



# UK SME PULSE

Confidence | Concerns | Cash | eCommerce

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# INTRODUCTION

Hannah Fitzsimons,  
Executive Vice President & General Manager, Elavon Europe

## Hannah Fitzsimons

### Executive Vice President & General Manager, Elavon Europe



At the start of 2019 there were 5.7 million SMEs in the UK, up from 5.5 million and representing 99% of all private sector businesses in the UK.

In late June 2019, we undertook research to understand SMEs in the UK: what makes up, moves and motivates this hugely powerful, evolving economic force.

We wanted to take the temperature and gauge confidence, if only to understand why the numbers keep growing despite the perceived doom and gloom.

Given that the current and the next generations both ultimately aspire to work for themselves, and the barriers to starting a business have never been lower, the number of UK SMEs will continue to increase.

### What makes up, moves and motivates this hugely powerful, evolving economic force?

As a B2B payments provider, SMEs make up the largest proportion of our customers. We wanted to get a broad pulse on sentiment, trends, concerns and opportunities across enterprises of all sectors, sizes, lifespans and locations.

Our data offers a sharp insight into where SMEs are now, how they're feeling, and what opportunities remain untapped.

### More confidence, resilience and optimism than one might expect

It's fascinating, for example, that nearly one in four UK SMEs in 2019 that don't have an eCommerce presence, also go without a company website. It's an era where customer retention is a major concern – and customer service can make or break a business – yet nearly a quarter of SMEs don't meet their customers online.

Similarly, we're in a time of great domestic market uncertainty but nearly half of UK SMEs haven't opened themselves up to the opportunities of eCommerce, and the efficiencies possible therein.

Cashflow is a longstanding SME concern and 2019 is no different. But while previous generations of SMEs lacked choice in payment options, that's not the case today. It's therefore surprising that SMEs haven't fully explored and embraced apps and payment technologies that could bring the security, efficiency and speed in cashflow they clearly seek.

These are some of the key opportunities, but let's not overlook the sentiment. SMEs in the UK are, perhaps against the odds, positive, resilient and standing tall.

As a powerful, vital business segment for Elavon - and the economy-at-large - it's inspiring that optimism and confidence define the SME landscape today - a time truly like no other.



# INSIGHT

Taking the SME temperature

# Confidence & Concerns

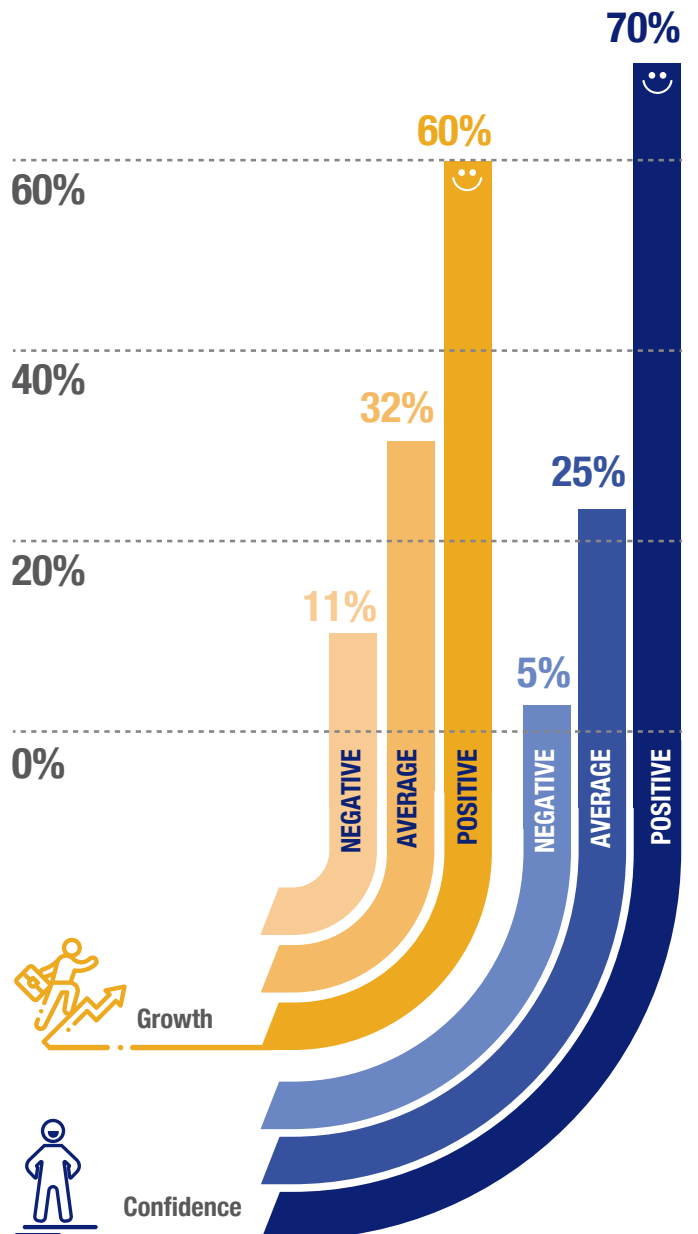
Uncertainty is traditionally bad for business: spending stutters, confidence dips and potential borrowers pause their plans. For companies of all shapes and sizes, uncertainty should equal nervousness.

