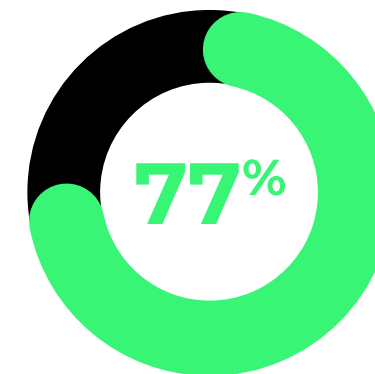
Jess Saumarez – Director and COO of Stephenson Law, Jess is an advocate for supporting minorities and younger entrepreneurs in the South West and is a member of the TechSPARK SHIFT programme. She is also a founder of two micro businesses.

Stephen Bashford – Director of Business and Skills at the West of England Combined Authority (WECA), Stephen has over ten years' experience in economic development and helps to oversee programmes that support micro businesses to grow their digital footprint.

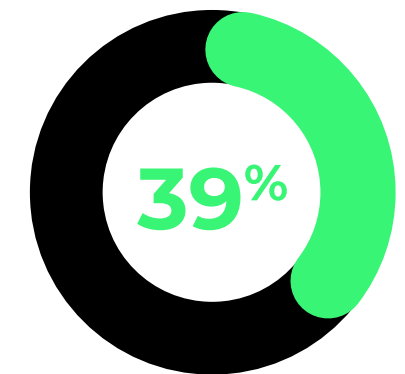
The results of 529 micro business owners show that a digital divide is very much in place



don't have a website



are unlikely to search for
new digital tools



don't know who to trust to
provide those digital tools.



Looking more closely at businesses with <5 employees

For this survey, we targeted businesses with up to five employees.

Sometimes surveys of small businesses conflate sole traders, micro businesses of up to 5 employees, and small businesses of up to 50 employees. Similarly, many statistics that are available only speak of SMEs (1-250 employees) as a whole. Our objective was to take a more focused approach.

Micro businesses make up such a vast proportion of SME companies – in the UK, 96% of SMEs have less than 10 employees.⁹ When it comes to the digital divide, these are also the companies that are disenfranchised the most, since they often have the fewest resources. We hope that by focusing on businesses with the lowest employee count we will better equip readers to champion digital democratisation.

⁹ Local Government Association: [How well do you know your microbusinesses?](#)

Expectations

The gap between perception and reality



How likely are you to search for new digital tools to improve your business performance in the next 12 months?

4%
Very likely

23%
Not very likely

13%
Fairly likely

53%
Not likely at all

7%
Don't know

77%

of micro business owners surveyed say they're unlikely to search for new digital tools to improve business performance in the next 12 months.

Many see digitisation as irrelevant to their business, but in an increasingly digital age, they actually risk making their business irrelevant.

77% of micro business owners say they're either not very likely, or not likely at all to search for new digital tools to improve business performance in the next 12 months.

This is totally at odds with the behaviour of larger companies – global spending on enterprise software reached \$615bn in 2021 and is expected to rise.¹⁰ So how are micro businesses going to keep up with customer expectations and the efficiency of competitors?

“There's definitely a huge need for productivity in our country,” says Paul. “And using digital tools is surely a way of making your life easier, getting good records, and saving time.”

The trouble is that plenty of micro business owners don't see things this way. For many, adopting digital tools sounds like a way of wasting time, of making their life harder, and their records more confusing. Many see digitisation as irrelevant to their business, but in an increasingly digital age, they actually risk making their business irrelevant.

Simon adds, “Some micro business owners are a far cry away from sitting behind a laptop and tinkering away with digital tools, even though those digital tools could really help their business.”

This is something that governments are taking note of. The UK government's Help to Grow scheme has been expanded to include businesses with just one employee,¹¹ and it offers those businesses a financial discount of £5,000 on CRM, digital accounting and e-commerce software.

The scheme recognises that such tools are key for business longevity and growth, and that businesses that adopt e-commerce software see on average a 7.5% increase in sales over 3 years.¹²

When you put this to micro business owners, however, you may often be met with disbelief. You can present them with all the benefits: you'll save time, be more productive, make more money, etc. And yet with micro business owners, perhaps more than any other kind of customer, you are likely to discover a disconnect.

NB: Due to rounding, numbers presented may not add up precisely to the totals provided.

¹⁰ Statista: [Enterprise software total worldwide expenditure 2009-2023](#)

¹¹ Gov.uk: [More than a million businesses now eligible for Help to Grow...](#)

¹² Enterprise Research: [State of Small Business Britain Report 2018](#)



For many, the promise is too good to be true

This gap between audience perception and product is not isolated to digital tools, it's a pattern you can spot across all kinds of support for micro businesses.

"You get so many people telling you 'you can't' when you're trying to grow a business so having somebody come along and say, 'I can do all this for you' falls into the 'is it too good to be true?' category," says Paul.

"If you look at growth hubs, the Federation of Small Businesses, and British Business Bank, you can see there is fantastic advice available for small businesses. Nevertheless, only two or three million businesses are approaching us for advice. That's still a couple of million that haven't been touched.

"People running these programmes constantly scratch their heads because the same people come time and time again" says Paul. "They're always asking, how do we reach new people? There's no simple answer but there's a chunk of work to be done around building trust, building guarantee, and reaching it."

It comes down to trust

When asked who they would trust to provide digital business tools, well over a third of micro business owners (39%) said that they "don't know."

When you consider that micro businesses make up 96% of SMEs in the UK, it is clear that this 39% represents a staggering number of business owners who don't know who to turn to – a colossal potential market. Yet it is currently cut off by a river of uncertainty.

If companies marketing to micro businesses knew how to bridge that trust gap, they could address the disbelief around digital, and support them with the tools they need to grow and flourish. No micro business owner is an island, and with the right approach we can prove this to them.

So how do we do this?

Which ONE of the following types of companies would you trust the most to provide the digital business tools that would be important to the future success of your business?

39%
don't know

6% website builder platform

4% hosting company

0% telecommunications company

2% financial adviser

7% bank

0% company formation service

16% professional service provider

14% accountant

1% law firm

7% digital agency

5% internet service provider

NB: Due to rounding, numbers presented may not add up precisely to the totals provided.

Who is searching for digital tools?



Only 13% of micro businesses said they were 'fairly likely' to search for digital tools in the next 12 months. Of these, the majority were in transport (13%), IT (11%), Media (11%) and Retail (11%).

