

Closing Britain's digital skills gap: Getting every small business online

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Why micro businesses need their own digital marketing report

Despite small and micro businesses playing a crucial role in the UK economy, this study shows that many of them lack the basic tools and skills to benefit from the digital marketing revolution. The evidence in this report is drawn from a study commissioned by 123 Reg asking businesses how important they felt digital marketing was to their success, what they considered to be their current capabilities, and what they felt were the main barriers to developing the right skills.

Digital marketing is an essential ingredient of micro business success

This issue is of particular importance today, with recent developments meaning digital marketing is both more accessible and more important to business success than ever. This is a relatively new perspective; since the emergence of digital marketing as a discipline in the mid 1990's, many small and micro businesses have tended to see it as an option rather than an essential. 'Digital' was often perceived as only for large companies and big brands who could afford expert staff, agency support and expensive software. Now, the playing field has levelled with numerous low-cost, easy-to-use tools available for smaller businesses. Whether it's social media marketing, personalised websites, online advertising or monitoring performance and analytics – the world of digital marketing has opened up tremendously. When you combine this with the enormous shift in audience behaviour over the past ten years, small and micro businesses really do have a new opportunity to grow and compete with each other and with larger businesses.

Micro businesses have different digital needs to larger businesses

Micro businesses in particular stand to gain a lot from implementing a few simple aspects of digital marketing into their day-to-day working routines. This prompts the question tackled by this study; why are so many not making the most of digital opportunities available to them?

Despite their size and scale, micro businesses have proven advantages over larger ones. They are frequently able to offer a more personalised service, have a greater community profile, and studies have shown, they are perceived as more trustworthy than large organisations. If these advantages could be coupled with successfully implementing the right elements of digital marketing, from local Search Engine Optimisation (SEO) to effective email marketing, there could be real business benefits.

However, micro businesses also have different support needs. These business owners frequently manage all aspects of their organisation from finance to sales, and marketing, through to product or service delivery. Typically, they don't have significant time to learn new digital skills. In many cases they may also lack the deeper marketing knowledge that is the foundation of effective digital marketing. So, micro business owners require training and tools that recognise these factors, which isn't always the case in a digital marketing industry that has grown up supporting larger businesses.

Success of the micro business sector is of crucial importance for the UK economy

Micro businesses make up nearly a fifth of the UK economy at £763bn, and at 5.1 million make up 95% of all businesses. As such, this study is not only important for micro businesses, it is also potentially critical for the economy as a whole.

This paper is drawn from a study looking at micro and small business knowledge and implementation levels when it comes to digital marketing. It also explores the unique set of challenges and barriers facing these businesses, getting under the skin of a digital skills gap in this sector.

These findings are encapsulated by five key points summarising the state of the digital marketing landscape for this incredibly varied business sector:

- There is a digital marketing skills gap
- Importance of digital marketing
- The successful tools for micro businesses
- Simple changes could make a big difference
- Overcoming the barriers to digital marketing success



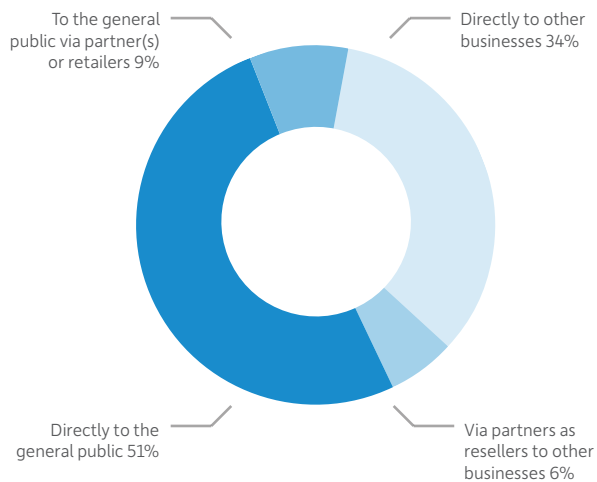
About the businesses we surveyed

Three quarters of the people we spoke to described themselves as the 'business owner' and in many cases (63%), they were the only employee in their organisation. So this research really captures the unique perspective of the UK's micro business owners, who often need to be multi-skilled in order to handle all aspects of running a business. Over half of the businesses in this report sell directly to consumers, however, 40% sell to other businesses.

