Lloyds Bank 2020 Transformation with Tech

A study into adoption of technology and digital skills for small businesses in 2020

By the side of business
Since 2014, Lloyds Bank has produced the Digital Business Index, the largest measure of UK business digital capability. This year, working with Be the Business, Lloyds Bank analysed the behavioural data and online transactions of 200,000 businesses, and spoke with 2,000 to understand the impact of Covid-19 and their plans for the future. The report captures the business realities of 2020 and documents changes in tech adoption, digital confidence and capability seen in small businesses across the UK.

Lloyds Bank offers free skills training, networking opportunities and masterclasses through their Lloyds Bank Academy proposition.

For any questions or collaboration ideas, please contact DigitalSkillsInclusion@lloydsbanking.com

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EXECUTIVE SUMMARY

Yes Business Can

For the last six years, the Lloyds Bank team have shared a unique dataset to foster greater understanding of the digital capability of small businesses. The Digital Index reports “afford greater insight” into the rich benefits technology can bring business as well as the barriers.

This year though has been a year like no other. This report seeks to build on initial insights from Be the Business and McKinsey’s & Company ‘The UK’s Technology Moment’ report to profile the digital behaviours of small businesses and the impact of technology adoption. This report has harnessed 200,000 small business transactional behaviours and includes an in-depth survey of 2,000 small business thoughts and ambitions.

Digital All or nothing?

Encouragingly, new use of digital technologies has been one of the key levers of change for small organisations. Almost half (2.7 million) of businesses state they would have ceased trading without digital technology. More than a third have reduced costs, and forty percent have increased their online trading - one quarter now having an online presence for the first time.

It is often the very smallest businesses, such as sole traders, that are the ones who struggle the most to adopt and embed technology into their businesses. Over a third have never tried e-commerce compared to only one-fifth of those with more staff. However, a significant proportion of sole traders have started to work in new ways thanks to technology; 17% are running online meetings for the first time, 11% are trying e-commerce and one in ten have set up social media accounts.

The data shows though, that for businesses of all sizes and sectors, digital tools, platforms and services are becoming integral to short-term tactics and longer-term strategies. More than two-thirds find mobile banking has reduced the stress of money management.

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1 Be the Business, 2020 2 Extrapolations in this report use the 2019 Business Population Estimate for those with fewer than 10 employees which was 5.6 million. It should be noted that the survey in this report sampled only businesses registered for PAYE/VAT which represent 45% of the estimated total population, the rest being unregistered.
83% of those who’ve begun or increased their usage of social media throughout the pandemic intend to continue to use them ongoing. The back office has also seen a much-needed overhaul – one in ten businesses have started using Cloud software and 12% are now using analytics capabilities to better understand their customers.

Looking to the future, digitally proficient companies are noticeably more confident - 69% of digitally enabled companies are confident about reclaiming lost revenue compared to 53% of those lacking tech proficiency.

For the first time sole traders are:

- Running online meetings (17%)
- Trying e-commerce (11%)
- Setting up social media accounts (10%)

A marathon not a sprint

One thing that is certain is that businesses of every size, in all sectors, will need a clear route to digital and tech support. More than half of businesses have been influenced to invest in tech, but three-quarters need help with digitisation. Just over a third (39%) having received help to date.

There are undoubtedly tough days ahead, but it is hoped that this report may yet prove invaluable to many more business owners, and the regional and national networks and organisations that support them.
We often associate the use of technology with high-tech firms pushing boundaries and disrupting markets. This report reveals that over the past few months, tech has become as important for business survival and resilience as it is for business innovation.

The impact of this transformation, driven by Covid-19, on our economy cannot be underestimated. Tech has become a lifeline for many small firms. Our research with Lloyds Bank reveals that nearly half (48%) of all the microbusinesses surveyed state they would have ‘ceased trading’ without digital technology. This equates to roughly 2.7 million microbusinesses across the UK.

When we consider the number of jobs and livelihoods tech has helped to secure regionally, we get a sense of the essential role and the critical importance of accelerating tech adoption for the future. We need to start to view tech as an absolute necessity for small businesses rather than as a nice-to-have.

The findings in this report give cause for optimism. Firstly, they demonstrate what SMEs already knew, that the small business community is remarkably resilient and adaptable - evidenced by the ways many have carried on trading throughout these extraordinarily challenging times.

Secondly, the findings provide helpful signposts to focus national policy in ways that will enable small businesses to become even more resilient. Small business owners increasingly recognise that tech is core to the future of their operations, and as a result of the fallout from the pandemic, are integrating tech at an unprecedented rate.

However, we also know that tech adoption is not always easy. The ability of many microbusinesses to overcome challenge after challenge depends on how successfully they transform through digital and the support they receive.

It is time for a national effort to empower small businesses through technology. Be the Business and Lloyds Bank stand ready to play their part.
Amid a turbulent economic climate and global health crisis, nearly half of all small businesses have found ways of keeping their doors open throughout the pandemic without pause. As of August 2020, 50% of businesses have continued to trade throughout the pandemic without pause. 29% of businesses say the situation has had little impact to their working behaviour, whereas almost half (43%) have had to revise the way they operate to remain functional (figure 1). This is through either working from alternative premises or manufacturing different products to maintain revenues.

However, not all businesses have been able to keep their doors open; more than one-quarter (27%) had to pause their business activities temporarily. The education sector has been affected the most (43%) followed by the accommodation and food services sector (39%) (appendix 1).
Figure 1. Now please think about your organisation’s activity during the coronavirus situation. At an overall level, how has your organisation managed to carry on working/trading during this period?

- Situation has had little impact on working behaviour: 29%
- Scaled back/reduced services offered: 19%
- Worked from alternative premises/with employees working from home: 17%
- Stopped working temporarily although we have started again: 16%
- Working in a different way e.g. manufacturing alternative products etc.: 12%
- Stopped working temporarily although we expect to start again: 11%
- Not expecting to re-open/has already closed down: 2%
- Carried on in a different way (NET): 43%
- Closed temporarily (NET): 27%

Not all businesses are still standing

The data reveals 2% of businesses as having already closed, with no plans to re-open (figure 1). This is corroborated by research from the Office of National Statistics\(^1\) showing that 1.2% of businesses surveyed in August were no longer trading.

These figures may be higher however, as businesses that have closed down may not have taken part in the surveys.

\(^1\)Office of National Statistics, 2020, Wave 12
Of those still trading, three-quarters have adapted to do so

The survey reveals almost three-quarters of businesses (73%) who have continued to trade throughout the pandemic, have adapted in a variety of ways to remain operational, (figure 2), the most common being:

<table>
<thead>
<tr>
<th>Changing business models (24%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reductions in the services offered (23%)</td>
</tr>
<tr>
<td>Offering new products (19%) and services (20%)</td>
</tr>
<tr>
<td>Diversifying into new areas (15%)</td>
</tr>
<tr>
<td>Moving business online (9%)</td>
</tr>
</tbody>
</table>

This is complemented by research conducted by Be the Business¹ who found that more than half a million businesses have changed or are altering their operating model, with a fifth (of those surveyed) introducing new services.

One in ten have taken their businesses online for the first time because of Covid-19

9% of those who have carried on trading throughout the pandemic have done so by moving their business online. Whether this is through opening e-commerce stores, or working with clients in new digital ways, it represents a new frontier for many business owners and their staff.

An estimated 1.3 million microbusinesses have been able continue trading without the need to change

Whilst the majority have made key changes to the business to continue trading, one-quarter (27%) have not needed to – an estimated 1.3 million.

A sizable minority, this data shows the group is most likely to be made of sole traders, in business for more then 10 years and have less than £250,000 in annual revenue. It could be the extra years in business, experience and deeper relationships have insulated them.

¹The Telegraph, 2020
**Figure 2.** Have you had to make any adjustments to your business to carry on trading? N = 1,722

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>27%</td>
<td>We have made no changes</td>
</tr>
<tr>
<td>24%</td>
<td>Made changes to business model</td>
</tr>
<tr>
<td>23%</td>
<td>Reduced service offered</td>
</tr>
<tr>
<td>20%</td>
<td>Offered new services</td>
</tr>
<tr>
<td>19%</td>
<td>Offered new products</td>
</tr>
<tr>
<td>15%</td>
<td>Diversified into new areas</td>
</tr>
<tr>
<td>9%</td>
<td>Moved business online</td>
</tr>
<tr>
<td>4%</td>
<td>Looked at entering overseas markets</td>
</tr>
<tr>
<td>1%</td>
<td>Implemented new health &amp; safety measures</td>
</tr>
<tr>
<td>1%</td>
<td>Others</td>
</tr>
</tbody>
</table>

### 1.3 million businesses are pessimistic about returning to pre-pandemic levels

In August 2020, 60% of businesses, whose turnovers had declined, were confident of returning to pre-pandemic levels (figure 3). However, more than one-third (37%) disagreed. This represents 1.3 million UK businesses, far from an insignificant number.