Bloomberg economists agree that the UK economy shrank in Q2 2019 for the first time since 2012. While figures one month later pointed at recovery, it's a mixed picture at best.

The British Retail Consortium reported that like-for-like retail sales fell 1.6% in June 2019, which is outside healthy swing parameters. In July the service sector – which makes up 70% of the UK economy – recovered only slightly from stagnation, while construction and manufacturing contracted.

All in all it's pretty bleak, so the confidence and resilience in UK SMEs is heartening. Not only are a majority (60%) positive about their growth prospects, even more (70%) say they're feeling confident in general, and nearly four in five (78%) say they believe their products and services will meet customers' needs well into the future.

## HOW WOULD YOU RATE THE FOLLOWING IN YOUR BUSINESS IN 2019?



**78%**

are confident in their products and services to deliver growth ambitions or meet their customers' needs in future.

Sources:  
 Bloomberg.com/news  
 brc.org.uk  
 Independent.co.uk

# Confidence & Concerns (cont'd)

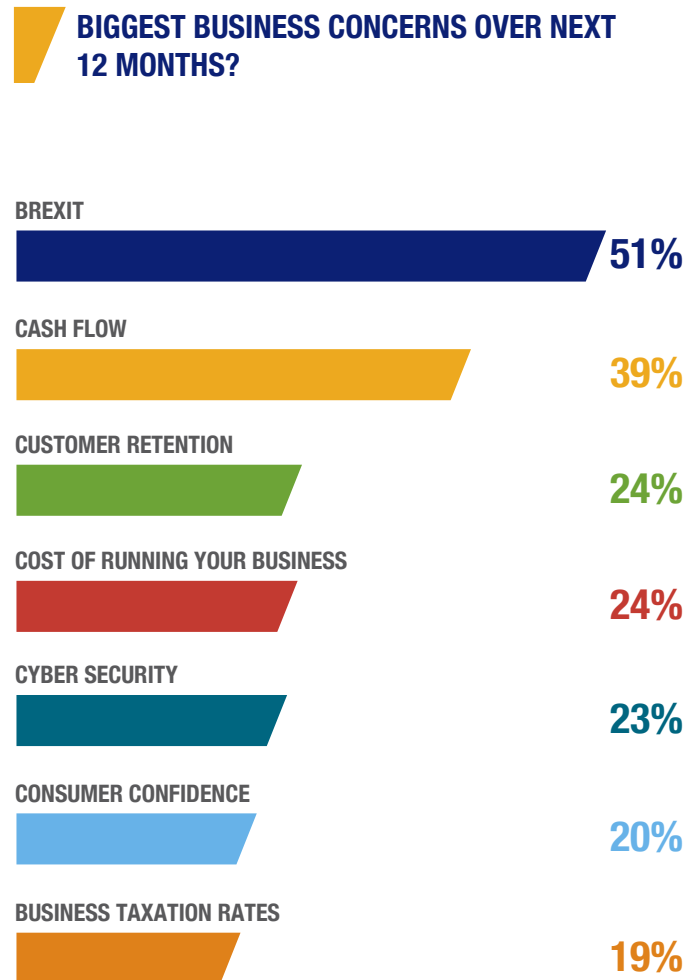
An insight into the current mindset: nearly two-thirds (65%) of SMEs say they feel resilient, and just over two-thirds (68%) say things are better for SMEs now versus ten years ago. Nearly half of all respondents (48%) say that the SME talent pool has never been stronger.

To meet customers' needs, SMEs say they believe most in good customer service (52%), adapting to change (46%) and hiring top talent (43%).

But inevitably it's not the controllables keeping SMEs up at night, it's the external factors. Brexit is the biggest concern (51%), but ailing consumer confidence (20%) and regulation change (14%) are also high on the list.

After Brexit, cashflow is SMEs' biggest concern. BACS recently reported that UK SMEs lose around £2bn a year as a result of late payments alone. While £2bn lost is much better than £30bn lost (the figure five years ago), the changing payments landscape brings its own challenges.