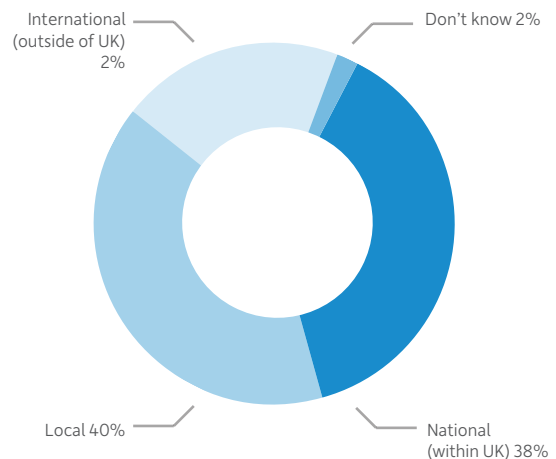
We captured this information because marketing and selling to consumers requires quite a different set of digital skills to selling to businesses. The same can be said of selling locally and nationally as different skills, knowledge and techniques are needed. Arguably businesses selling locally actually need a higher level of digital skills, so that they can make the most of their marketing with things like local SEO and location based services. Interestingly, there was an even split between businesses selling locally and nationally.

When it comes to digital marketing, many business experts advise that a strong grounding in basic sales and marketing experience is necessary. Yet, in the majority of cases, the businesses we spoke to didn't have this basic grounding, describing themselves at best as 'building experience' in sales and marketing. This really presents a clear case for developing digital marketing skills.

Who do you sell to?



Where are your customers based?



About the research process

We specifically looked at micro businesses for this study, and in this case that refers to businesses with a maximum of nine employees. These businesses were recruited for us from around the UK by market research experts, Research Now. The data was collected using a diagnostic tool, which allows us to offer personalised recommendations based on individual results. External providers and small business consultants helped us with the survey design and report creation.

If you'd like to see the survey and receive your own set of personalised digital development recommendations, visit <http://bit.ly/2bHCeJ3>

Executive summary

The study set out to explore the digital marketing landscape for the micro business sector. Specifically, the aim was to understand the extent to which this unique business sector is capitalising on the digital marketing revolution.

The results are clear and point towards a sector that is significantly missing out on many of the potential benefits digital marketing has to offer. While these results are cause for concern, in many cases, the skills and knowledge gaps revealed can be simply remedied through existing training and tools. With the right support and guidance, the micro business sector could quickly increase its competitiveness with larger businesses.

This paper distils the insight from a number of in depth questions around skills, knowledge, views on importance of digital marketing and barriers to success into five main points.

“This research emphasises the importance of closing the digital divide in the UK. Breaking down the barriers for micro-firms to adopt digital technologies is essential for unlocking productivity and growth in the economy. The know-how exists in the business community and for micro businesses getting started on their digital journey, building these connections and access to tangible resources is crucial”

Tom Thackray - Director of Innovation at CBI

There is a digital marketing skills gap

The businesses in this survey all agreed that digital marketing is an essential part of overall marketing success. This represents clear evidence that digital marketing has very much come of age in its importance for the micro business sector. Despite this, the study also found that an overwhelming majority of micro businesses feel they don't have the necessary skills to benefit from digital marketing.

This digital marketing skills gap between how important it is and the levels of competence with it, implies that most micro businesses are not truly benefiting from the potential digital offers.

The increasing importance of digital marketing

Traditional marketing approaches and word of mouth have long been valued as an excellent way for small and micro businesses to attract new customers. However, the study showed that this is now almost equaled in importance by SEO and social media. It's not just word of mouth that's being matched by digital marketing; online advertising now sits above traditional means such as magazine advertising too.

Despite this, nearly half of micro businesses have no online presence at all. This again points towards just how much of the sector simply isn't benefiting from the potential of digital marketing.

The successful digital marketing tools

Search engines and websites are seen as working best for micro businesses, yet nearly half do not have a domain name, once again representing a clear missed opportunity.