“We are quite confident that we will recover, but it is a fast-moving situation so you can never be sure what will happen next”

More recently, the October Lloyds Bank Business Barometer\(^1\) highlighted that overall business confidence had declined for the first time in five months, noting the backdrop of recently introduced regional lockdowns, although it is still substantially above the lowest levels seen since the pandemic began. From a regional perspective, confidence fell in all but three areas; North West, South West and Northern Ireland.

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\(^1\) Lloyds Bank, 2020
Despite the overall revenue impact, one in ten (11%) have found opportunity

Some businesses have found that their products and services have experienced unusually high demand. It could be that they directly supported the fight against Covid-19 or because they benefitted from a change in customer needs as a result of the pandemic (appendix 2).

Figure 3. Of those where turnover has decreased since the beginning of the pandemic, how confident are you of getting back to pre-pandemic trading/revenue levels?

<table>
<thead>
<tr>
<th>Confidence Level</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very confident</td>
<td>16%</td>
</tr>
<tr>
<td>Quite confident</td>
<td>28%</td>
</tr>
<tr>
<td>Not very confident</td>
<td>3%</td>
</tr>
<tr>
<td>Not at all confident</td>
<td>9%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>37%</td>
</tr>
</tbody>
</table>

N = 1,323
Business resilience through tech

2.7 million businesses are trading with the aid of technology

Almost half of all businesses surveyed (48%) put their ability to keep trading down to the use of digital, stating they would have ‘ceased trading’ without it (figure 4).

Digital engagement is a broad brush, including everything from e-commerce, to CRM (Customer Relationship Management) systems to use of Cloud and much more. This report takes a closer look at digital tools and service adoption.

- 61% say technology helps engage and maintain customers (figure 4)
- 40% say technology is helping them diversify (figure 4)
- 27% now have an online presence for the first time (figure 4)
Figure 4. To what extent do you agree or disagree with the following statements about how use of the internet and digital technology has impacted on your company’s operations during the coronavirus situation?

N = 2,000

- Digital will be prioritised in the future
  - NET Agree: 46%
  - Neither agree nor disagree: 28%
  - NET Disagree: 7%
  - Don't know / Not applicable: 19%

- Digital has enabled flexibility and adaptability
  - NET Agree: 53%
  - Neither agree nor disagree: 26%
  - NET Disagree: 14%
  - Don't know / Not applicable: 6%

- Would have carried on regardless of tech
  - NET Agree: 50%
  - Neither agree nor disagree: 21%
  - NET Disagree: 6%
  - Don't know / Not applicable: 24%

- Simplified business due to tech
  - NET Agree: 47%
  - Neither agree nor disagree: 28%
  - NET Disagree: 19%
  - Don't know / Not applicable: 5%

- Cost savings due to tech
  - NET Agree: 35%
  - Neither agree nor disagree: 32%
  - NET Disagree: 8%
  - Don't know / Not applicable: 26%

- Digital helped internal engagement
  - NET Agree: 41%
  - Neither agree nor disagree: 27%
  - NET Disagree: 16%
  - Don't know / Not applicable: 17%

- Digital helped to remain engaged with customers
  - NET Agree: 61%
  - Neither agree nor disagree: 20%
  - NET Disagree: 13%
  - Don't know / Not applicable: 6%

- Digital has helped diversification
  - NET Agree: 40%
  - Neither agree nor disagree: 26%
  - NET Disagree: 12%
  - Don't know / Not applicable: 23%

- New tech &/or capabilities have protected the bus
  - NET Agree: 45%
  - Neither agree nor disagree: 29%
  - NET Disagree: 17%
  - Don't know / Not applicable: 9%

- Started doing more business online
  - NET Agree: 40%
  - Neither agree nor disagree: 28%
  - NET Disagree: 24%
  - Don't know / Not applicable: 8%

- First time online presence
  - NET Agree: 27%
  - Neither agree nor disagree: 23%
  - NET Disagree: 42%
  - Don't know / Not applicable: 9%

- No trade without digital
  - NET Agree: 48%
  - Neither agree nor disagree: 21%
  - NET Disagree: 7%
  - Don't know / Not applicable: 25%
Tech adoption is a key lever for productivity

The 2018 Business Digital Index evidenced significant productivity gains for small businesses adopting technology. Transactional data indicated that small businesses, with low digital capability, could unlock up to an additional £84.5 billion in turnover, if they were to develop high digital capability. The 2019 Index found certain businesses generating an average of £262,000 in additional annual revenue - in part due to certain ‘digital levers’ such as: Cloud-based IT, online accounting software and digital training tools. Studies from Be the Business have evidenced that ‘the implementation of technology by business is proven to drive productivity’.

In early 2020, 84% of businesses felt they were productive (appendix 3). Since March, the data shown here adds to the above evidence and confirms a significant relationship between productivity and digital proficiency (appendix 4).

The pandemic has certainly impacted productivity, not least in the numbers of employees in lockdown, working from home or on furlough schemes. Digitally proficient businesses are 68% more likely to have continued trading since the start of the pandemic and are 10% less likely to have experienced a decrease in productivity (appendix 5).

1 Lloyds Bank, 2019
2 Be the Business, 2020
3 Prior to the pandemic, how productive would you say that your organisation was (i.e. level of sales relative to number of employees)?
The annual Lloyds Bank UK Business Digital Index\(^1\) repeatedly confirms a positive link between the use of digital tools and the mental health and wellbeing of business owners. Findings further supported by this data.

During Covid-19, more than half (56%) of businesses – equal to c.3.1 million - agree that they ‘wouldn’t have coped without digital technology’ (figure 5). 67% also credit online banking with helping to manage their money and reduce stress levels; 52% feel it has also helped them to feel on top of their workload.

Given the challenges of recent months, head space and peace of mind are invaluable benefits.

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\(^1\)Lloyds Bank, 2019
The report harnesses transactional digital banking data, from 200,000 small businesses, to gain insight into broader digital adoption.

Using the Index Score principles established in previous Business Digital Index reports, in 2020 we categorised transactional behaviour to document changes in digital maturity.

This shows that digital banking engagement serves as an ideal litmus test of broader digital engagement and capabilities.

As indicated (figure 6), seven digital measures were selected, to determine use of Internet banking, and to act as a guide to broader digital use.

Businesses were ranked against each measure; scores were created by averaging their results. Score from 0-100 were divided into quartiles:

- **A (75.1-100)**
- **B (50.1-75)**
- **C (25.1-50)**
- **D (0-25)**

Segments A and B (representing 22% of businesses) include the most digitally active.

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1. Internet banking user status
2. SMS alerts user status
3. Online banking visits via browser (desktop, mobile and tablet)
4. Online banking visits via app (mobile and tablet)
5. All online visits as a proportion of total visits (including off-line)
6. Online payments as a proportion of total payments
7. Online transfers as a proportion of total transfers

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Lloyds Bank, 2019
Transactional data reveals the turnover benefit for digitally-active businesses. In June alone, the most active businesses earned an extra £11,500 compared with 2019.

Analysis, from a sample of 200,000 businesses, shows the average turnover in 2020 was at its lowest in February and only marginally higher in April (figure 7). June saw an increase of 13% (to £11,500), as optimism followed the easing of restrictions. This increase was largely driven by more digitally-active small businesses.

However by August, much of this growth was wiped out. Turnovers fell once more - by 11%. There was no decrease during the same period in 2019, which appears to show an ebb and flow of average business turnover reflective of the economic climate and policies in place at the time.

Figure 7 shows the quartiles of these businesses. Those with the highest scores: Segment A, saw a 26% increase in average turnover for June 2020, compared with 2019 (£43,800 v £34,900); an extra £8,900 from the trading period the year before.

According to research from the ONS, online sales across the UK rose 31% in the same period - with consumer demand for online retail and services driving this behaviour.

This is further supported by McKinsey & Company research stating ‘Lockdowns have accelerated digital adoption...the new consumer shops online far more....’.

With Lloyds Bank’s own research - the 2020 Consumer Digital Index - 80% of the population agreed that technology was vital in supporting them throughout the pandemic; with nearly half (47%) saying buying products and services online was important to them.

As this behaviour continues to grow, businesses with an online presence need to meet the demand more quickly and more cost-effectively. Research by Kantar found that FMCG (fast moving consumer goods) e-commerce has grown by 41% since 2019 alone.

More digitally capable businesses generate more reliable revenues

Businesses that self-rated as ‘digitally proficient’ have lost less revenue since the start of the pandemic (compared to the less proficient (appendix 6). This is supported by the data, as this group is 37% less likely to have closed (either temporarily or permanently) during the pandemic (compared to 35% of those ‘identifying as not proficient’).