This is perhaps not surprising, as transport and logistics is undergoing a technological revolution in which route planning is just the tip of the iceberg. Meanwhile, media already rely on digital

tools and the IT sector is not known for its digital phobia. As for the retail sector, this has been blown into the digital age by the force of covid-19 and an essential pivot into online orders and contactless payments.

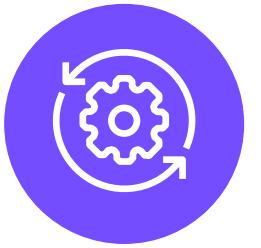
Motivations

Closing the trust gap

Imagine you were offered the opportunity to buy digital tools to either set up a new business online, or update the tools you are currently using to manage your business online...From which, if any of the following companies would you be most happy to buy from?



NB: Due to rounding, numbers presented may not add up precisely to the totals provided.



When asked who they would be most happy to buy digital tools from, 38% of micro business owners responded, “don’t know,”

Which is consistent with the pattern we’ve begun to pick out. However, we can learn more from those who chose other responses.

16% said they would be happy to buy digital tools from an accountant and 13% said a professional service provider would be their choice.

When micro business owners were asked why they would be happy to buy from a certain type of company, the answers are somewhat telling:

- 29% said these organisations would offer good value for money
- 28% said these organisations would offer a professional and speedy service
- 30% said these organisations would understand the needs of their customers

The first answer is possibly evidence of an established trust some micro business owners have in certain companies to deliver value – and it seems accountants and professional service providers are the winners here. Value for money is something customers expect from businesses they trust, particularly when it comes to tools they might not be familiar with.

The second answer gives us a window into one of the priorities of micro business owners: speed. For many, their business already consumes most of their time, while others are struggling to stay afloat, and almost every micro business owner needs to make every minute count if they’re going to stay successful and still have a life beyond their business.

The third answer shows us another pain point for micro business owners: understanding. They live and breathe their work, and their businesses are as diverse as the people who run them. When other companies can only address their problems in general terms, or market to them en masse, micro business owners can naturally feel misunderstood and a little uncared for.

The need for speed

“We know that small businesses roughly have about 20 minutes on a Sunday afternoon to think about running their business,” says Paul. “The rest of the time they’re working in it.”

While almost every software product for business promises to eventually save people time, that promise can often lie at the top of a mountain that micro business owners don’t care to climb, particularly as they aren’t necessarily convinced of what they’ll find at the top.

“It comes around to making them aware of the reward,” says Simon. “Even though they’ve only got 20 minutes, that actually might be 20 minutes well spent.”

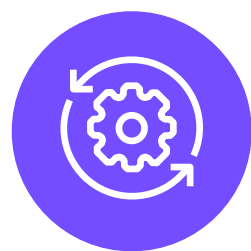
“With our bookings product, we’re often displacing pen and paper rather than an alternative software product. Our booking system handles the bookings and payments, and this saves people an hour a week, which compounds over time, and they can put this back into the business in different ways.”

Don’t waste a second of their time

It’s not only a case of building awareness though, but delivering speed and ease. The last thing any micro business owner wants to feel is that they’re wasting their time. If the UX of a product, the learning curve or the onboarding process has any friction, they probably won’t care to push through it.

“We don’t want people to have to read a manual or read a help section,” says Simon.

“We need digital tools to be intuitive so micro businesses can walk through them step by step – and they need to deliver value quickly.



“If someone can just do digital tools really well, making them really, really easy to access and use, I think that in itself builds trust.”

¹³ Quickbooks: [More than three million UK workers want to start their own business in 2022](#)

¹⁴ Consultancy.uk: [Fifth of businesses unaware of funding options](#)

63%

of new businesses will be funded with personal savings, but only 31% will seek extra funding after the business is established,¹³ according to Quickbooks.

The need for understanding

And according to the Federation of Small Businesses, only 9% of small companies applied for finance in the first quarter of 2022.¹⁴

This demonstrates something of a tendency towards independence. And on reflection, this is hardly surprising. How many businesses begin because people want to be their own boss or take control of their future? Micro business owners are still in need of support but many will only accept it from those who show they understand their needs.

Be a familiar face from the start

“As a legal firm, we start working with micro businesses as early as possible so that they trust us,” says Jess. “We do this partly through networking and forming strategic partnerships with agencies, but you can even use a tool like Crunchbase.”

“Depending on the type of company you are looking to work with, you can look up businesses that have been set up in the last 30 days, and then you can contact them and send them a congratulations message.”



Go beyond business generalities

The challenge for companies is to speak to that zone of genius, so that they can extend their zone of interest.

“The reason you form a business is that you are good at something, interested in something, or have a question to answer,” says Paul. “If you take a plumber who goes out on his own, at no point does he really think about tax returns and accountancy, how he markets, and whatever else.”

Each micro business has their area of genius. A plumber, Paul notes, will take time to understand all the latest tools, parts and systems of their trade – because that’s what interests them.

The challenge for companies is to speak to that zone of genius, so that they can extend their zone of interest. And this probably needs to be done in a way that goes beyond generalities such as, ‘we help you do what you do best’.

Libeo are a small business champion who have a good track record here.¹⁵ Their marketing and PR collateral is jammed with case studies of small businesses, and their language speaks to specific sectors and pain points, for instance, “Spend time in your kitchen, not on your bills” or “Wait on your tables, not for your invoices.”

“It’s about reaching them on their own level,” says Paul. “We need to use simple messaging and reach them through their own networks, and part of that is the power of story and the power of case study, because we listen to people we trust.”

Working with existing networks

Based on his experience with the West of England Growth hub, Stephen adds, “Culturally for some sectors it’s quite challenging to accept help from a third party. There’s a pride factor that makes them reluctant to admit or broadcast their need.

“As a public servant there’s always going to be a barrier to how far we can take the conversation with a business. So when we’ve worked with TechSPARK on Tech for Growth, we make use of the great entrepreneurs in the Western region.”

“Together we’re giving small business owners access to mentors from similar sectors who are living and breathing their world. They’re a signal of quality because they’ve been there, done that, got the t-shirt – and this can help to overcome the pride obstacle.”

Local vs. national support

Within the West England Combined Authority, Stephen has seen how effective it is to work with micro businesses on a regional level, and there could be an opportunity for large businesses to engage with digital democratisation on a more local level.