For example, one in three (33%) SMEs say they struggle with payment technology, while more than a quarter (28%) say they're fearful about the perceived investment required to adopt new payment options.



Sources:  
 Bloomberg.com/news  
 brc.org.uk  
 Independent.co.uk



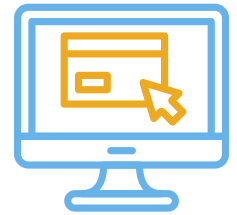
# eCOMMERCE

SMEs and online





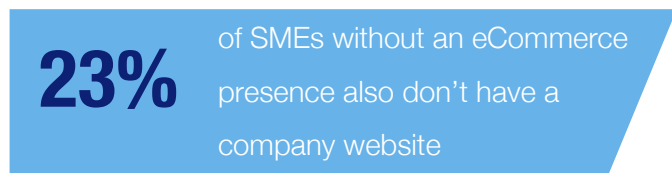
# Do you have a website?



You'd be forgiven for thinking that given the fact it's 2019, most businesses have a website. Turns out that's not the case.

So how many SMEs without an eCommerce presence also don't have a website? 23% - nearly one in four.

Presumably for legacy or bandwidth reasons, or because dotcom didn't fit with the original business mission, websites are less common than we'd think.



Split by region, SMEs in Yorkshire (without an eCommerce presence) are more likely to have a website than SMEs in London (91% v 85%).

Three in five East Midlands SMEs (61%) don't have a website, making it the most dotcom-barren region. And around one in three SMEs in both Northern Ireland (33%) and the North East (31%) operate sans website.

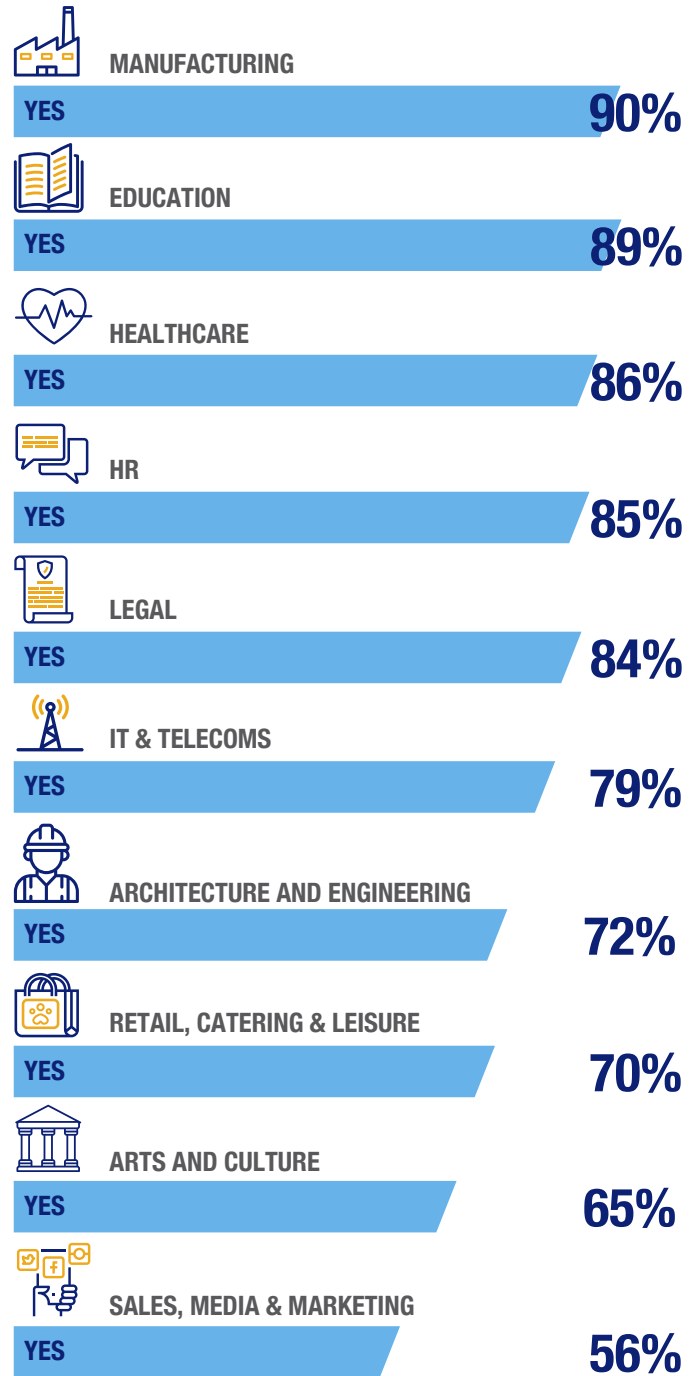
By sector, SMEs without an eCommerce presence that are least likely to have a company website are in Arts & Culture (35% - no website) and Sales, Media & Marketing (44% - no website).