35% of businesses have saved costs with technology

Over a third of businesses have benefited from tech adoption during the pandemic (figure 4). Cost savings include online meeting platforms, reduced travel expenses, use of saving websites e.g. Trustpilot, online and pay-per-click advertising, and even free trials of basic software to support remote working. These savings have even more relevance when working capital is under severe pressure.

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1Turnover analysis within the transactional dataset of 200,000 businesses uses average monthly credit turnover which is defined as the total business generated income throughout the month across all of their accounts 
2Office of National Statistics, 2020, Wave 7 
3McKinsey & Company, 2020 
4Lloyds Bank, 2020 
5Kantar, 2020 
6Business in Wales, 2017 (updated in 2020)
Figure 7: Average monthly credit turnover split by digital banking segment, December 2018 to August 2020

N=160,000-197,000

Average Monthly Turnover

<table>
<thead>
<tr>
<th>DEC</th>
<th>FEB</th>
<th>APR</th>
<th>JUN</th>
<th>AUG</th>
</tr>
</thead>
<tbody>
<tr>
<td>A - 2019</td>
<td>£37.4K</td>
<td>£33.9K</td>
<td>£36.4K</td>
<td>£34.9K</td>
</tr>
<tr>
<td>A - 2020</td>
<td>£36.6K</td>
<td>£34.8K</td>
<td>£32.8K</td>
<td>£43.8K</td>
</tr>
<tr>
<td>B - 2019</td>
<td>£20.5K</td>
<td>£18.3K</td>
<td>£20.7K</td>
<td>£19.2K</td>
</tr>
<tr>
<td>B - 2020</td>
<td>£20.3K</td>
<td>£18.4K</td>
<td>£18.2K</td>
<td>£22.0K</td>
</tr>
<tr>
<td>2019</td>
<td>£12.4K</td>
<td>£10.9K</td>
<td>£12.1K</td>
<td>£11.2K</td>
</tr>
<tr>
<td>2020</td>
<td>£11.4K</td>
<td>£10.1K</td>
<td>£10.2K</td>
<td>£11.5K</td>
</tr>
</tbody>
</table>
Business confidence is linked to digital confidence

In August of this year, 60% of businesses, experiencing a fall in revenue, remained confident of returning to pre-pandemic levels. The most digitally 'proficient' were also the most optimistic about the future (Figure 8).

This confidence, however, is almost 20% higher amongst digitally proficient companies perhaps because, they are better equipped to maintain profit generating relationships and services due to their use of the internet and digital tools and services.

Figure 8. Of those who have experienced revenue decreases since the pandemic began, proportion who are NET confident about returning to pre-pandemic trading levels split by level of digital competence.

N = 795
03

Digital transformation in 2020

Business owners are motivated to do more online

2020 is proving to be a year of transformation for many, and businesses’ need continued support. This chapter focuses on the digital adaptations businesses are making and how they intend to operate.

- 1.5 million (27%) have an online presence for the first time (figure 4)
- 2.2 million (40%) have started doing more business online (figure 4)
- Online meetings (e.g. Zoom) are the most popular digital tool.
- 1.1 million (19%) businesses are now using them for the first time (figure 9)
### Figure 9: Usage of digital technology among businesses in relation to the coronavirus outbreak

<table>
<thead>
<tr>
<th>Digital Technology</th>
<th>Usage</th>
<th>N = 2,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online meetings (Zoom/Teams/Webex/Facetime)</td>
<td>32%</td>
<td>39%</td>
</tr>
<tr>
<td>Digital training tools</td>
<td>41%</td>
<td>31%</td>
</tr>
<tr>
<td>Online sales/e-commerce</td>
<td>30%</td>
<td>32%</td>
</tr>
<tr>
<td>Social media (Facebook/Instagram/Twitter)</td>
<td>20%</td>
<td>44%</td>
</tr>
<tr>
<td>Company website as a customer interface</td>
<td>28%</td>
<td>23%</td>
</tr>
<tr>
<td>Data analytics to better understand customer demographics and behaviours (e.g., Google Analytics, WebTrends)</td>
<td>47%</td>
<td>47%</td>
</tr>
<tr>
<td>Digital tools to support financial decision making (e.g., cash flow management)</td>
<td>38%</td>
<td>50%</td>
</tr>
<tr>
<td>Digital Accountancy Software (e.g., Sage, Xero, Quickbooks, FreeAgent, Kashflow, Zoho Books)</td>
<td>42%</td>
<td>38%</td>
</tr>
<tr>
<td>Connected devices (e.g., Siri, Nest etc.)</td>
<td>50%</td>
<td>42%</td>
</tr>
<tr>
<td>Customer Relationship Management systems (e.g., HubSpot, Salesforce, Zoho, Mailchimp)</td>
<td>56%</td>
<td>41%</td>
</tr>
<tr>
<td>Enterprise Resource Planning (e.g., Netsuite, Odoo, Oracle)</td>
<td>62%</td>
<td>31%</td>
</tr>
<tr>
<td>Project Management Software (e.g., Slack, MSP)</td>
<td>57%</td>
<td>40%</td>
</tr>
<tr>
<td>Cloud Software (e.g., Human Resources package/Accountancy package)</td>
<td>47%</td>
<td>68%</td>
</tr>
<tr>
<td>Digital/Internet banking</td>
<td>10%</td>
<td>23%</td>
</tr>
<tr>
<td>Recruiting staff online</td>
<td>56%</td>
<td>27%</td>
</tr>
<tr>
<td>Human Resources Software (e.g., JazzHR, Zoho People, Namely)</td>
<td>63%</td>
<td>37%</td>
</tr>
<tr>
<td>Connected devices (e.g., Siri, Nest etc.)</td>
<td>50%</td>
<td>49%</td>
</tr>
<tr>
<td>Digital tools to support financial decision making (e.g., cash flow management)</td>
<td>38%</td>
<td>62%</td>
</tr>
<tr>
<td>Digital Accountancy Software (e.g., Sage, Xero, Quickbooks, FreeAgent, Kashflow, Zoho Books)</td>
<td>42%</td>
<td>58%</td>
</tr>
<tr>
<td>Connected devices (e.g., Siri, Nest etc.)</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Customer Relationship Management systems (e.g., HubSpot, Salesforce, Zoho, Mailchimp)</td>
<td>56%</td>
<td>44%</td>
</tr>
<tr>
<td>Enterprise Resource Planning (e.g., Netsuite, Odoo, Oracle)</td>
<td>62%</td>
<td>38%</td>
</tr>
<tr>
<td>Project Management Software (e.g., Slack, MSP)</td>
<td>57%</td>
<td>43%</td>
</tr>
</tbody>
</table>

- Don’t use it at all
- Have started using it/didn’t use it before the coronavirus outbreak
- Still using it but at the same level as before the coronavirus outbreak
- Using it less now than before the coronavirus outbreak
- Will carry on using (as a proportion of firms who have started using/are using more)
The 2019 Business Digital Index report showed that one-third of businesses lacked the motivation to add an online element to their operations. A further third felt a lack of clarity, over the suitability of technologies, prevented them from making decisions. The 2020 data shows a clear shift in business thinking.

As figure 9 illustrates, despite the push towards digital solutions, a significant number of organisations have yet to employ online technology for basic communications.

The pandemic is spurring adoption

Almost 20% are meeting online. 10% are using Cloud software and 12% are using data analytics (e.g. Google Analytics and WebTrends) to better understand their customers (figure 9).

In addition, of the businesses who have begun using digital tools and services (or are using them more than before), at least half (56%) plan to continue doing so.

Sole traders are far less likely to adopt new technology

Businesses with fewer staff are far less likely to be using up-to-date digital tools and services (figure 10). 12% of sole traders employ digital training tools, a figure that is higher among businesses with more staff.

Of course, online meetings are more common when communicating with colleagues, but sole traders are also using them to interact with clients, suppliers and business contacts they need to speak with regularly.

Although, surprisingly, many sole traders still do not perform any of the digital tasks listed - 51% have never used an online training tool (e.g. the Lloyds Bank Academy[^1]); more than twice as many as those with six to nine employees (23%).