“You’re a bit closer to the ecosystem that way,” he says. “National tends to be too blunt, but there are some great companies in the West of England that are supporting micro businesses on a more local level. For instance in our business advisory board programme, people from these established companies are joining a small business’ board.

“The Bristol region is quite a base for some of the larger players in the professional service network, and so there’s probably some untapped potential there to translate support from large- to small-scale, even if it needs some cross-sector collaboration.”



Support, don’t sell

Many emotions surround running a business, and where businesses are based plays a part in how they receive advice. If they’re based in the city centre, they might welcome an offer of support, if they’re further afield, they might see it another way.

“There’s a collection of micro businesses that feel everyone is trying to sell to them rather than support them,” says Jess. “We need to understand that fear, and that’s also where the education piece comes in to address trust.

“There’s a fine line here though. Advice can come across as criticism, so it’s important to word things so people never feel you’re putting them down.”

“For instance, there’s some vitamin companies that will try to convince you that you’re damaging your body if you’re not taking vitamins, while others will frame it as ‘you’re doing great but there’s a way you can do even better.’”

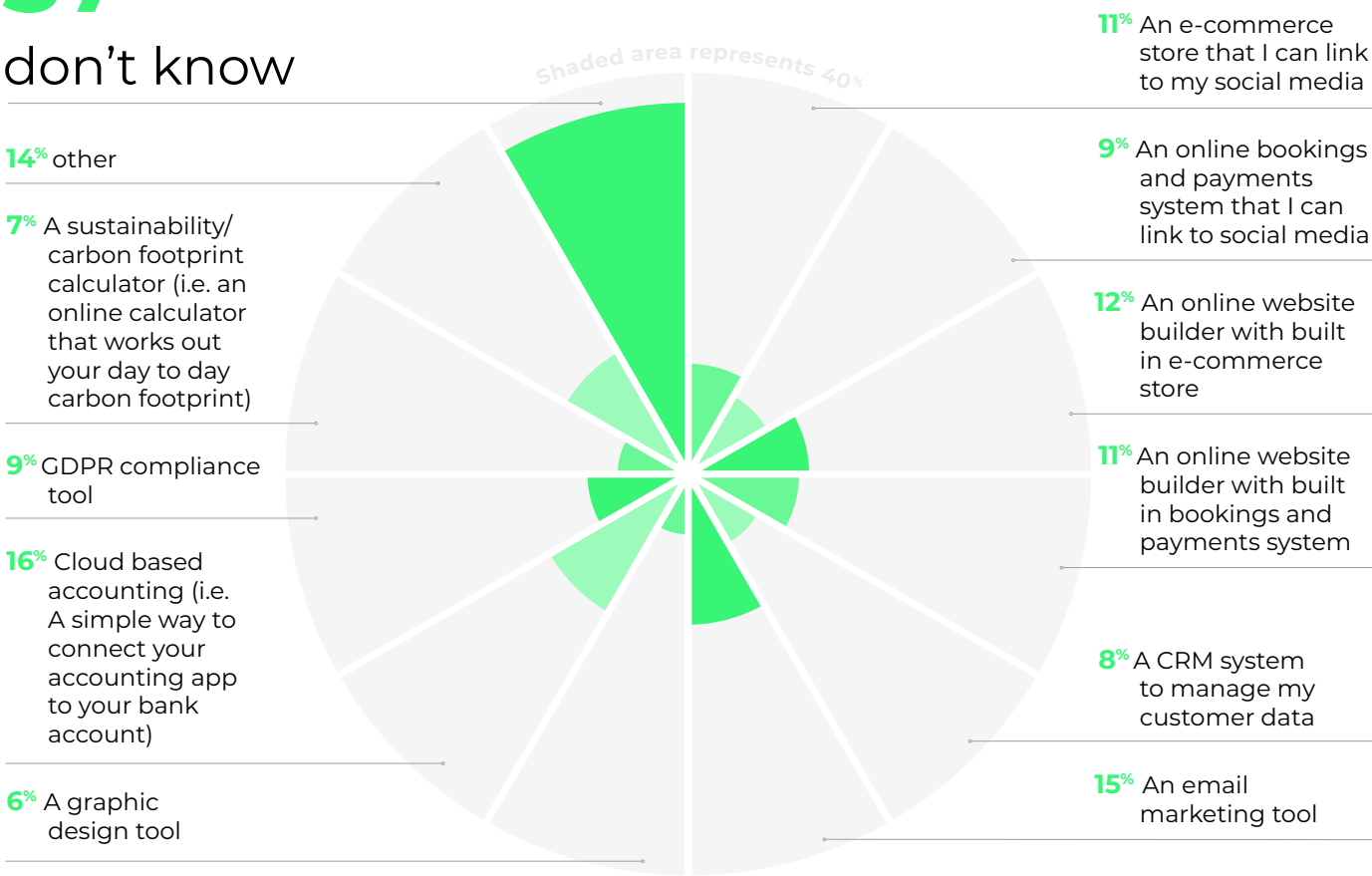
¹⁵ Libeo.io

Barriers to digital

The scope of digital inequality

Thinking about how your business is now and how it is performing currently...Which, if any, of the following do you think would be important to the future success of your business?