Significantly, the study found that Facebook and Online Advertising are now almost as important as website and SEO. In spite of this, we know that nearly half of micro businesses have no online presence of any sort and nearly three quarters do not advertise online. These pitfalls represent substantial missed opportunities but also some very simple 'easy wins' for the micro business sector.

A few simple changes could make a big difference

The study highlighted a lack of understanding by micro businesses of basic digital terminology and skills, such as the meaning of 'SEO'. Micro businesses also often ignore approaches that play to their strengths, such as local digital marketing with the likes of Facebook or other location targeted platforms. Moreover, nearly three quarters of micro businesses only had 'some understanding' of their site visitors, implying that the majority are to an extent running their digital marketing blindfolded. This inevitably means that many will be wasting time and money and missing opportunities to improve the effectiveness of their marketing.

This study overwhelmingly uncovered how micro businesses only need to make small changes in order to have a big impact on their marketing efforts. It's clear that with the acquisition of some simple skills and knowledge, there is a huge opportunity to make a real difference to business success in this sector.

Overcoming the barriers to digital marketing success

The study explored what micro businesses saw as the biggest barriers to successful digital marketing. What is significant is that though 'Time' and 'Money' were perceived to be the biggest barriers, 'Confidence' and 'Not knowing what I need to know' were also cited as key factors. All four were seen as major barriers.

This illustrates the complex mix of challenges facing this sector. In many cases micro business owners are managing everything from finance to sales, marketing and product or service delivery. Typically, they don't have time to learn new digital skills. On top of this, they often also lack the deeper marketing knowledge that is the foundation of effective digital marketing.

In summary, they require training and tools that recognise these challenging factors. This is new for an industry that has grown up supporting larger businesses.

The digital marketing skills gap

The Skills Gap: Digital marketing is clearly critical to overall marketing success, yet competency levels are low

Digital marketing is critical to success

The study demonstrated that those businesses surveyed feel digital marketing is essential to their overall marketing success. Over 70% of those surveyed saw their website and digital activity being important to generate sales and business growth, with nearly half (46%) saying it will be very important or critical in the future. This represents clear evidence that digital methods have very much come of age.

Most micro businesses don't have the skills

Despite this importance, the study found that an overwhelming majority of micro businesses feel they don't have the necessary skills to properly benefit from digital marketing. 86% say they are, at best, 'building experience' with digital marketing, and over half have 'not yet started' or are 'just getting 'started' with digital media.

This digital marketing skills gap between the importance of digital and the levels of competence with it, implies that most micro businesses are not truly benefiting from the potential of digital.



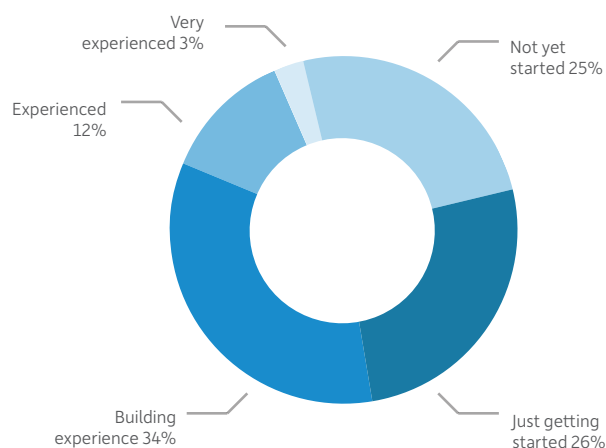
'71% of micro businesses feel digital knowledge is critical to success'



'85% lack the digital marketing skills'

How experienced is your company with digital marketing?

With 34% of businesses saying that they are 'building experience' with digital marketing, and 51% of businesses 'not yet started' or 'just getting started', it is clear that there is a low level of skill across the micro business sector.



“I was inexperienced in marketing, sales, websites and the online world when I started my business. I was slow to understand and optimise online sales, it slowed my brands growth down in the early years”

Charlotte Allen - Owner of Klements

The increasing importance of digital marketing

Digital marketing is now seen as being as powerful as traditional marketing approaches yet only a fifth of micro businesses advertise online.