[^1]: Lloyds Bank Academy
### Figure 10. Usage of digital technology among businesses in relation to the coronavirus outbreak, split by sole trader or additional number of employees

N = 2,000

<table>
<thead>
<tr>
<th>Online meetings (Zoom/Teams/Webex/Facetime)</th>
<th>Don’t use at all</th>
<th>Have started using / didn’t use before the pandemic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>Sole trader</td>
<td>1 employee</td>
</tr>
<tr>
<td>Online meetings (Zoom/Teams/Webex/Facetime)</td>
<td>32%</td>
<td>42%</td>
</tr>
<tr>
<td>Online sales/e-commerce</td>
<td>32%</td>
<td>37%</td>
</tr>
<tr>
<td>Social media (Facebook/Instagram/Twitter)</td>
<td>20%</td>
<td>22%</td>
</tr>
<tr>
<td>Digital/Internet banking</td>
<td>10%</td>
<td>22%</td>
</tr>
<tr>
<td>Recruiting staff online</td>
<td>56%</td>
<td>74%</td>
</tr>
<tr>
<td>Digital training tools</td>
<td>41%</td>
<td>51%</td>
</tr>
<tr>
<td>Company website as a customer interface</td>
<td>28%</td>
<td>37%</td>
</tr>
<tr>
<td>Digital tools to support financial decision making</td>
<td>38%</td>
<td>51%</td>
</tr>
</tbody>
</table>
Larger businesses are transforming digitally, but small businesses have the desire

Analysis shows a clear correlation between digital activities and businesses that are:

- **Embracing new technology**
- **Spending unplanned revenue on technology**

According to the data, this is most likely businesses with the following characteristics:

- **Employee numbers 6-9**
- **Turnover: £1m-£3m**
- **Sector: Finance & Insurance**

Although larger businesses are typically better resourced (people, time, and cashflow for example) sole traders are also looking to the future and intentions are changing.

Half of businesses now prioritise digital investment, and plan to keep using digital technologies

Figure 9 shows that small businesses intend to maintain their digital activities in the future. Something further supported by the data - 46% of businesses are prioritising investment in digital tools, services and technology. 52% have been encouraged to spend and invest in tech as a result of the impact of Covid-19 (appendix 8).

Drivers of the switch to digital include: changes in customer behaviour, policies and new ways of working; and recognition that increased digital engagement can support business performance.
Online banking - logins drop to reflect revenues

Earlier the data showed that online banking is helping to reduce stress for two-thirds of business owners.

In addition, the transactional data indicates around 90% of businesses are currently registered for online banking - and those using digital banking more often typically have higher turnovers (appendix 9).

Understandably however, the average number of online banking visits has decreased since February of this year.

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**Figure 11.** To what extent do you agree or disagree with the following statements about how use of the internet and digital technology has affected operations during the pandemic? (We will prioritise digital when it comes to the future development of the business)  
N = 2,000

- **Strongly Agree:** 16%  
- **Agree:** 30%  
- **Neither agree nor disagree:** 28%  
- **Disagree:** 11%  
- **Strongly Disagree:** 8%  
- **Don’t know / Not applicable:** 7%

---

**Figure 12.** Average number of online banking visits per business (browser, app), 2018-2020  
N=160,000-197,000
The proportion of online business payments may have peaked in August with the hospitality sector recording the greatest rise

Between April and August 2020 there was an increase of ten percentage points in the proportion of online business payments (to 51%) (appendix 11). The same period in 2019 remained flat, indicating a change in behaviour some months after the start of the pandemic. Analysis, as far back as December 2018, suggests businesses are increasingly using and benefiting from online payments.

The Accommodation & Food sector (alongside ‘Other Services’) saw double digit growth in the volume of online payments (appendix 10). Between February and August 2020 the proportion (of total payments) grew 12 percentage points: from 30% to 42%. The same period in 2019 recorded growth of only two percentage points. The data indicates some sectors are capitalising to a greater degree by being able to make payments where they are able to go online.

Business’ continues to turn to Open Banking solutions

Engagement with Open Banking (volume of consents) has been growing since 2019. Given the pre-existing rapid trajectory, it is unclear from this data to what extent the Coronavirus pandemic has contributed this year.

In June 2019, the proportion of Open Banking consents, driven by businesses authorizing provider access, was virtually 0%. One year later, that figure is 9%. Given the range of services provided by third-party Open Banking suppliers, it is likely they are helping business’ to improve cost and general financial management, at a time of urgent need.

Environmental sustainability goes hand-in-hand with digital proficiency

35% of businesses (2 million) believe they are more environmentally sustainable than before the pandemic. Additionally they are much more confident of a return to pre-pandemic levels than less sustainable businesses (39% vs 19%), feel productivity has increased because of the crisis (61% vs 11%) and believe they are more digitally competent (49% vs 17%). It is not unreasonable to surmise that increased digital capabilities are enabling greater efficiency and sustainability in a number of ways.
Figure 14. To what extent do you agree or disagree with the following statements about your business and the environment?

- **Building Back Green (recovery in a more sustainable way) is on our agenda**
  - Net agree: 40%
  - Neither agree nor disagree: 31%
  - Net disagree: 18%
  - Don’t know / Not applicable: 11%

- **The business is more sustainable than before the coronavirus crisis given new measures we have taken**
  - Net agree: 35%
  - Neither agree nor disagree: 35%
  - Net disagree: 23%
  - Don’t know / Not applicable: 7%

- **COVID-19 has made us think about our purpose and impact on society**
  - Net agree: 55%
  - Neither agree nor disagree: 24%
  - Net disagree: 16%
  - Don’t know / Not applicable: 4%
The Covid-19 pandemic is transforming business’ and appetite for support with digital technology.

Regardless of capability, demand for help with digital technology spans all business types. 73% say they need support within the next 12 months. However, just 39% have received help to date; 13% from their business Bank – the largest source according to this data (figure 15).

This illustrates a significant shortfall in provision, that if neglected, could have a negative impact on many businesses at a critical point in time.

Less than a fifth (18%) of businesses believe technology to be no more relevant as a result of the pandemic - a view that is found mainly in the Construction, Property and Health sectors (appendix 12).

Whilst there are fewer digital tools and services targeting these sectors, and regulation is often a barrier to rapid innovation, businesses do exist that are employing digital solutions and discovering new revenue streams.

“About 50% of our turnover is now export and we don’t advertise ourselves. We just work hard at being found online, we work really hard on our online presence”

Hydraulics Online Limited, South Cheshire

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**Figure 15.** If your business has received support during the coronavirus crisis with adoption of technology/digital, from where did you receive this help?

<table>
<thead>
<tr>
<th>Source</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital skills specialist</td>
<td>4%</td>
</tr>
<tr>
<td>Charity</td>
<td>4%</td>
</tr>
<tr>
<td>Local Enterprise Partnership (LEP)/Growth Hub</td>
<td>7%</td>
</tr>
<tr>
<td>Corporate organisation</td>
<td>11%</td>
</tr>
<tr>
<td>Local Authority</td>
<td>12%</td>
</tr>
<tr>
<td>Our business Bank</td>
<td>13%</td>
</tr>
<tr>
<td>We have not received any support with tech adoption</td>
<td>39%</td>
</tr>
</tbody>
</table>

N = 2,000
Figure 16. Which of the following types of support with digital technology might your business require within the next 12 months?

<table>
<thead>
<tr>
<th>Support Type</th>
<th>Need Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Software and applications</td>
<td>28%</td>
</tr>
<tr>
<td>Free technical / digital skills training</td>
<td>25%</td>
</tr>
<tr>
<td>Hardware (computers, digital devices etc.)</td>
<td>25%</td>
</tr>
<tr>
<td>Improving the quality of internet access</td>
<td>23%</td>
</tr>
<tr>
<td>Networking and learning from peers</td>
<td>19%</td>
</tr>
<tr>
<td>Digital tools to understand more about your customers, such as demographics and spending patterns</td>
<td>18%</td>
</tr>
<tr>
<td>Digital tools to help make financial decisions (e.g. cash flow management)</td>
<td>15%</td>
</tr>
<tr>
<td>Digital infrastructure (systems, cybersecurity, device management etc.)</td>
<td>15%</td>
</tr>
<tr>
<td>Free leadership training and support</td>
<td>14%</td>
</tr>
<tr>
<td>Access to experts and thought leaders on technologies and how to get value from them</td>
<td>12%</td>
</tr>
<tr>
<td>Formal consultancy from a digital transformation consultant</td>
<td>8%</td>
</tr>
<tr>
<td>None of these</td>
<td>19%</td>
</tr>
<tr>
<td>Don’t know/Prefer not to say</td>
<td>8%</td>
</tr>
</tbody>
</table>

N = 2,000
Nearly half of all businesses report increasing digital proficiency

Almost half (47%, an estimated 2.6 million) of businesses say their digital proficiency has improved over the course of the pandemic. This is likely down to the substantial efforts made to adopt new digital tools and services.

A side effect of tech adoption

The increasing digital proficiency of many businesses however, may be accompanied by an increasing awareness that tech usage could impact business owners wellbeing. Nearly half feel they are always on social media, and more than a third feel their usage of technology is affecting their stress levels (figure 17). Whilst the benefits of adopting digital technology throughout the year are evident, it is vital to remember that many businesses will require ongoing support to help them navigate the digital world, but also limit the impact on mental health.

Figure 17. How much do you agree or disagree with the following statements about the impact of digital technology on your work life throughout the pandemic? N = 2,000
National & Regional Insights

At a UK level, this data shows 43% of the businesses that responded continued trading by adapting their operations, focus or both. Regionally however, the figure varies. 34% of businesses in the East of England changed their business model during the first lockdown, compared to 49% in the North East. Businesses in the North East were also the most likely to see an increase in digital payments* - the data indicates a 21% increase in August 2020 compared with August 2019. In addition, 54% of this group say digitalisation allowed them to stay open.