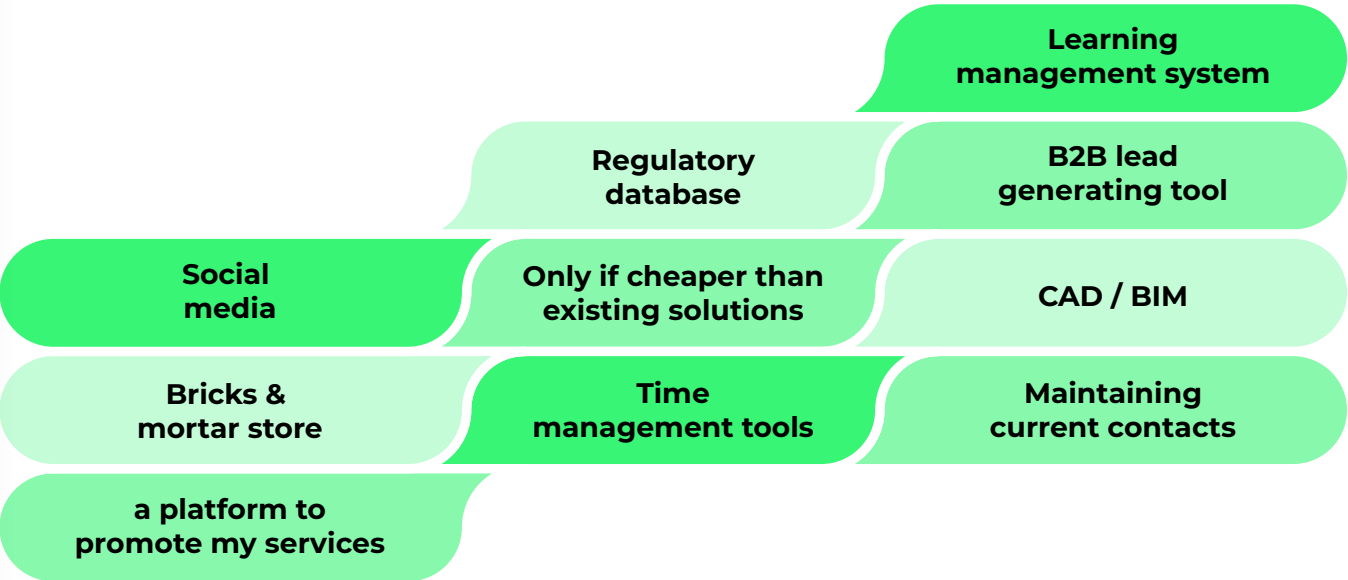
37%
don't know



NB: This was a multiple choice question where respondents could choose more than one of the answer options provided. The percentages do therefore not add up to 100%.

When presented with a selection of digital tools and asked which would be important to the future success of their business, considering the top three, it's interesting to see that 16% of micro business owners chose cloud based accounting as a priority, followed by an email marketing tool at 15%.

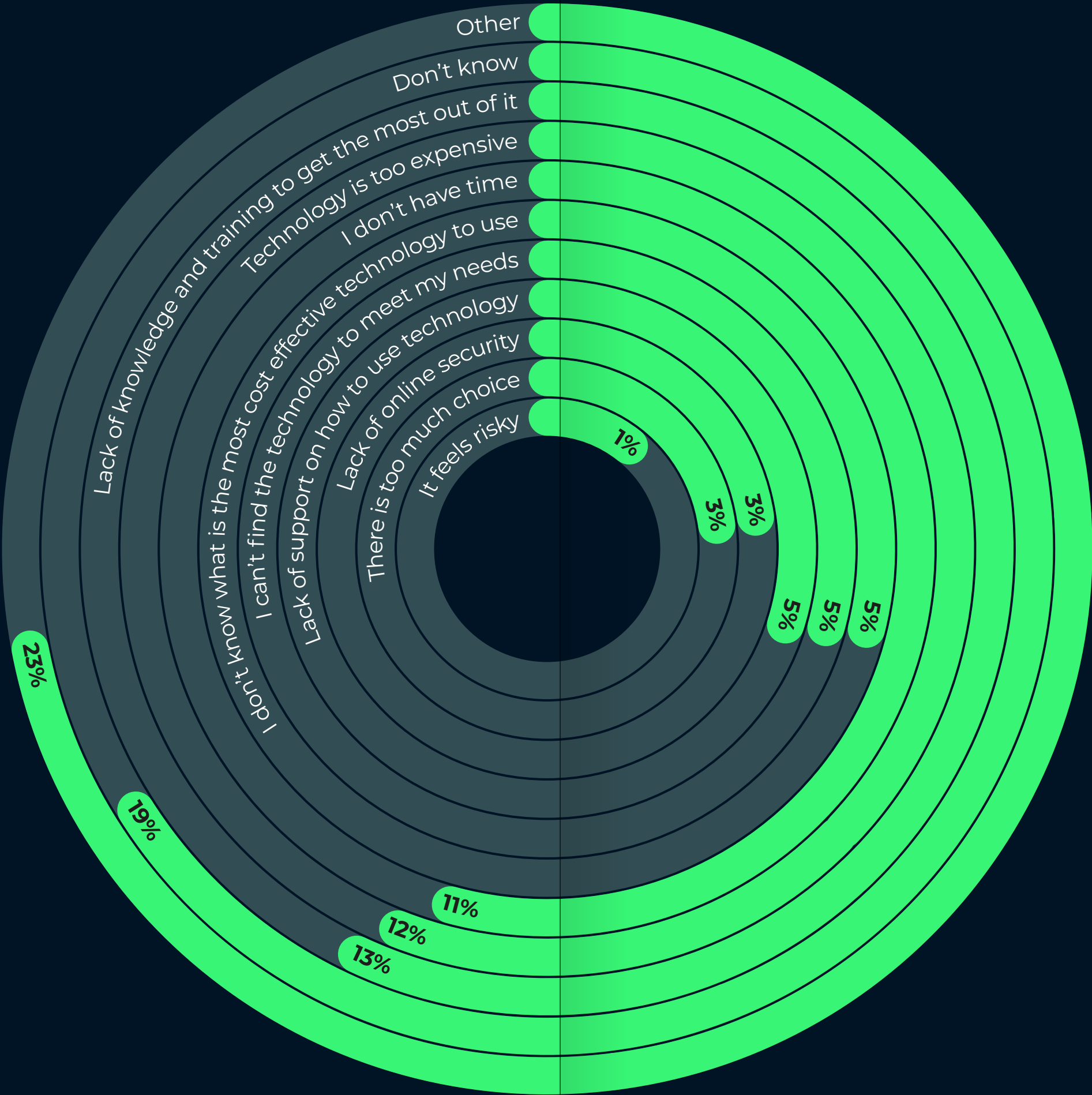
However of those 14% that chose 'Other' here we have called out some of the specific tools they provided in their answers as an alternative:



37%

Worryingly, 37% of respondents said they 'don't know' which digital tools would be important. To understand more about this knowledge gap, we asked micro business owners what the biggest barrier to using technology to grow their business was.

Which ONE, if any, of the following is your biggest barrier to using technology to grow your business?



13%
Lack of knowledge and training to get the most out of it

12%
Technology is too expensive

11%
I don't have time

23%
Other

19%
Don't know

37%

of micro business owners cite reasons that point towards the digital divide – expense, lack of support, lack of knowledge or not knowing what is cost effective. A further 19% say they don't even know what the barrier is.