Traditional marketing approaches and word of mouth have long been valued as an excellent way for small and micro business to attract new customers. However, the study showed that this is now almost equaled in importance by SEO and social media. It's not just word of mouth that's being matched by digital marketing either. Online advertising now sits above traditional means such as magazine advertising too.

Nearly half of micro businesses have no online presence

This is a significant statement on its own, but it's particularly noteworthy given the shocking admission from 42% of those surveyed, who said they had no form of digital presence. That means no website, no Facebook or Linked In accounts – no representation online at all, despite how important this is seen as for success. And, with almost three quarters (73%) of micro businesses not advertising online, this means the majority of micro businesses are effectively invisible in the online paid media landscape.

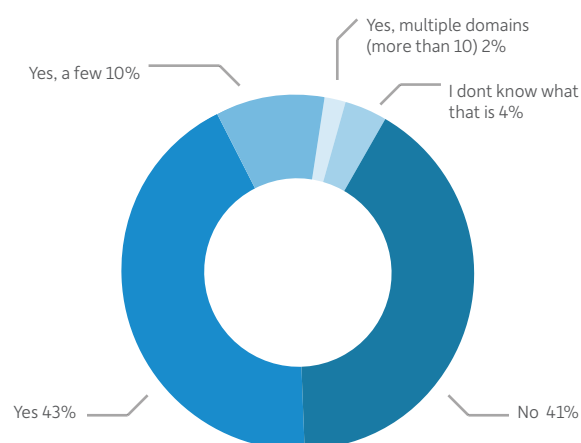
An easy marketing win for micro businesses who embrace digital marketing

As with the digital marketing skills gap, there is a disconnect between how important micro businesses see digital being part of the overall marketing mix, and how many are actually practicing it. As such there is a simple 'easy win' to be had for the micro business sector by embracing digital marketing.

“Online advertising really works, so with nearly 3/4 of online businesses not advertising there is an enormous ‘easy win’ for many micro businesses”

Nick Leech - Marketing Director, 123 Reg

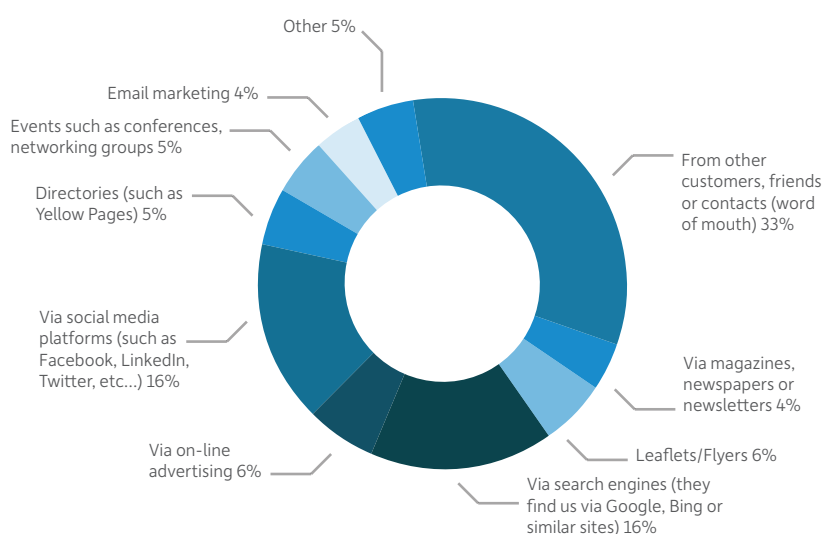
Do you have a domain name?



41% of those surveyed reported not having a domain name.

This represents an enormous 'easy win' opportunity for many micro businesses to establish a digital presence and open up some of the basic benefits of digital marketing.

With 42% of the small businesses surveyed saying they don't have a digital presence at all, it is perhaps to be expected that 41% say they do not have a domain name.



Do you have a personalised business email that uses your domain?

48% of those surveyed do not have a personalised business email. This represents another 'easy win' for businesses, given the evidence that a personalised email address increases customer trust in businesses. In a recent survey conducted by 123 Reg and carried out by You Gov, 43% more UK adults agreed that a branded email address looks more professional than a generic 'free' one such as gmail or hotmail and 33% were more likely to buy from a business with a business email address.