In comparison, 44% of businesses in London and Scotland said while their ability to use digital services allowed them to continue trading, they feel less reliant on their digital activities. London - often dubbed the 'Fintech capital of Europe' - continues to prioritise digital technology, with 37% of businesses establishing their first online presence during the pandemic. At 10% above the UK average (of 27%), London is also the place where businesses are most likely to be making digitally driven cost savings (41%), whilst the figure is only 30% across the neighbouring South East.

In Wales, 51% of responding businesses increased their digital operations during the pandemic. In addition (August 2020 vs August 2019), 22% more are making online business payments. However, owners in Wales are less likely than average to say they 'wouldn’t have coped without digital technology' (48% vs 56% average) – indicating a greater sense of technological independence and that training, led by 'Superfast Business Wales' is working.

The Midlands very much reflects the data median. Neither East Midlands nor West Midlands trail in the rankings, nor do they lead other regions – save for the extent of their digital transformation during Covid-19.

In the West Midlands, businesses are more likely to have established an online presence for the first time (29% vs 23% East Midlands) or to have taken more of the existing business online (43% vs 33% East Midlands). Despite this lead in digital uptake, the East Midlands is most likely to have continued trading in different ways (47% vs 43% in the West Midlands).

According to this data, businesses across the South West are closest to the UK average. In separate research - conducted through Lloyds Banking Group ‘The Big Conversation’ roundtables, more than a quarter of firms in this region felt they are more innovative and resilient than six months ago.

*of those who’ve made more than one total payment
Businesses in London and the North West rank equal highest (41%) for those feeling ‘the volume of technology [they are using] is proving to be stressful and exhausting’ - a documented phenomenon known as ‘technostress’.

Conversely, more than two-thirds (69%) of those in the North West believe that, thanks to online banking, they are experiencing less stress in managing their finances. And, more than half (55%) have simplified their organisation with tech - the highest number both nationally and regionally – a figure shared with the North East. Doubtless local policies and restrictions are contributing to these differences as well local support; authorities including GMCA and Wigan Council continue to be noticeably proactive and have had a leading strategy.

In Yorkshire & Humberside, 52% of businesses feel their continued ability to trade throughout the pandemic is because of the way they have used digital services. In Northern Ireland, more than half (51%) say tech is helping to simplify the way they do things.

For more information on the national and regional data please get in touch at this address: DigitalSkillsInclusion@lloydsbanking.com
For over five years, Lloyds Bank has evidenced how crucial technology is for small businesses and the digital economy - and seen only incremental adoption. Across industry and business networks alike, it has long been thought that some small businesses would never move online.

We know not every business wants to grow, and for many organisations digitalisation is associated with expanding a business. In fact, some of the greatest success stories we have seen through our research and community work, come from sole traders where technologies are making their operations more efficient, giving them more time to focus on what truly matters.

Stories such as Love Holidays, in Stockport. A small independent travel advisory service that previously relied on face-to-face conversations with its elderly customers; often involving ‘a cup of coffee or a bite to eat’. A dedicated business, in one of the hardest hit sectors, now using video conferencing to re-connect with familiar friends and to start new relationships. The difference in 2020 is that now, 2.2 million businesses are doing more online.

More and more owners are recognising the time, money and effort digital can save them, how they can keep connected to customers, and gain financial resilience. Last year the Lloyds Bank Business Digital Index showed over a third of businesses had no desire to invest in digital and 41% didn’t see the relevance to their business.

In 2020, half of small businesses are prioritising digital above any other investment. The issue now facing small businesses isn’t why but where to start? Which technologies should they invest in first; who are the trusted providers; are free resources as good as paid for?

However, despite unprecedented levels of multi-media digital promotion and advertising, 61% of businesses have no idea where to find this vital support.
For the first time, hundreds of thousands of businesses are asking for help navigating an overwhelming landscape. And the numbers are growing.

As organisations servicing these businesses, we must invest in their future and keep it simple. In our day to day, we must design accessible, clear and engaging experiences, that make our products and services easy to use. More than that, we must consider the business lifecycle and come together at the key moments for organisations. As they start and scale up, we can help them to embed principles of accessibility, inclusivity and sustainability. We can advance networks, across sectors, to bring empathetic engagement and trusted support. **We can build the foundations for stronger, digitally enabled businesses.**

With uncertainty still on the horizon, and a renewed focus on regional equity, we are encouraged to see that policymakers are recognising the part technology has to play in facilitating success for all types and sizes of business. Now more than ever we must put down our brands and work together to leverage our scale, partners and relationships, for the lifeblood of our economy.
Small business stories
MICHAEL'S STORY

Bolt Body Wellness

NO PAIN, NO GAIN

Wholesale/Health and Fitness Microbusiness
1 Owner, 7 employees
Belfast
As a society, we’ve never been more conscious of our wellbeing. For gym owners and nutrition brands, this healthy microbusiness - Bolt Body Wellness – more than satisfies a trend.

In spite of the impact the pandemic is having on this industry, one surprising change is the increasing demand for nutritional supplements and for digital access to suppliers.

This was welcome news for Bolt, who provide gyms and health shops with a range of health and beauty supplements – and crucially, help retailers to design and develop their own product messaging and to navigate regulations set by Environmental Health and national government.

**Pre-pandemic**

Before 2020, this wholesale business saw a bright future. New custom, via word of mouth recommendation and face-to-face relationship building was powering the business.

“There would be a quick telephone call and if the people were happy, we would arrange for a face-to-face meeting. This worked for us”

Owner, Michael, consciously restricted his online presence, as all too often competitors simply copied his operating model.

As a result, everything ran from one computer. Software was used to manage the accounts, but there was very little else. Michael was reluctant to change a successful business model and would have stayed put if not for the pandemic.

**Covid-19**

From the moment of the first lockdown, Bolt was hit in two ways.

Firstly, staff were unable to come into the office: self-isolating or working from home. A major issue for any business with only a single computer and almost zero online presence.

Second, face-to-face client meetings simply stopped. For many businesses, in 2020 this shift in operations proved unsurmountable. For Bolt, it was the encouragement the business needed. And, a surprising development in the personal fitness market helped drive the change in operations too.

“I’m a bit reluctant to change. If something has been working, you think well, why would I change that? But, it’s now taken out of our hands; we do have to move with the current circumstances and current environment”

It turned out that home workers and furloughed employees had more time on their hands, but fewer ways to occupy themselves outside of work.

One of the most popular was taking better care of their health and fitness. As individuals began exercising more often, demand for Bolt’s supplements grew - by as much as 10%.
To respond effectively, the business had to adapt and digital tools were the solution.

Seeing a rise in online gym classes and fitness instruction, Michael embraced the concept of virtual meetings to connect with staff, and connect staff with clients, saving time and money which he invested in essential digital technology.

“We invested in large screens and really high-quality speakers and cameras”

This investment was backed by an online ordering system and client-facing catalogue, enabling 24/7 automated product orders. High priority requests even received their own dedicated printer.

“Before, we only operated within business hours. People now have that flexibility... to order... as and when they want”

The benefits spurred Michael on. He soon started to consider what more digital might do.

He’s since invested in an HR system (with a £2,000 annual subscription), that manages the majority of staff data, and a mobile app giving employees a secure self-service platform to organise their own work-life balance.

Overall, Michael estimates the costs of these new technologies, infrastructure and software come to £10,000, but he’s not about to press pause anytime soon.

“It’s setting it up for the future too, we actually have the platform there for when we need it”

Having been forced to adapt by a national pandemic, and to accelerate his own learning curve, Michael is embracing the new digital world. Bolt will not return to its traditional methods. The value digital has delivered is clear to see, and Michael for one, feels all the better for it.

“Being totally honest, it’s been positive. It’s given us an opportunity to come out and be stronger”
ARTI’S STORY

AD
Orthodontics Limited

SOMETHING TO SMILE ABOUT

Healthcare microbusiness
1 Owner, 9 employees
London
Staying inside to stay safe, makes certain healthcare needs harder to satisfy. Needs like finding a dentist.

Dental practice, AD Orthodontics, was determined that the lockdown would not prevent them from checking up on patients. Digital technology delivered the solution.

Like the majority of dental practices AD Orthodontics was heavily affected, but a combination of quick thinking and innovative uptake of new technology helped protect the business.

Pre-pandemic

Digital services were not new to AD Orthodontics. The business sold healthcare products via its website. The practice took appointments using an online system and did the same with treatment plans and billing. Occasionally, owner/orthodontist Arti also employed an IT consultant for technical support and marketing, including limited social media.

Arti was already digitally confident, but the pandemic revealed the true potential for her business.