Almost a quarter (23%) of micro businesses answered 'Other' to this question. 77% of these answers were a negative response towards technology as a whole – and we call out those answers here. Interestingly 31% simply said, 'Don't need it'.

These responses are at odds with the moves from larger businesses towards optimisation, AI, and advanced tech stacks. It's also at odds with the trends of consumers. McKinsey reports that Europe has registered a net gain of 100 million digital users since 2019, as more people make use of EdTech, telemedicine, online banking and retail, in part driven by necessity sparked by the pandemic.¹⁶

As the rest of the market moves towards digital, micro businesses are at risk of being left behind. 26% told us they don't have a website and 77% are unlikely to search for new digital tools in the next year. Left unchecked, digital democratisation will not happen, and the digital divide between micro businesses and larger businesses will only widen with time.



¹⁶ McKinsey: [Opportunity knocks for Europe's digital consumer](#)

Young entrepreneurs buck the trend

“It’s shifting the conversation from the technical to the outcome.”

The exception lies with the youngest of micro business owners. After surveying Gen Z sole traders, Quickbooks report that almost three quarters say digital tools are core to their business.¹⁷

This is unsurprising, since Gen Z are partly defined by their digital upbringing. They were born after the mass-adoption of the internet, and the average Gen Zer received a smartphone before they turned 12.¹⁸

Gen Z sole traders are feeling the benefit of their digital adoption. While other factors need to be accounted for as well, a net positive balance of 23% told Quickbooks their revenues increased in the last 12 months, while sole traders in Gen X and Baby Boomers generations saw net revenues of -24% and -33% respectively.

This correlates with our research when it comes to investing in digital tools for the future success of their business, 47% of business owners aged under 35 told us they are either very likely or fairly likely to search for new digital tools. This drops to 11% when talking to owners aged 45-54 and 17% for those aged 55+.

Talk the walk to bring language barriers down

“It’s shifting the conversation from the technical to the outcome.”

Part of the issue is language. Micro business owners tend to associate digital tools with technical add-ons to their core business, instead of easy-to-use tools that help them run their core business.

“In the past we were always very website-centric and our product message reflected this,” says Simon. “It was either ‘build a website to take bookings’ or ‘build a website to sell products’.

“Previous BaseKit research has told us to move away from this language and instead simply say ‘this is a tool to run your business.’ That makes it more general purpose, and more accessible to a plumber who might not understand the implications of having a website, but they understand they do want to take bookings and payments.

“It’s shifting the conversation from the technical to the outcome: making money, managing customers, and communicating with customers, and so on.”

Stephen adds, “It’s most effective when you’re able to demonstrate practically how a small change can make a big difference. If you have a clear case study where a tool has enabled a micro business to increase turnover or begin exporting or grow their employment, that can help cross the language barriers.”

Social media is a prime example here

“Many micro businesses use social media but they might not think about that as a tool,” says Simon.

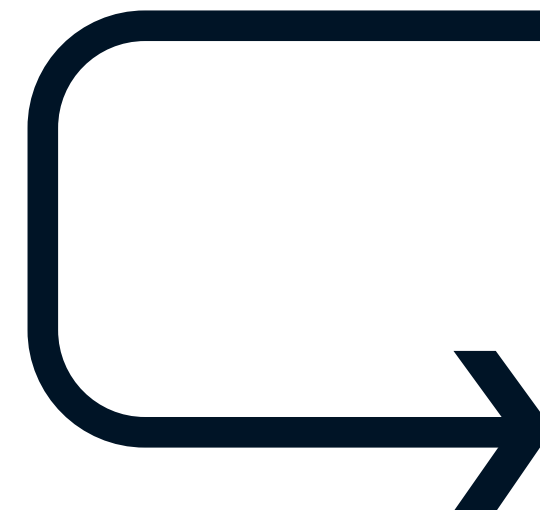
“They might not even consider it marketing, just another type of word of mouth. Yet they could be getting 10 customers a month through Facebook.”

According to Quickbooks, 47% of sole traders have an online social presence. No matter what type of business a micro business owner has, they’re probably already using some form of digital tool, even if they don’t realise it. It could be social media, or a digital calendar, or a navigation app.

We spoke to Loren Bond, owner of hair salon Lori Lori. She describes herself as a ‘dinosaur’ when it comes to tech. Nevertheless, she still uses a digital calendar to keep track of bookings, and social media is one of her primary ways of finding new customers.

“I’m on Google, Instagram and Facebook,” she says. “I try to keep up with a flow of stories on my Instagram to keep people engaged and I try to do at least one post a day. My younger clientele love Instagram and I get a lot of new business from it.”

If companies can find a way to market digital tools as a non-technical, natural extension of a micro business owner’s work and life, it will be far easier to cross the digital divide.



¹⁷ Quickbooks: [Rise of the 'Multi-Hustle' set to fuel post-pandemic recovery](#)

¹⁸ Insider Intelligence: [The average teen got their first smart phone just before their 12th birthday](#)

Mobile is more familiar to micro businesses

“Making digital tools mobile-first... forces you to strip everything out and make it as simple as possible.”

One way to make digital tools feel less technical to micro business owners is make them mobile-first on every level.

A browser based tool may be optimised visually for mobile, but can you use all its functionality without switching to a desktop? And looking beyond design and development, does mobile-first thinking span every point of your user experience?

If companies can put answers to their problems in the palm of their hands, it might fit far more easily into their routine.

“Making digital tools mobile-first... forces you to strip everything out and make it as simple as possible.”

“We’ve made our product so an electrician down the pub on a Friday night could genuinely get their phone out for 10 minutes, put together a credible web page listing their services, and actually publish it or from their mobile phone,” says Simon.

According to a report from the Communications Consumer Panel, even back in 2014, a number of sole traders were conducting the majority of their business through mobile.¹⁹ Often they would rely on a personal phone rather than a work phone, but they would use the phone as a primary portal to their email and their customer contacts.

From there, it’s not a big leap to using your phone for your business’ social media and calendar. And from there it’s not a big leap to using your phone to manage online bookings, purchases and invoices. The only issue that widens the gap is perception.

McKinsey reports that mobile is a primary on-ramp to digital adoption.²⁰ Industries that have led the way in mobile app use, such as banking, have seen a larger share of fully digital users as a result. In other words, if you want to give customers of any kind the best chance of digital adoption, go mobile.