It's interesting that media and marketing nowadays implies digital and dotcom - yet a substantial number seemingly go without this seemingly key fundamental.

In Retail, Catering & Leisure, 30% of SMEs without an eCommerce presence don't have a website either. That again seems remarkable given this sector's need to showcase products and facilities.

As it turns out, UK SMEs are most likely to have a company website if they're in Manufacturing (90%), Education (89%), Healthcare (86%), HR (85%) and Legal (84%).

## DO YOU HAVE A COMPANY WEBSITE?





Taking company size into consideration offers a touch more insight into who has a website and who doesn't. For example, nearly two-thirds (63%) of sole traders and one-third (33%) of micro SMEs with no eCom-merce presence also don't have a website.

That's not to say it's a different picture at the other end of the size spectrum. Nearly one in five (19%) SMEs with 10 - 50 employees and one in ten (10%) of the biggest SMEs (101 - 250 staff) do not have a website.

As we'll see later, revenue and sales potential lie in wait for SMEs that make the move online. But that surely goes double for proven, established, large SMEs.

The fact that one in ten viable SMEs (with 101 - 250 staff) go without eCommerce and a company website is surprising.

The same can be said when splitting SMEs (who don't have an eCommerce presence) by age: over one in five (21%) six to ten year old SMEs don't have a website, one in four (25%) SMEs aged 11 - 20 don't have a website, and one in 14 (7%) SMEs over 20 years old don't have a website.

As noted earlier in this report, 52% of SMEs believe good customer service is vital to business. While having a digital presence is helpful across the board, in customer service it's now almost an imperative.

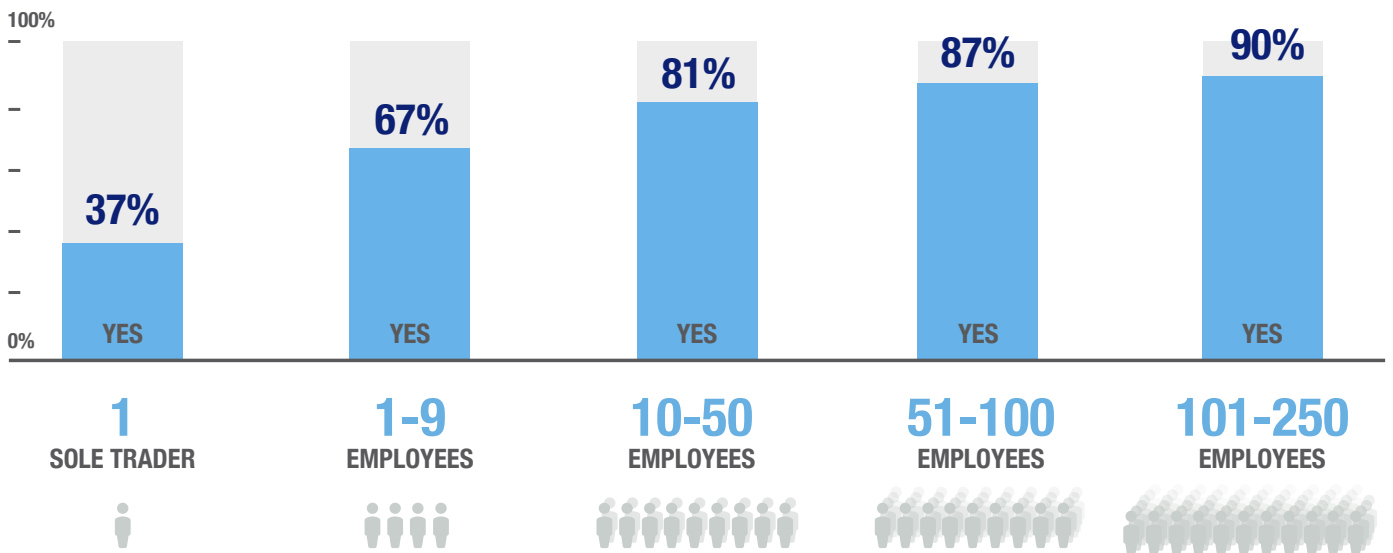
We're trending towards a time when customers expect options in customer service, and that largely means online - particularly social media.