Covid-19

“I was seeing 40 patients a day, now it’s 6 or 7 if I’m lucky”

Within weeks of the lockdown, Arti’s business went from 40 appointments a day, including a good proportion of private patients, to 15% of that. Staff were soon furloughed and with no face-to-face appointments, revenues quickly ran dry.

If the patient can’t visit a dentist, perhaps the dentist can still see the patient?

Arti quickly saw a solution. Despite never having used the technology before, she began with online meeting platforms Zoom and Facetime, using them to connect to patients remotely. This gave her the freedom to arrange appointments, to consult in a secure space, to examine the patient’s mouth and to follow up on aftercare and treatment plans. All for free and from anywhere and anytime they might choose.

The services proved themselves so simple and time efficient that Arti now has them on her mobile, desktop and laptop.

“A picture speaks a thousand words - over the phone they were anxious, they didn’t like not seeing my facial expression”

Digital engagement is benefitting the supply side of the business too. Arti uses gaps in patient appointments to increase her digital marketing on Facebook and Instagram – and to add to the patient advice posted on the business website.

Technology has also changed the way she engages the team. Zoom works for patients and for staff. Now everyone shares updates frequently and effortlessly without the need to meet in person.
“Not everyone can travel in. We had meetings about when the practice will open and what’s happening.”

Summary

Arti is more digitally skilled as a result of the pandemic and her business is more resilient.

By embracing the flexibility that video conferencing is bringing to patients, staff and herself, she’s developing new ways of working – ways that in turn help the business make more of the future, whatever it holds.
HELEN AND MARK’S STORY

Hydraulics Online Ltd

IF IT AIN’T BROKE – FIX IT

Service microbusiness
2 Owners, 5 employees
South Cheshire
For 16 years, owners of Hydraulics Online, Helen and Mark, built an unconventional engineering consultancy service.

They did this by combining their native skills - financial services and project management with hydraulics know-how – and a reputation for independent expert advice. Before the 2020 pandemic, Hydraulics Online proudly exported bespoke engineering advice and offered niche products (upwards of 80 brands) to clients in 130 countries - from ambitious start-ups to international names.

Pre-pandemic

As the name suggests, Hydraulics Online was not without knowledge of the digital environment. Operating from a small commercial unit, the business employs a further five full-time staff. Helen took care of processes and the digital business, and Mark oversaw the technical aspects. With the majority of revenue coming via the website, ‘being found’ was always critical. From the outset, the company invested in its digital footprint, web presence and analytics.

“About 50% of our turnover is now export and we don’t advertise ourselves. We just work hard at being found online, we work really hard on our online presence”

However, some digital ventures proved to be more successful than others.

With a number of crucial operations split between Sage and Excel spreadsheets, six years ago Helen previously trialled a digital CRM (Customer Relationship Management) solution. Despite researching, speaking to consultants and introducing a customised system, Helen the end result was nothing short of a disaster. The product was not fit for purpose and Helen requested a refund and returned to the previous way of working.

Conversely, following up on a LinkedIn post, Helen was an early participant in the Advisory Board pilot programme, run by Be the Business.

Serving as an advisory board for Hydraulics Online, Helen felt the business would greatly benefit from their input and insight. She applied and was quickly accepted.

“...It acts like our executive board and it’s the place that I can go to share our plans and our vision, for both challenge and support. I came out of it feeling absolutely exhausted and buzzing”

Initially plans were to meet face-to-face, over the course of a year. But as is so often the case in business, six months in and the unexpected happened.

Covid-19

The business has traded through the pandemic with the team remaining fully in tact, other than when two members of staff were furloughed for the mandatory three weeks.
Helen elected to work from home in March, a decision which led to her introducing online video conferencing for the team (via Zoom).

The same innovation allowed existing clients to review the critical aspects of tabled projects – such as technical drawings, which removed the need for either side to make a physical journey.

“There was a project where normally there would have been a site visit and a big technical drawing that Mark and others needed to review. That was done via Zoom and it worked really well”

Soon after, Helen introduced WhatsApp for quick team catch ups and updates. All for little to no expense to the business. But perhaps the biggest change came from Helen’s return to an online CRM system.

Clearing her diary, Helen dedicated time to researching a half a dozen potential solutions. She trialled and tested each one remotely, watching YouTube demonstrations, studying reports on review sites and trialling online support functionality. Helen finally contacted a local implementation partner, who turned out to be someone she already knew.

Working with the wider team, Helen has produced a comprehensive set of business requirements and these will now be taken forward within a series of end-to-end process mapping sessions. The resulting App bundle (from Zoho) provides adaptive email, financial records that link direct to HMRC, and automatically reconciles banking and invoicing.

There’s also an analytics dashboard, that allows customers to interact with the existing website, while capturing sales leads and increasing conversion for the business.

Whilst the upfront costs are quite significant, the ongoing user license fees are more manageable at £30 per month per user. A small price to pay to maintain client relationships and maintain workflows.

“We only convert about 10 to 15% of what we quote…turning that handle on conversion rates would be a huge boost to our bottom line”

Summary

Helen and Mark continue to look at new ways of working.

They understand technology alone cannot save a company, but that in the post-Covid-19 world, technology is an essential part of doing business.
ROD AND SAM’S STORY

Milk Cafés

GIVING IT THEIR BEST SHOT

Hospitality microbusiness
2 owners, 9 employees
Edinburgh
Milk, a thriving, café business has always used digital technology. Over the years, owners Rod and Sam have added promotional marketing, staff management and an integrated point of sale system, which allows payments via phone/tablet and delivers simple, granular sales data.

Online accounting is a business keystone, giving Milk a user-friendly, transparent system and easy access to income and cash flow, any time day or night.

“We can go into each company and drill down by the month and see what we’re spending on wages, what we’re purchasing and importantly whether we’re profitable or not. Everyone is used to apps on their phone, and that’s how it looks, nice and clear and simple”

Pre-pandemic

Innovative and ambitious, Milk’s owners factored technology into the daily functionality of their business – and their long-term plans. They were even contemplating an online shop.

Covid-19

In March 2020, Milk’s revenues ran dry. Pre-booked events were cancelled, customers stayed away, orders dropped, then flatlined.

Following national guidelines, cafes had to be closed, stock managed and customers turned away, and all with no clear understanding of the days and weeks ahead.

In March the furlough scheme was announced, and although administratively stressful, this helped Rod and Sam and their employees move forward with a new business plan.

“It was a Monday night I remember [23rd March] and the Prime Minister said ‘you’re closing down’ and that was a relief. That was it, we just had to stop everything going out of the bank. Just like shut down”

Rod and Sam took advantage of new government grants to ease the short-term crisis. But they also increased their commitment to technology.

Working with hosting experts Weebly, they built and launched an online shop, offering fresh foods and drinks, and door to door delivery.

“We’d thought about doing an online shop for years and then we basically did one in a night”

Quickly attracting 120 repeat orders, the investment costs were minimal with no set up charges; the host taking a small percentage from each completed transaction.

To further awareness of the online service, Milk used Mailchimp for targeted email messaging and heightened their social presence, with a new Instagram account.
Once the first lockdown eased, Rod and Sam re-opened a number of key venues and dialled back their online offer due to renewed in-store customer demand.

Currently, Milk’s operations remain semi-skimmed. Venues are subject to lockdown and how willing consumers are to return to the high street. Some staff have been recalled, others remain furloughed. The business eagerly awaits the New Year and the increased tourism this brings.

Having proven its value in the short-term, the online shop may yet reappear.
LYNDON’S STORY

Nosh @ No1

THINK INSIDE THE BOX

Hospitality microbusiness
1 owner, 1 employee
Leeds
For three years Nosh @ No1, a small independent café, sold hot and cold foods and beverages to customers in the west of Leeds. Owned and run by Lyndon, the business was greatly supported by regular breakfast orders from workers at two nearby businesses.

### Pre-pandemic

Despite its ‘@’ branding, the café’s business model was rather more traditional. Lyndon insisted on cash payments and still took money to his local bank twice a week. His one foray into digital technology had been a disappointing experience when attempts to attract passing Saturday football fans via Facebook were largely ignored.

Consequently, the social page was left to run itself. Before the pandemic, Nosh @ No1 was only really ‘ticking over’.

### Covid-19

Without warning, the café, was forced to reinvent itself. Deemed ‘an essential business’ Nosh @ No1 initially picked up custom as nearby competitors were either forced or decided to shut. But, as local businesses also started to close, regular custom stalled and the rise in visits from nearby homes couldn’t make up the shortfall.

**“Covid-19 has shown that I need to adapt or not survive”**

Lyndon quickly realised that, with the surge in people working from home and needing basic fresh food items, opportunities were there for the taking. However, still a young business, Nosh @ No1 lacked the accounts to secure sizeable loans and government grants, and Lyndon’s wife, made redundant the year before, had just learned that her new role had succumbed to the pandemic.