“Making digital tools mobile-first is actually really difficult from a UI/UX perspective,” says Simon. “Because you’re working with such a small screen, it forces you to strip everything out and make it as simple as possible.”



Sustainability also has a language problem



Even though, in general, micro businesses are led by purpose-driven individuals, only 7% told us a sustainability/carbon footprint tracker tool would be important to the future success of their business.

According to research from Start Up Loans, part of the British Business Bank, 50% of small businesses find the language, terminology and information around sustainability inaccessible, and 78% don’t fully understand the term net-zero.²¹ Like digitisation, it can all seem too far removed from their day to day business.

“This doesn’t necessarily mean they don’t care,” says Paul. “Often they don’t have a plan to reduce emissions, but they are doing stuff. They might be using LED light bulbs, using electric vans, cutting down their waste and so on.”

“There will be 15-20% of small businesses that do have a plan, and that’s probably because they have a plan in their own house – maybe they have solar panels, maybe they have electric cars, maybe their kids are in their ear. But the challenge is to move the big group of businesses in the middle.”

“The simpler we can make the message, the more we can join the dots between action and result, and the easier the transition will then be.”

¹⁹ Communications Consumer Panel: [Realising the potential. Micro businesses experiences of communications services](#)

²⁰ McKinsey: [Opportunity knocks for Europe's digital consumer](#)

²¹ Start Up Loans: [Two million UK businesses believe reducing their own carbon emissions 'will not make a significant difference' to climate change](#)

Winning loyalty

Micro businesses could be your most loyal customers

How likely are you to change your website provider in the next 12 months?

3%

Very likely

4%

Fairly likely

19%

Not very likely

5%

Don't know

43%

Not at all likely

26%

My business does not have a website

Although many micro businesses exist on the unprivileged side of the digital divide, this might mean that they are more prone to give their loyalty to whichever companies can pull them across the chasm.

When asked how likely they were to change their website provider in the next 12 months, 19% said they were 'not very likely' to change, and a huge 43% said they were 'not at all likely'.

Considering how many micro businesses there are in the United Kingdom alone, this could be representative of over 2 million businesses that are not at all likely to change their current web provider, and that's without considering micro businesses that don't have a website.

Reflecting on everything we have reviewed so far, this measures up. If a micro business owner has little time to research or get started with a website or another digital tool, they are unlikely to switch to a competitor once they do commit to using one.

Digital democracy is a win-win for micro businesses and those who champion it

Providing such digital tools as part of a core package, then, could well be an answer for industries that typically see a lot of churn, such as telco providers, or industries at risk of disruption, such as banking.

Judging by the results of our survey, professional service providers and accountants also stand to gain from offering digital tools, since a larger percentage of micro business owners are predisposed to trust them.

Although we want to primarily champion digital democracy for the sake of supporting micro businesses, such projects are far easier to sustain and sell to stakeholders when the situation is financially a win-win for companies and their micro business customers.



Telcos

1%

Surprisingly, only 1% of the micro business owners we surveyed said they would be most happy to buy digital tools from a telco company, and less than 1% said they would most trust a telco company to provide the digital tools that would be important to the future success of their business.

Considering how important it is for telcos to win micro business loyalty – and the success that some have seen in this area – these results are unlikely to be a sign that telcos have nothing to gain here, but rather a sign that they have work to do.

Telcos supporting digitisation

The results are surprising to us at BaseKit because we've seen some telcos be very successful in winning customer loyalty through providing digital tools. For instance, we partnered with Telefónica, providing a white labelled website builder they could resell to their customers as part of a wider package. Telefónica's customer churn subsequently dropped by 42%.

Many other telcos recognise the value of championing digital democracy and are already on the move in this area.

Some telcos are giving away tools or offering digital growth schemes to micro businesses, such as Vodafone's Digital Marketing Boost.²² In Vodafone's case, they are offering £200 of social media advertising credit to help businesses grow online, in addition to a consultation with a digital adviser.

Similarly, BT is partnering with Google to deliver 1:1 mentoring and training, and they've also partnered with Square, a digital payments solution, to help small businesses move to cashless transactions.

How to bridge the gap

"Simply removing all these mini barriers to entry builds trust."

It's worth noting that while telcos were one of the least popular choices to buy digital tools among micro business owners, 38% said they didn't know who they would be most happy to buy from, and 39% said they didn't know who they would trust, so there is clearly plenty of room for telcos to learn and win that trust and loyalty.

"We've seen some examples with telcos in the past, where the digital products they sell are buried and people find it hard to discover them, let alone go through a long checkout process to buy them," says Simon.

"Likewise, if a user is 12 clicks into a customer journey and lands on a payment checkout, without even seeing a product yet, it's easy for them to pull the plug. But if you can make it so potential customers are one click away from a demo of a digital tool, you'll see a far greater uptake. Simply removing all these mini barriers to entry builds trust."

Banks

5%

Our survey found that of micro business owners said they would be most happy to buy digital tools from a bank, while 7% said they would most trust a bank to provide the digital tools that would be important to the future success of their business.

However, it's worth noting here that, since micro businesses make up such a large proportion of businesses in the UK, 5-7% of micro businesses is still a vast proportion of the landscape. And since well over a third of micro businesses don't know who to trust or who they'd be happy to buy digital tools from, banks certainly have an opportunity to make a difference here.

Banks and finance providers supporting digitisation

In the banking sector, Mettle, NatWest's bank for sole traders and small businesses, has partnered with FreeAgent to give their customers free access to online accounting software.²³ Since the start of 2021, the company has seen a fivefold jump in users.²⁴

Mastercard is also making strides through their Strive programme. Shamina Singh, founder of their Centre for Inclusive Growth, spoke to Forbes, saying: "...we found that there is a segment of small businesses that are not benefitting from the digital economy at all. What we're trying to do here is intervene in a way that allows businesses on the smaller end to access digital tools and services that their larger counterparts have been using for years."²⁵

How to bridge the gap

"Small businesses don't want to go through three pages of options, they just want the answers."

"If I go back to my early days of banking, we didn't spend hours and hours educating customers on how to do finance," says Paul. "We listened to their problems and gave them solutions. Unfortunately, the banks were eventually told that that was classed as 'advice', so they stopped making recommendations.

"Let's say I said to someone, 'this company has great digital products,' I'd probably have to at least mention two other companies with great products. And I'd get told off if I said one was better than another."