Online community engagement and management are key ways to engender and maintain loyalty in an era where it's in short supply.

To go further, having a digital presence is becoming ever more essential in establishing credibility and building reputation. With a credible online home to drive prospects to, businesses can start to explore lucrative online advertising opportunities.

Digital advertising in the UK now commands double the spend of television. And for good reason - customers' habits and expectations have evolved.

## DO YOU HAVE A COMPANY WEBSITE?



# The eCommerce landscape



Following on from websites, we asked SMEs if they have an eCommerce presence, and if not why not.

Just over half (53%) say they do. Of those who don't, a quarter (26%) said it's not relevant for them. Perhaps that's fair enough and those SMEs genuinely don't need an eCommerce offering. We'll revisit this.

But that still leaves over 20% of UK SMEs who don't have an eCommerce platform - but would benefit from one. Why don't they have one? Well, we might be two decades into the dotcom era but one in seven (14% combined) SMEs say it's because of a lack of knowledge and ability.

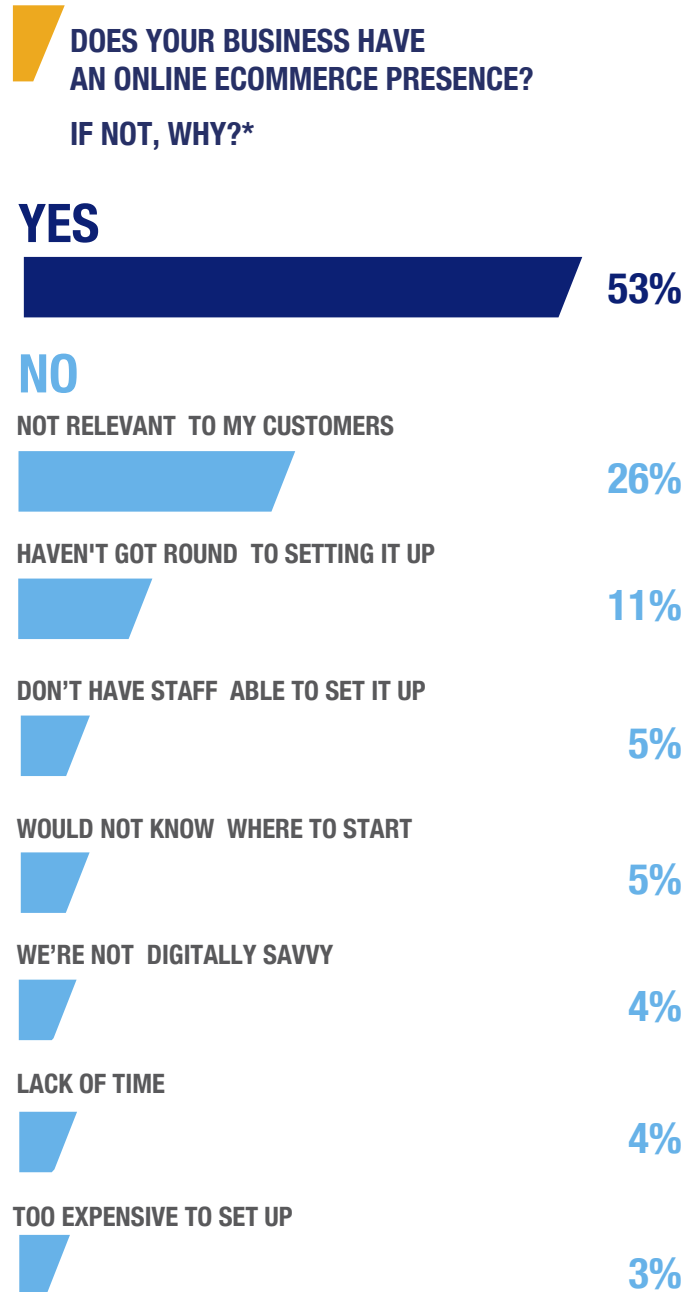
**Over 1 in 10**  
SMEs haven't got round to setting up eCommerce

More than one in ten UK SMEs (11%) say they don't have an eCommerce offering because they haven't got round to setting it up. Some 4% say they can't find the time, and 3% reckon it'd be too expensive.

Sectors least likely to have an eCommerce offering are Travel & Transport (69%), Healthcare (64%), and Education (61%). Sectors most likely to have eCommerce are Retail, Catering & Leisure (73%) and IT & Telecoms (62%).

It's fascinating that some SMEs of up to 250 staff haven't an eCommerce presence because they 'haven't got round to it yet' (10%), 'wouldn't know where to start' (6%), or 'don't have the right skills in-house' (4%).