Forced to diversify his products and approach, Lyndon began advertising afternoon tea boxes online. Overnight, this innovation delivered a noticeable jump in business. Eager to do more, Lyndon seized the chance to look again at where and how he marketed his business, and even how he took payment.

Alongside traditional sandwich boards outside the café, Lyndon started promoting his afternoon tea boxes and bread boxes on Facebook.

Fuelled by community spirit, likes and shares, word quickly spread and customers began to order direct from the previously dormant Facebook page. Thanks to a dedicated mobile app, they started to pay in advance too.

**“To be honest I should have done it years ago”**

Lyndon worries that his regular customers might never return. But, thanks to technology and his own creativity, he hopes to prosper from the new normal, whatever that may be.

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**Summary**

Lyndon worries that his regular customers might never return. But, thanks to technology and his own creativity, he hopes to prosper from the new normal, whatever that may be.
FRAN’S STORY

Estry Elkinson Promotions Limited

KEEP CALM AND CARRY ONLINE

Logistics / Recruitment microbusiness
1 owner, 5 employees
Manchester
Pre-pandemic

As an owner-manager, Fran felt personally responsible for the future of her business and employees. With well-known and growing brands among its clients, Estry Elkinson Promotions was trusted, relied on and doing well. However, for all its strengths, the business was far from digitally native. The majority of clients were used to face-to-face kick-off meetings. Fran and team were accustomed to physically sourcing and collecting promotional materials, and travelling to venues to oversee event preparations. Then there were all the hours of public interactions.

“The basically, you ring me up and say ‘we need you to erect a stadium so that people can come and drink and watch a video screen’. That’s an off the cuff example, it could be absolutely anything - and I make it happen”

The business did have a small digital footprint. A two-year-old website driving the majority of client awareness and inquiries. Social channels - Facebook, Instagram and LinkedIn - hosting infrequent posts and blogs, targeting different business sectors; and everyone had an Office 365 enabled laptop.

Despite IT recommendations via a trusted third-party supplier, Fran saw no need to increase her digital capabilities. The team regularly shared key information and Fran had no issues delegating.

Covid-19

From the moment lockdown began, business fell away. For six weeks there was no income. With zero opportunities to meet clients and customers face-to-face the future seemed very bleak. Fran estimates this cost the business £50,000.

Even with lockdown easing, revenues remained low. A number of clients simply cancelled all scheduled business. Others for the long-term.

Where clients did re-engage, very often the briefs were smaller than planned and put fresh emphasis on finding creative solutions to the client’s own crisis.

Forced to innovate, like all great business owners, Fran embraced the unknown, and through technology found her lifeline.

“Without digital I think we would have been bankrupt. I think it would have been a very, very bad impact”

Online meeting tools had a profound and rapid impact. Through trial and error, and help from an online learning course Fran joined at the start of the pandemic, the whole team quickly gained the confidence to run and maintain virtual project meetings.
“It saves money and time. If I’ve got two or three meetings in a day, I can do them all over the country. It’s completely changed the way I work going forward”

Back in contact with the client, the new realities of business, coupled with Fran and her team’s expertise helped them pivot from facilitators to co-creators, generating Covid-19 friendly promotional ideas, all their own.

Rather than sending employees out to source and secure stock, the business now buys far more online, saving additional time and resources. Fran has fully embraced digital banking too, benefiting from instant spend and payment notifications, balance checking and her own payment releases, all from a single mobile touchpoint.

“Digital has completely changed the way I work for the better”

Summary

The promotions business is all too easily affected by events. Yet, as Fran knows, only those businesses that are prepared to adjust will be around to profit from tomorrow.
Methodology

This report draws its insights from two new datasets created to measure changes in the business population throughout 2020 – specifically those businesses on the smallest end of the small business spectrum.

Microbusinesses are defined by the Department for Business, Energy and Industrial Strategy (BEIS) as those with 0 to 9 employees and are a sub-group of Small and Medium sized Enterprises. Business population estimates indicated in 2019 there were more than 5.6 million microbusinesses, accounting for 96% of all UK businesses, 33% of total employment and 22% of turnover¹. For simplicity, these figures have been used to extrapolate populations from the two research samples in this report.

1. Online survey of 2000 businesses across the UK:
Research was conducted by Gusto Research through an online survey among those with sole/joint responsibility for their business’s operations. All businesses had a range of 0-9 employees (excluding the survey participant) as well as having annual turnover up to £3 million. Total sample size was 2000 businesses, with fieldwork undertaken from August 11th – 31st. The sample was split into 1000 interviews with businesses with no employees (i.e. sole trader) and 1000 interviews with businesses with 1-9 employees. This split was chosen as it closely represents the UK split of businesses with 0-9 employees who are registered for PAYE or VAT.

The Office for National Statistics recorded 2.6 million private sector businesses as registered for VAT or PAYE, 45% of the estimated total business population².

2. A transactional sample of c.200,000 UK businesses:
The sample, initially created in July 2020, was added to in August to include Lloyds and Bank of Scotland Retail Business Banking customers with less than £3 million annual credit turnover - January 2020 and June 2020.

Organisations that started a relationship with Lloyds Bank or Bank of Scotland since January 2020 - but that still meet the June 2020 criteria - are also included.

In order to align to BEIS data³ the sample only includes private businesses. Representative of private businesses in the UK by sector, all clubs, societies, associations, charities, local authorities, central government and public corporations have been removed.

Please note that throughout the report there may be figures in which not all of the data totals to 100%, this is due to rounding.

Appendix 1

Now please think about your organisation’s activity during the coronavirus situation. At an overall level, how has your organisation managed to carry on, 2020.

N=2,000

*Caution advised due to small sample

Appendix 2

Thinking specifically about trade/revenue levels during the coronavirus crisis, how has your organisation been affected?

N=2,000

<table>
<thead>
<tr>
<th>Category</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>27%</td>
</tr>
<tr>
<td>Property</td>
<td>11%</td>
</tr>
<tr>
<td>Finance &amp; ins</td>
<td>14%</td>
</tr>
<tr>
<td>Info &amp; comms</td>
<td>17%</td>
</tr>
<tr>
<td>Agric, forestry &amp; fishing</td>
<td>21%</td>
</tr>
<tr>
<td>Wholesale, retail &amp; repair</td>
<td>22%</td>
</tr>
<tr>
<td>Prof, scientific &amp; tech</td>
<td>24%</td>
</tr>
<tr>
<td>Business admin &amp; support services</td>
<td>24%</td>
</tr>
<tr>
<td>Production</td>
<td>25%</td>
</tr>
<tr>
<td>Transport &amp; storage</td>
<td>29%</td>
</tr>
<tr>
<td>Health</td>
<td>30%</td>
</tr>
<tr>
<td>Construction</td>
<td>34%</td>
</tr>
<tr>
<td>Public admin &amp; defence</td>
<td>37%</td>
</tr>
<tr>
<td>Arts, ent, rec &amp; other services</td>
<td>37%</td>
</tr>
<tr>
<td>Accom &amp; food services</td>
<td>39%</td>
</tr>
<tr>
<td>Education</td>
<td>43%</td>
</tr>
<tr>
<td>Decreased a lot</td>
<td>35%</td>
</tr>
<tr>
<td>Decreased a little</td>
<td>31%</td>
</tr>
<tr>
<td>No real change/stayed the same</td>
<td>22%</td>
</tr>
<tr>
<td>Increased a little</td>
<td>8%</td>
</tr>
<tr>
<td>Increased a lot</td>
<td>3%</td>
</tr>
<tr>
<td>Don’t know/Prefer not to say</td>
<td>1%</td>
</tr>
<tr>
<td>NET Increased</td>
<td>11%</td>
</tr>
<tr>
<td>NET Decreased</td>
<td>66%</td>
</tr>
</tbody>
</table>
Appendix 3

Prior to the pandemic, how productive would you say that your organisation was (i.e. level of sales relative to number of employees)?

N = 2,000
Appendix 4

Prior to the pandemic, how productive would you say that your organisation was (i.e. level of sales relative to number of employees)? Split by current level of digital proficiency.

N=2,000

<table>
<thead>
<tr>
<th></th>
<th>Digitally proficient</th>
<th>Acceptable digital proficiency</th>
<th>Non digitally proficient</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET Productive</strong></td>
<td>90%</td>
<td>81%</td>
<td>68%</td>
<td>63%</td>
</tr>
<tr>
<td><strong>NET Not productive</strong></td>
<td>8%</td>
<td>16%</td>
<td>30%</td>
<td>19%</td>
</tr>
<tr>
<td><strong>Don’t know/Prefer not to say</strong></td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Appendix 5

Likelihood to have continued trading through the pandemic and to have experienced a change in productivity split by level of digital proficiency.

N=2,000
Appendix 6

You said that your organisation has seen a decrease in trade/revenue during the crisis? By how much would you say business has dropped vs. pre-pandemic. Split by level of digital proficiency.