"I understand why those rules exist, but I also think it's a deterrent. Small businesses don't want to go through three pages of options, they just want the answers, but banks can't give them anymore, so business owners are a little stuck with where to go."

The West of England Combined Authority has stepped into the breach here in some ways, offering far more direct advice.

"There's a lot of support out there for micro businesses locally, regionally and nationally," says Stephen.

"We're an honest broker in the middle of all of that, making sure businesses can get hold of what they need at the right time, signalling where there is

²² Internet Retailing: [Vodafone launches 'digital marketing boost' to help UK's micro-businesses prosper on and offline](#)

Accountants

14%

of micro business owners said they would most trust an accountant to provide digital business tools that would be important to the future success of their business.

quality and helping them to know who to trust.”

For banks to regain this kind of trust, they may need to find workarounds that enable micro businesses to get the direct answers and outcomes they’re looking for, without straying into the no-fly-zone of official advice.

This is perhaps surprising, as many would not automatically associate accountants with technology. However bookkeeping is gradually becoming more technical and digital-first, so they are in a good position to provide digital tools, particularly those that help to manage finance, such as Xero.

Accountants supporting digitisation

Kregel & Company is an accounting firm based in the USA that specifically helps small businesses and socially conscious organisations to better manage their finances.²⁶ They’re powered by highly successful cloud-based tools like Xero, and making taxes easier with tech is a

core part of their service.

As well as the accounting software, Kregel & Company helps their small business clients by actively demystifying the process. By giving clear tax and finance guidance, they help entrepreneurs make informed decisions about growing their business.

How to capitalise on digitisation

It’s telling that our research showed that 30% of micro business owners formed their company with an accountant. Having received an accountant’s support once at a key milestone of their business, it possibly predisposes a number of them to trust accountants with digitisation too.

16% of micro business owners said that cloud based accounting would be important to the future success of their business. This is a significant proportion, but perhaps not high enough, considering how helpful that kind of software can be.

“My dad ran a building business and would just turn up to his accountant’s desk once a year with a big cardboard box of receipts, dump it on the accountant’s desk and ‘say there you go,’” says Paul,

²³ Mettle: [Get FreeAgent for free](#)

²⁴ Financial Times: [NatWest small business bank Mettle gains fivefold increase in customers](#)

²⁵ Forbes: [Mastercard strives to close gap on small business digitalisation.](#)

²⁶ Kregel & Company: [Process](#)

Professional services

16%

of micro business owners said they would most trust a professional service provider to provide digital business tools that would be important to the future success of their business

“Of course, there are other people who will spend hours and hours trying to create thorough records. Whichever way people go about it, though, all of it can be automated. There’s no need for paper in this age of digital payments, and that’s a key message to get across.”

That means professional services are in prime position as a sector to support digital democratisation. In particular, the sectors that appear to trust professional services most are transport (15%) and legal (15%), IT (12%) and medical (10%).

Professional services supporting digital democratisation

In small business recruitment, there are a number of agencies now providing digital tools to support the hiring process. For instance, Recruitment Revolution offers talent pool management software and digital interview software freely to their customer base, which includes a number of micro businesses.²⁷

StartSomeGood is an Australian alternative to the traditional funding sector²⁸ which helps social entrepreneurs to run digital crowdfunding campaigns. They’re not a silent host either. They run launch programmes, accelerator programmes and learning platforms, and they also offer coaching, consultancy and co-design support to give crowdfunding campaigns the best chance of success.

How to capitalise on digitisation

There are many more opportunities to provide digital tools across all areas of professional services but the sector hasn’t yet fully joined the dots between existing tech and people-facing firms, and there are plenty of use cases.

“..someone will only seek that solution after they have educated themselves to the point where they feel comfortable enough to pay.”

For instance, agri-tech is gaining popularity, particularly for large farms and estates. However, there is room for land agents to offer these digital tools to small-scale farmers looking to find new sources of income or better manage traditional ones. The Land App is a significant example of a tool at use in the UK, and has been used by firms like Savills, BCM and CLM.²⁹

“Legal services are generally inaccessible,” says Jess. “It’s a really old industry. It’s expensive, complex, and full of jargon, and there’s an opportunity for digital to bridge the gap here.”

“You can present micro business owners with different resources, depending on what they need. They might be in the early stages of educating themselves or they might have grown in confidence to the point where they can seek a solution to the problem they have. But someone will only seek that solution after they have educated themselves to the point where they feel comfortable enough to pay.”

“

..someone will only seek that solution after they have educated themselves to the point where they feel comfortable enough to pay.”



Innovating legal signposting

Stephenson Law won a grant through Innovate UK which enabled them to work with the University of Bristol to create better legal signposting for micro businesses.

“We noticed that in communities underserved by the micro business support system, people often don’t know where to go for legal advice,” says Jess.

“We’ve been working to create a legal chat bot that allows individuals to come to us with specific questions, and they’ll be signposted to, say, a helpful guide, or to a recommended lawyer if their question needs a more bespoke answer.”

“We want to service micro businesses but a lawyer’s time is valuable. If a micro business owner needs lengthy explanations and reassurance before we do the work, they won’t be able to afford us. So the more we can signpost and educate micro businesses, and build trust, the easier it will be for them to access and pay for our services.”

²⁷ Recruitment Revolution: [RevView](#)

²⁸ StartSomeGood: [Our story](#)

²⁹ The Land App: [Home](#)

How to cross the digital divide

The education gap is real, but so is the opportunity



“

Once you get the first few breakthroughs, word of mouth takes it a lot further.”

Digital democratisation is not going to happen overnight, nor will it be a downhill slope. If they commit to it, brands will eventually reach a tipping point with micro businesses.

“If you target certain sectors and certain people, you’ll find they are all in a village,” says Paul. “Once you get the first few breakthroughs, word of mouth takes it a lot further, beyond what we can achieve through our networking tools.

Connect closer to home

“So you could say it’s about getting that viral piece going. It is a hard slope, but once you get the first few wins, and get great stories off the back of it, you can push out wider.”

Connecting with people closer to home, in both location and familiarity will go a long way to building the trust that our research shows is lacking. Micro business owners are still in need of support but many will only accept it from those who show they understand their needs. Engaging in the same language, through a familiar network, closer to home is a win win.

Get to the first point of value fast

How do you achieve those first few crucial wins then, and what can you aim for in the meantime? Simon suggests you look to get micro business customers to the first point of real value.