Interestingly, businesses that are 20-plus years old are most likely to think eCommerce is too expensive to set up (4%). Ironically one in ten (10%) SMEs over 20 years old says that, despite their long life, they haven't got around to setting up eCommerce.



\*respondents could tick multiple options





# Low barriers to eCommerce

SMEs in our survey cite issues of skill, cost and time as to why they don't have an eCommerce infrastructure. But the reality is that plug-and-play, off-the-shelf solutions exist via providers like Elavon. This is the route many SMEs choose to go down.

For SMEs who do have eCommerce, 35% brought the right skills in house and 15% outsourced build to an external agency, but a majority (45%) simply bought an off-the-shelf solution.

Even in London, where the tech talent pool is typically deeper, more SMEs than the national average bought off-the-shelf.

The perception seems to be that eCommerce is hugely complicated. But from third-party apps to social media commerce and whitelabel products, an online shopping infrastructure can be integrated quickly, inexpensively, and with minimal disruption.

Businesses of all shapes and sizes - even those who don't believe it's for them - need to think again about making an investment in eCommerce. In the UK alone eCommerce is expected to be worth almost £200bn - or £0.18 in every £1 spent - by the end of this year.

In 2019, customers expect choice and convenience, not to mention a spread of payment options. Certainly eCommerce is a way to meet customers on new terms.

Setting up eCommerce does involve costs. But returns could soon represent a sizeable chunk of the bottom line with added benefits to-boot: eCommerce (digital) payments are generally quicker, more efficient and more secure than other means, particularly cash.

In addition, a viable eCommerce platform can transcend domestic volatility, facilitating cross-border trading and marketing to international customers 24/7.

Those businesses that are wholly dependent on the market at home may fall foul first during times of uncertainty.



Sources: [ecommercenews.eu](http://ecommercenews.eu)

# Sales: online versus off



To understand the potential that lies in trading online, we asked SMEs to estimate the split of their sales, online versus off. The results serve as a flashing beacon for the benefits of eCommerce.

In total, the online / offline sales split for SMEs who do have an eCommerce presence is almost half and half - 48% online / 52% offline to be more precise.

When broken down by age, the pattern is clear: the younger the SME, the more sales are online. SMEs between one and three years old, on average, make the majority (54%) of their sales online. Almost a quarter (23%) in this age category make virtually all (between 91 and 100%) of their sales online.

The pattern continues as companies of four and five years old make, on average, 53% of their sales online. Six to ten year old SMEs make 46% of sales online and so on up to 20-plus year old companies, who generate 39% of their sales online.

Subdivide by company size and we learn that for every £1 a sole trader makes, an average of £0.69 comes via online. In fact, nearly half (49%) of all the UK's eCommerce-ready sole traders, do virtually all of their business (91-100%) online.

For micro SMEs (1-9 employees), online generates an average of £0.48 in every £1. Almost a third (30%) of micro SMEs make between 81 and 100% of their sales online.

The split dips more in favour of offline for companies of between 10 and 50 employees (£0.43 in every £1 is online), but it rises again in companies of 51-100 employees and even more significantly for the largest SMEs. For SMEs of 101-250 people, £0.47 in every £1 earned is done so online.

Arts & Culture, IT & Telecoms, and Retail, Catering & Leisure SMEs that are eCommerce-ready make more money online than off. In Retail, 18% of businesses make virtually all sales (91-100%) online, which begs the question why 27% of SMEs in this very sector are not set up for eCommerce.

At present, an incredible one in four (26%) UK SMEs say they don't have eCommerce because it's irrelevant to business. But it's surely time to question that.

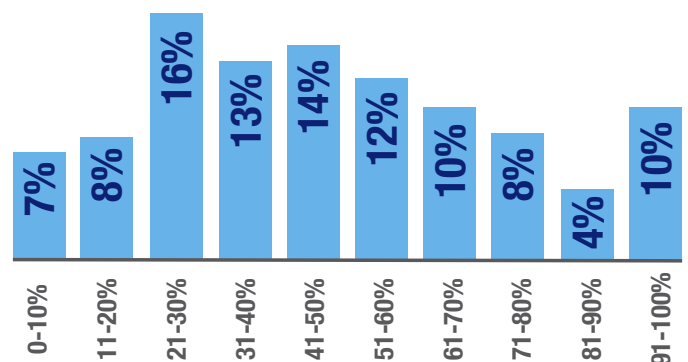
In several regions, eCommerce-enabled SMEs make, on average, more online than they do off. Those regions are the East of England (55% online), London (52% online), the North East (52% online), and the South West (54% online). In the North West, 15% of businesses generate virtually all of their sales (91-100%) online, the same can be said for 13% of SMEs in the East Midlands.