Does your website help you get leads or make sales?

67% report that their website helps get leads or make sales. Once again, this demonstrates the value digital marketing is delivering to those businesses who invest in it at even the most basic of levels. This statistic is significant when coupled with the fact that 42% of micro businesses have no digital presence of any form.

The successful digital marketing tools

Search engines and websites work best for micro businesses, but Facebook is now almost as important

Traditionally micro businesses have focused on building their own website and achieving a good listing on search engines as their first step in digital marketing. The study reflects this with search engines seen as working best for micro businesses (19%), closely followed by websites (17%).

Facebook and online advertising now almost as important

Facebook (15%) and Online Advertising (15%) closely follow websites and search engines in their importance for micro business. This represents something of a turning point and a real coming of age for social media; it is now as crucial for business as a website and good search engine optimisation. It also shows another gap when coupled with the 73% of businesses not advertising online.

‘Websites and search engine optimisation seen as working best’

“Digital marketing success often includes a mix of website, search engine optimisation, online advertising and social media – it is no longer a case of just ‘get your website live and see what happens’”

Simple changes could make a big difference

A few small digital steps could see big benefits

The survey revealed a lack of understanding around specific skills and knowledge which have the potential to make a real difference to micro businesses.

Micro businesses could be missing a digital trick by:

- Lack of strategic planning or measurement of digital activity
- Often ignoring approaches that play to micro business strengths, such as local digital marketing on location specific platform, using online local listings sites or local SEO.
- Missing specific areas of knowledge that could make an enormous difference. As an example, over three quarters of businesses do not understand title, description, H1 and alt tags - all of which have the potential to transform their SEO success and get a website ranked higher in Google for free.

Taking a more focused approach to marketing strategy and skills development could pay off dramatically, helping boost business, whilst saving time and money.

Websites

A total of 70% of those surveyed have at best 'some understanding' of their site visitors, with others having none at all. This implies that the majority of businesses are to an extent running their digital marketing blindfolded. This inevitably means that many will be wasting time and money on some activities, and missing opportunities to improve their marketing.

Is your website designed to work well on a mobile device?

Nearly half of the micro businesses we spoke to reported that they don't know, or, have not optimised their website to work on a mobile device.

This is significant for smaller businesses especially in the retail sector with **'where's my nearest'** being an increasingly popular search term especially on mobile platforms.

Is your website designed to be easy for your customers to use?

83% of those surveyed believed their website to be easy for customers to use.

However, it is worth noting that a recent 123 Reg survey demonstrated that customer expectations of easy-to-use websites included levels of personalisation and content. The same survey also highlighted how UK customers of small businesses perceived that these websites were less easy to use than those from larger businesses.

So, the high proportion may be down to lack of knowledge of audience expectations, rather than a genuine reflection of respondents' websites and their ease of use.

Is your website designed to get new customers?

Only 6% reported not having contact details, reflecting the fact that many businesses see the value of a website as helping people contact them or to put it in other words 'a business card on the internet'. However, with just 5% having dedicated landing pages, there is an opportunity to simply improve website effectiveness in this area.

SEO

41% of businesses say their website is at best 'somewhat' optimised, with 36% either not knowing what SEO is or not optimising their website at all. This represents another 'easy win' for any business given that SEO was ranked as being the most effective approach to marketing a business in this study.

The proportion of those surveyed not optimising their website is even higher when asked about local SEO versus general SEO. This is a reflection of how local SEO demands higher skills levels than general SEO. This is also significant given that the micro business sector has a higher proportion of locally focused businesses than larger businesses.

76% of businesses have not heard of or do not understand title, description, H1 and alt tags. This is interesting as experts would argue that businesses could transform their digital marketing success if they learned about and applied them, representing another 'easy win' for micro businesses.

75% of the businesses in this study do not know how many links there are to their website, once again reflecting that most micro businesses are running their digital marketing somewhat blindfolded.

Online advertising

A larger proportion of businesses feel their online advertising is not effective in generating business. However, it's important to bear in mind the low proportion of businesses who plan or analyse their campaigns.