“When someone is using a bookings engine, for example, their first point of real value is when they take a booking,” he says. “Once they reach it, they’ll see someone making a booking, paying the fee and they’ll find the money in their bank account – and they’ll probably be more willing to invest five or ten minutes a day to keep that going.”

“It sounds obvious but you need to make the path to that point of value really smooth, and you need to ask how you can make the path shorter, how can you make it as fast as it can be. Ultimately, that milestone is where people will engage and understand what a digital tool is giving them – it will demonstrate and how their business will not only survive but thrive.”

The education gap is real, but so is the opportunity

To summarise, our research highlights the uncertainty UK micro businesses have around who to trust, where to go, and how to choose digital tools to run their business. Lack of knowledge and training is the top barrier to using technology as a whole. And the fact that a quarter still don't have a website shows just how real that education gap is.

That's not the end of the story though. The findings also show us that micro business owners will trust and buy digital tools from companies that value their time, offer proven value, and above all, understand their needs.

With such a vast proportion of UK micro businesses failing in their first 5 years, it's essential to bridge the education gap. If we understand real micro business needs, and communicate on a level they can relate to, the digital divide will not be insurmountable.

According to our expert commentators, leading with messaging that demonstrates the value of technology specifically to their business is a level of communication they can identify and engage with.

Our research shows, in the UK, the professional services and accountancy sectors are in prime position to support digital democratisation. Meanwhile other sectors such as banks still have a vast share of the opportunity. As for the sectors micro businesses are least likely to buy from and trust, such as telcos, we see the findings only as a huge opportunity to change the status quo.

With your help, the digital divide can disappear

This is an opportunity for businesses to redefine how they connect with, inspire and support current micro business customers. But beyond this, it's a chance to help local communities turn new ideas into businesses and have their well-deserved slice of the new digital economy.

BaseKit is on a mission for tech democracy for micro businesses not just in the UK, but the world over. We pride ourselves on providing effortless digital tools that allow anyone with a business idea the opportunity to start a business and thrive online.

Right now we work with 100+ partners across 40 markets to grow micro business communities all over the world with e-commerce, website builder and bookings software.

This research is just the beginning of our journey. We hope, in time, this study will grow and evolve to reveal the ongoing needs and opportunity to close the digital divide and eradicate the disconnect between micro business success and technology evolution, not just in the UK, but across the global landscape.

With your help we want to set a global precedent for tech democracy for small businesses. We want this initiative to spark collaborations, open ecosystems, inspire new technology, and inform new purpose driven agendas to educate, champion and enable micro businesses. Together, we can support the backbone of our global economy to thrive in this exciting, evolving digital era.

Are you in, or are you in?



Want to champion your best efforts to help cross the digital divide?



Connect

Whether you want to stay in touch for a later date, chat to us about our journey or mission, or stay tuned with the latest industry thinking from BaseKit.

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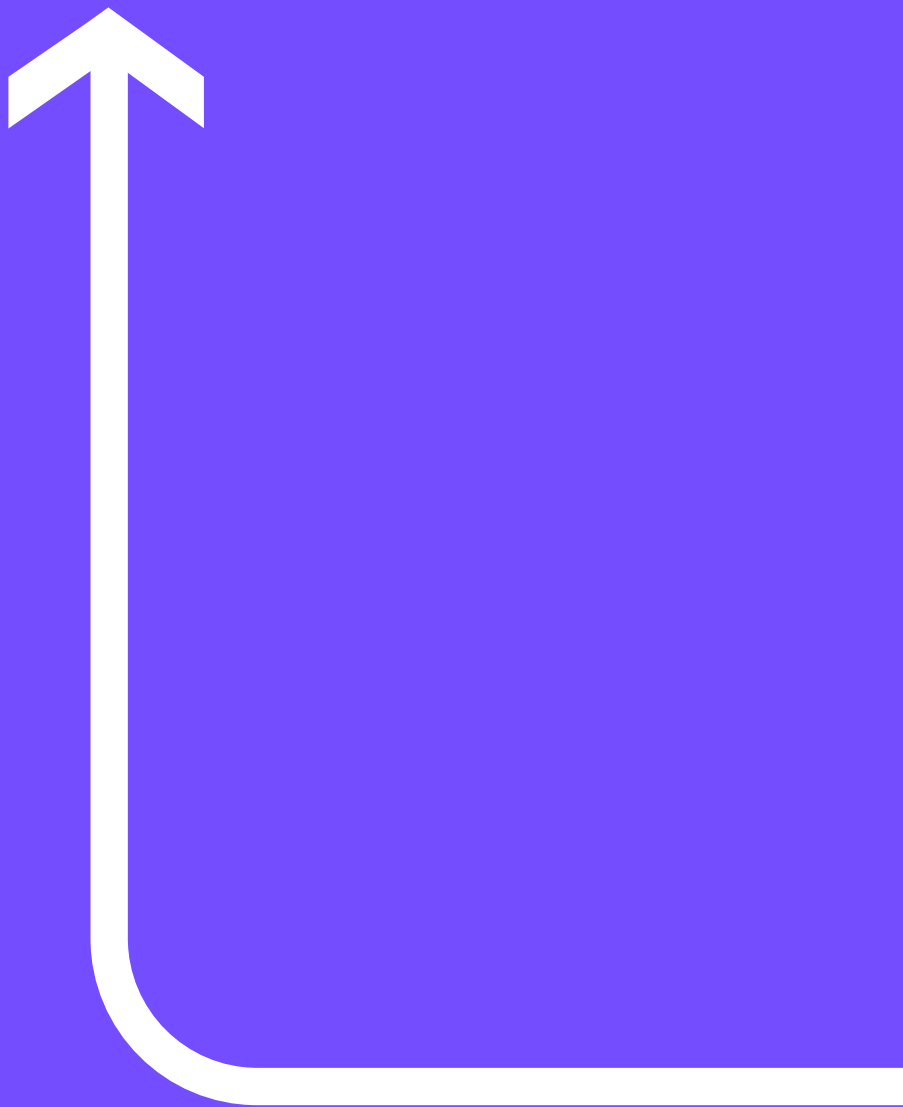
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Collaborate

Would you like to help us evolve our research? We're looking to make this study bigger and better year on year. Talk to us if you'd like to chat further about our findings and how you can be involved.

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