It's also interesting to note that these same regions are among the most generally confident, growth-confident and resilient of all. The correlation can't be ignored.

## ONLINE / OFFLINE SALES SPLIT FOR ALL SMES WITH AN ECOMMERCE PRESENCE



## SALES GENERATED ONLINE VERSUS OFFLINE ALL COMPANIES WHO HAVE AN ECOMMERCE PRESENCE





# Joining up journeys

**⚡** Delivering complementary online and offline shopping experiences is key to survival today. Website navigation is so important when businesses know their customers well enough, they can direct them to the right product quickly without presenting you with too many options.

Kevin Salaman  
Head of Global Omncommerce at Elavon

The fact that eCommerce-ready SMEs generate roughly half of all their sales online should be a guiding light to those who haven't yet set up a digital shop, or who have dismissed it out of hand.

Creating a vibrant and reputable eCommerce infrastructure means companies can showcase and market their wares around the world; extending reach, and extending brand in an era where values matter.

Few sectors demonstrate the benefits of eCommerce more than Retail. Nearly one in five (18%) Retail SMEs generate all their sales online. The paradigm can work.

Online might mean a global footprint, but it can also mean removing expensive bricks-and-mortar obligations and ensure more margin. When done well, eCommerce systems sync with accountancy, logistics and administration platforms, making it easy to co-ordinate inventory, sales, tax, cost and P&L.

SMEs that aren't taking advantage of the UK's (and the world's) colossal online spend – even if they deem it irrelevant to their business – need to think again.

B2B SMEs, for example, mightn't think eCommerce fits their business. But at the end of the day, they are still trading with human beings whose habits are still evolving as customers first and foremost. Expectations are moving online and businesses need to follow suit.

Global B2B eCommerce sales are set to hit a staggering £9.7 trillion next year. In the UK, B2B eCommerce sales by (non-finance) businesses were worth £560bn in 2017.

The fact that advertisers now spend more online than on traditional media is telling. Being able to target buyers with near pinpoint accuracy - and accountable performance metrics - is appealing, especially for B2B SMEs who operate in tight and niche commercial areas.



# Payments



Cashflow and getting paid on time is a prime concern for today’s SMEs. In truth it’s a longstanding concern for SMEs that goes back decades. Stunted and slow payments can quickly undermine a business’s ability to function and even survive.

There are a number of apps and options available to help ease some of the issues associated with payments. Yet the explosion in technology has created tangible adoption barriers.

For example, one in three (33%) SMEs say they are concerned about keeping pace with technological changes, while one in four (24%) admit they lack understanding as to what payment options are actually out there. Some 28% of SMEs say that the investment required to bring in new payment tech is a barrier, while one in five (21%) say the prospect of upskilling staff for new payment tech is a challenge.

To break down the SME payments landscape in 2019, the most common payment method at present is bank transfer (36%), then debit card (29%), followed by credit card (15%) and then cash (11%). Receiving payment via app is for a minority, but a significant 5% of SMES say it’s their primary means of receiving funds.

Although sole traders are highly likely to deal in cash, they are heavily embracing payment apps, with 13% saying it’s now their most common means of payment. For now, 4% of large SMEs get paid primarily via app.

Breaking down preferred payment types by region is fascinating. Yorkshire, for example, is the cash capital with one in four (25%) SMEs saying it’s the most common way they receive payment.

Northern Ireland SMEs mostly use bank transfers (47% say it’s their primary means of receiving payment). The North West likes debit cards (43%) more than any other region, and the South East is most partial to credit card (25%) payment.

East Midlands SMEs have welcomed new payment apps most, with 9% saying its now their main way of receiving payment. Interestingly, SMEs in the North East are most likely to get paid via cheque (3% say it’s the most common means of payment).