73% do not currently pay for online advertising but of those businesses surveyed that do advertise online see it as more effective than many established traditional marketing approaches, this should be viewed as a missed opportunity..

47% of those advertising online do not choose or know about keywords in advertising campaigns, suggesting that many are wasting money or missing opportunities to improve effectiveness.

56% do not monitor their advertising campaigns, and just 9% use analytics software, reinforcing the picture of businesses running their online advertising blindfolded.

62% have never heard of remarketing or retargeting, and 25% have heard of them but never used them. This reflects the low knowledge levels in this sector, perhaps understandable given this is one of the more specialist areas of digital marketing. However, given the availability of simple and extremely low cost tools to manage this, there is an opportunity for micro businesses to improve their digital marketing.

Content Marketing

Most people would describe their business as being in some way unique or different. This is an understandable reflection of the entrepreneurial nature of many small owner managed businesses. It also means that many are not telling their story, given the low proportion of those surveyed that develop their own content.

Do you produce your own content? (e.g. articles, blog posts, podcasts, reports, infographics...)

68% never or only occasionally produce their own content. Given that most businesses see themselves as quite different, this should be seen as a strength that businesses in this sector are not playing to unless they tell their own story with content. Written content and photographs are the most popular way businesses communicate with their customers.

72% do not have a blog on their own or another website. This should be seen as a lost opportunity, given the personal nature of many micro businesses and the value of blog content in local digital marketing. Of note is that the survey revealed a significant gender difference in response to this question, with significantly more females having a blog than males.

45% of businesses write about their product or service. Expert advice would be that writing around themes that are of interest to the audience would deliver best results. With just 17% of respondents saying they ‘research and think about what would entertain, educate or inspire my audience’, it highlights how blogs could be a far more effective tool for businesses if skill levels were improved.

Email

With only 15% of those surveyed not communicating with their customers via email, and 38% communicating at least regularly, it is clear that email is seen as an important digital marketing tool for businesses.

However, a quarter of the businesses in this study do not have an email contact list, and half rely on manual entry of contacts. Digital approaches other than website forms to building a contact list are low (e.g. social media), suggesting email contact list development is an area to focus on for many businesses.

46% are not using any recognised methods for creating emails, highlighting an ‘easy win’ area for businesses surveyed.

“The new online business training tool from 123 Reg is so useful. The world of social media and digital marketing moves so quickly and it’s important that we keep up to date with the latest developments and use the latest tools and tricks to keep ahead of our competition”

Caroline Sparks - Commercial Director at Turtle Tots

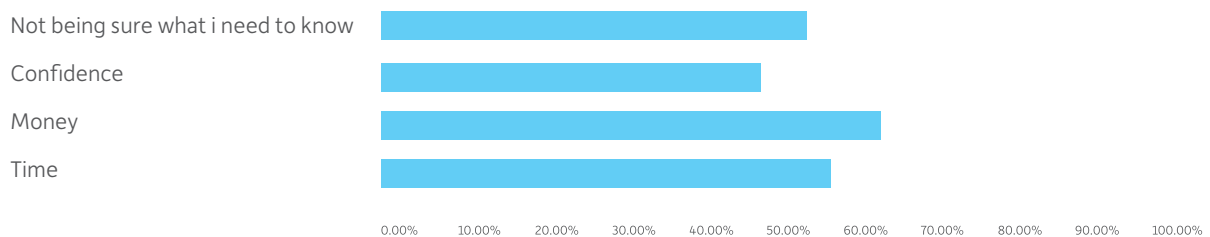
Overcoming the barriers to digital marketing success

Micro businesses and the complex barriers to digital marketing success

The study explored what micro businesses saw as the barriers to successful digital marketing. What is significant is that though 'Time' and 'Money' are perceived to be the biggest barriers, 'Confidence' and 'Not knowing what to focus on' were also key issues.

This illustrates the complex mix of challenges facing this sector.

There isn't one problem to solve or a quick fix that will remove these barriers. Micro businesses need efficient, low cost solutions, combined with help prioritising their efforts. Encouragement, support and reassurance are also important in tackling what is a daunting area for many.