N=1,323

<table>
<thead>
<tr>
<th>Level of Digital Proficiency</th>
<th>Total</th>
<th>Proficient</th>
<th>Acceptable</th>
<th>Non proficient</th>
<th>Don’t Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>10% or less</td>
<td>13%</td>
<td>15%</td>
<td>9%</td>
<td>9%</td>
<td>26%</td>
</tr>
<tr>
<td>11-20%</td>
<td>14%</td>
<td>18%</td>
<td>11%</td>
<td>5%</td>
<td>20%</td>
</tr>
<tr>
<td>21-30%</td>
<td>17%</td>
<td>19%</td>
<td>15%</td>
<td>13%</td>
<td>9%</td>
</tr>
<tr>
<td>31-40%</td>
<td>11%</td>
<td>11%</td>
<td>10%</td>
<td>13%</td>
<td>NA</td>
</tr>
<tr>
<td>41-50%</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
<td>10%</td>
<td>NA</td>
</tr>
<tr>
<td>51-60%</td>
<td>7%</td>
<td>6%</td>
<td>8%</td>
<td>7%</td>
<td>3%</td>
</tr>
<tr>
<td>61-70%</td>
<td>6%</td>
<td>5%</td>
<td>6%</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>71-80%</td>
<td>6%</td>
<td>5%</td>
<td>7%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>81-90%</td>
<td>4%</td>
<td>3%</td>
<td>5%</td>
<td>7%</td>
<td>NA</td>
</tr>
<tr>
<td>91-100%</td>
<td>14%</td>
<td>9%</td>
<td>17%</td>
<td>21%</td>
<td>23%</td>
</tr>
<tr>
<td>Don’t know/Prefer not to say</td>
<td>2%</td>
<td>1%</td>
<td>3%</td>
<td>3%</td>
<td>9%</td>
</tr>
</tbody>
</table>
Appendix 7

Prior to Covid-19, what were your company plans regarding digital technology, in terms of time and/or financial investment?

N=2,000

- Digital technology investment was a key area for investment, above other business areas
  - 20%
  - 33%
  - 53%

- We planned to invest in digital technology but it had equal priority to other business areas
  - 31%

- Other areas were a priority - digital technology had little/no focus for investment
  - 15%

- Don’t know/Prefer not to say
  - 15%

Appendix 8

And to what extent would you say that the level of your organisational spend on digital technology has been influenced by the coronavirus crisis?

N=2,000

- The coronavirus crisis has had a large influence on the level of spend on digital technology
  - 20%

- The coronavirus crisis has had some influence on the level of spend on digital technology
  - 33%

- The coronavirus crisis has had no influence on the level of spend on digital technology
  - 32%

- The business would like to spend more on digital technology but is currently financially constrained
  - 10%

- Don’t know/Prefer not to say
  - 9%

- NET Large/Some influence
  - 52%
## Appendix 9

Average digital banking score by turnover, August 2020.

N=196,000

<table>
<thead>
<tr>
<th>Turnover</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>£0 to £5K</td>
<td>6.9</td>
</tr>
<tr>
<td>£5001 to £10K</td>
<td>18.6</td>
</tr>
<tr>
<td>£10001 to £15K</td>
<td>26.1</td>
</tr>
<tr>
<td>£15001 to £20K</td>
<td>28.6</td>
</tr>
<tr>
<td>£20001 to £25K</td>
<td>30.2</td>
</tr>
<tr>
<td>£25001 to £50K</td>
<td>31.8</td>
</tr>
<tr>
<td>£50001 to £100K</td>
<td>34.6</td>
</tr>
<tr>
<td>£100001 to £250K</td>
<td>37.7</td>
</tr>
<tr>
<td>£250001 to £500K</td>
<td>40.3</td>
</tr>
<tr>
<td>£500001 to £1M</td>
<td>42.6</td>
</tr>
<tr>
<td>£1000001 to £2M</td>
<td>43.7</td>
</tr>
<tr>
<td>£2000001 to £3M</td>
<td>44.7</td>
</tr>
<tr>
<td></td>
<td>46.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Zero</th>
<th>£0 to £5K</th>
<th>£5001 to £10K</th>
<th>£10001 to £15K</th>
<th>£15001 to £20K</th>
<th>£20001 to £25K</th>
<th>£25001 to £50K</th>
<th>£50001 to £100K</th>
<th>£100001 to £250K</th>
<th>£250001 to £500K</th>
<th>£500001 to £1M</th>
<th>£1000001 to £2M</th>
<th>£2000001 to £3M</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.9</td>
<td>18.6</td>
<td>26.1</td>
<td>28.6</td>
<td>30.2</td>
<td>31.8</td>
<td>34.6</td>
<td>37.7</td>
<td>40.3</td>
<td>42.6</td>
<td>43.7</td>
<td>44.7</td>
<td>46.0</td>
</tr>
</tbody>
</table>
### Appendix 10

Percentage growth in the volume of online payments made by businesses with at least one total payment between February and August 2020.

N=188,000 - 196,000

<table>
<thead>
<tr>
<th>Industry</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity, gas, steam and air conditioning</td>
<td>NA*</td>
</tr>
<tr>
<td>supply</td>
<td></td>
</tr>
<tr>
<td>Accomodation and food service activities</td>
<td>12%</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>NA*</td>
</tr>
<tr>
<td>Other service activities</td>
<td>10%</td>
</tr>
<tr>
<td>Information and communication</td>
<td>8%</td>
</tr>
<tr>
<td>Professional, scientific and technical activities</td>
<td>8%</td>
</tr>
<tr>
<td>Water supply; sewerage, waste management and remediation activities</td>
<td>8%</td>
</tr>
<tr>
<td>Wholesale and retail trade; repair of motor vehicles and motorcycles</td>
<td>8%</td>
</tr>
<tr>
<td>Administrative and support service activities</td>
<td>7%</td>
</tr>
<tr>
<td>Arts, entertainment and recreation</td>
<td>7%</td>
</tr>
<tr>
<td>Financial and insurance activities</td>
<td>7%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>7%</td>
</tr>
<tr>
<td>Real estate activities</td>
<td>7%</td>
</tr>
<tr>
<td>Transportation and storage</td>
<td>7%</td>
</tr>
<tr>
<td>Agriculture, forestry and fishing</td>
<td>6%</td>
</tr>
<tr>
<td>Construction</td>
<td>6%</td>
</tr>
<tr>
<td>Education</td>
<td>6%</td>
</tr>
<tr>
<td>Human health and social work activities</td>
<td>6%</td>
</tr>
</tbody>
</table>

*Sample too small*
Appendix 11

Online payments as proportion of total payments (for businesses with >0 total payments) over time.

N=160,000 - 196,000

<table>
<thead>
<tr>
<th>DEC</th>
<th>FEB</th>
<th>APR</th>
<th>JUN</th>
<th>AUG</th>
</tr>
</thead>
<tbody>
<tr>
<td>43%</td>
<td>44%</td>
<td>41%</td>
<td>43%</td>
<td>51%</td>
</tr>
</tbody>
</table>

2018 - 2019

2019 - 2020
Appendix 12

Which of the following (if any) has stopped your business using digital. 'Do not see it as relevant for our organisation.'

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>18%</td>
</tr>
<tr>
<td>Property *</td>
<td>27%</td>
</tr>
<tr>
<td>Construction</td>
<td>22%</td>
</tr>
<tr>
<td>Transport &amp;</td>
<td>20%</td>
</tr>
<tr>
<td>Health</td>
<td>20%</td>
</tr>
<tr>
<td>Public admin &amp;</td>
<td>19%</td>
</tr>
<tr>
<td>Wholesale, retail</td>
<td>17%</td>
</tr>
<tr>
<td>Accom &amp; food</td>
<td>17%</td>
</tr>
<tr>
<td>Prof, scientific *</td>
<td>17%</td>
</tr>
<tr>
<td>Arts, ent, rec &amp; *</td>
<td>17%</td>
</tr>
<tr>
<td>Agric, forestry &amp;</td>
<td>16%</td>
</tr>
<tr>
<td>Production</td>
<td>16%</td>
</tr>
<tr>
<td>Bus admin &amp;</td>
<td>15%</td>
</tr>
<tr>
<td>Info &amp; comms</td>
<td>14%</td>
</tr>
<tr>
<td>Finance &amp; ins *</td>
<td>13%</td>
</tr>
<tr>
<td>Education *</td>
<td>12%</td>
</tr>
</tbody>
</table>

*Caution advised due to small sample
Please contact us if you would like this information in an alternative format such as Braille, large print or audio CD.

Great care has been taken to ensure that the information used here cannot, in any way, be traced to a specific individual. This report uses aggregated data across social and demographic groups to highlight trends and insights that will help consumers, charities and UK Government to understand more about our nation’s digital and financial inclusion landscape.

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