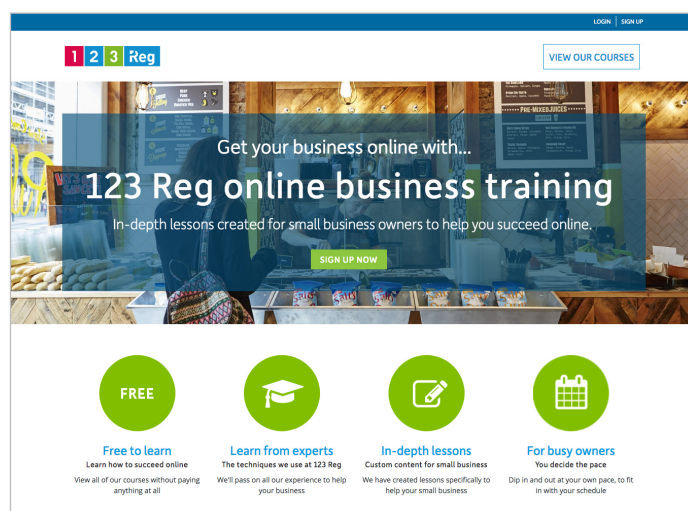
Indication of need for training

80% have not learned how to write for the web, suggesting that content is in the large part written in the style for traditional marketing platforms, and will not either be written with search in mind, or read as well on digital platforms.

123 Reg launches Online Business Training tailored to the needs of the UK's micro business segment

This lack of digital expertise could be jeopardising the success of a crucial fifth of the UK economy –micro-businesses are worth £763bn to the UK economy – and getting online has been shown to boost performance by 14%.

To combat this problem, 123 Reg, the UK's largest domain provider, has launched a new free Online Business Training tool, designed specifically for micro-businesses. 123 Reg have built an Online Business Training platform tailored for micro businesses to learn key skills in bite sized chunks. The courses and learning style, using a high degree of video and interactive elements, are specifically tailored to micro businesses using best practice guidelines of the e-learning community.



Visit our Online Business Training page: <https://obt.123-reg.co.uk/>

“Micro-businesses are time-poor and resource light, juggling multiple hats on a daily basis. Lengthy digital guides that may work for larger companies are not right for them. What micro-businesses need is a more direct steer on the one or two things they should implement to help their businesses grow and thrive. It’s about learning the little things that can take you a long way”

“While there are numerous e-learning platforms available, they cater to larger business with dedicated staff to run the website and do not offer a tailored service for those business owners who are running the company alongside all other functions such as setting up the website”

Nick Leech Digital Director 123 Reg

123 Reg provides a Digital Skills Assessment platform



123 Reg has also launched a Digital Skills Assessment tool to provide a tailored online health check for each individual participant highlighting the few simple steps they can do to get in shape online, and links to online training videos and blogs from micro-business experts..

“Our Digital Skills Assessment tool is an information-sharing community platform for micro-business, which will provide micro businesses with insights on how others within their professions have used digital to help them grow. For example, if a plumber wants to know how best to attract more customers, we’ll be able to show what has worked for other plumbers, and outline how to replicate this in a few simple steps”

Visit our Digital Skills Assessment page: <http://bit.ly/2bHCeJ3>



Nikki McNeil a 123 Reg customer



‘The world of digital is always changing with new options seemingly launching every week. Our aim is to keep our Small Business customers up to date with technology and prioritise the digital skills they need to help their business grow and not waste time on keeping up to speed with every online fad especially those that suit bigger businesses better than small.’

Nick Leech, Digital Director 123 Reg

About 123 Reg

123-reg is the UK's largest domain registrar, and has been every year for the last 15 years. 123 Reg has more than 800k customers, manages over 3.5 million domain names and is connected to over 1m websites in the UK representing 1 in 5 of the UK's active websites.

123 Reg provides easy to use and intuitive products for all website needs, with a particular focus on providing online services to Britain's small business community. The philosophy is simple: the internet should be for the many and not the few which, is why every single product is designed for the small business owner looking for an easy and hassle free way of getting online. 123 Reg enables SME's to maximise their potential online to significantly grow their business through expanding and improving their online presence, helping businesses every step of the way with excellent local and friendly customer support.