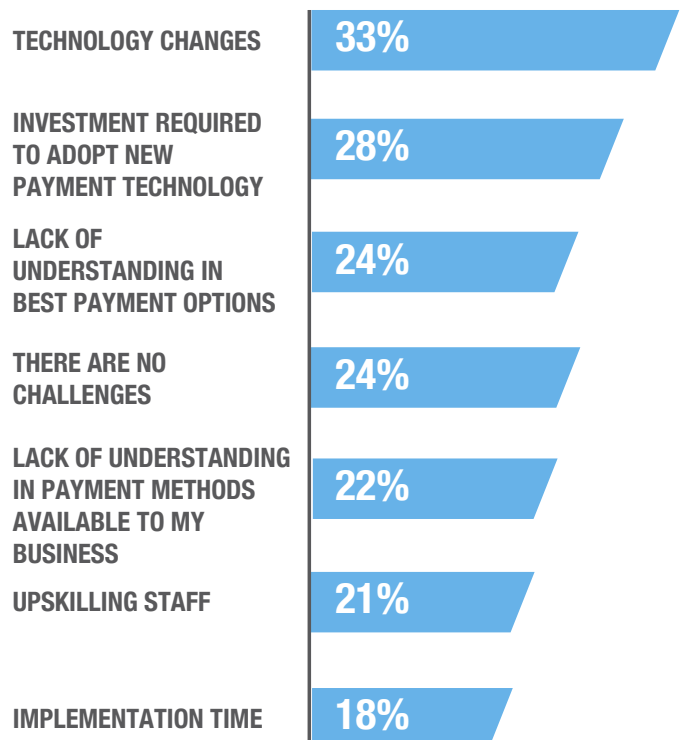
By sector, SMEs in Architecture, Engineering & Building are most likely to get paid via bank transfer. But somewhat surprisingly, 15% of SMEs in this sector still receive the majority of their earnings in cash.

SMEs in the Legal sector are most likely to get paid via cheque. And while 15% of SMEs in Education say they primarily get paid via app, this sector is particularly wary of the adoption of new tech, especially upskilling staff (32% concerned).

Despite the ubiquity of payment apps, not to mention their convenience versus cash-handling or speed versus cheque, no SMEs in Healthcare, Legal, Sales, Media & Marketing or Travel & Transport say they primarily use payment apps.

And while FinTech might be an in-vogue UK sector, just 2% of Finance SMEs primarily receive payment via app.

## WHAT ARE YOUR BUSINESS RELATED CHALLENGES WHEN IT COMES TO PAYMENT OPTIONS?





# The future of payments

**⚡** With the advent of smart terminals, the use of mobile wallets by consumers, and the emerging clarity around authentication requirements as part of the Payment Services Directive 2 (PSD2), payments rightly seem complex to many SMEs. Our job as an acquirer is to ensure we simplify the complex and provide our SMEs with the tools to accept card payments securely, in-store or on-line, ensuring they deliver a positive experience to their customers.

Eric Horgan  
Product Leader, Elavon Europe

It's interesting that 98% of SMEs have moved away from cheques, and this once in-vogue payment instrument has quickly fallen out of favour.

The digital era has spurred a rapid evolution in the payments space; one that has been driven by both consumer demand and a government mandate to go cashless. Interestingly, ATMs in the UK are vanishing at a rate of 12 per day and some believe that by 2026 physical cash will represent just one in five transactions.

Today one in four UK phone users regularly use payment apps. And while penetration is more significant in younger generations, payments apps aren't exclusively for millennials and Gen Z. Some 57% of 55-64 year olds in the UK either have a mobile wallet, or are open to using one.

Worldwide it's estimated that the transaction value of mobile payment apps will reach nearly \$14 trillion by 2020, although this is somewhat weighted by rapid adoption in China.

Banks and technologists have been only too happy to embrace digital currency: cashless is cheaper to run, quicker, more secure, trackable, and more accountable.

Business and organisations can easily access these same advantages.

Despite scary headlines, digital currency is in fact more secure than cash. It is certainly cheaper to run and transactions can be processed in a quicker timeframe. These facts alone represent at least some relief from SMEs' prevailing cashflow concerns.

For now, widespread adoption of payment technologies is awaiting its big bang moment. But with 5% penetration in just a handful of years, alternative payment systems can and will continue to grow at speed.

Sources:  
The Cashless Experience - Bouncepad.com  
theguardian.com



# Banking on cashless?

The efficiency of cashless is based in businesses not having to store, secure, log and bank hard currency - all of which costs in time and money. Digital currency cuts both considerably. What's more it's easier to track, consolidate and rationalise spending to weigh up the numbers, which is useful in the Making Tax Digital era.

As with eCommerce, setting up a digital payments infrastructure is perceived as highly complex but again, thanks to third party apps and off-the-shelf solutions, making the change is easier than ever before.

Cashless isn't going anywhere  
- experts believe it could be  
fully upon us within a  
generation

However, transitioning towards digital is not only about efficiency, accountability or margin - it's about customers and what they want.

In 2019, buyers expect options: choice in where they buy and how they pay. Just the act of offering choices can make the difference between a sale or not. Whether B2C or B2B, SMEs need to meet customers on their terms, online and off, and give them every opportunity to buy.

For now payment options still include cash - not everyone is set up for digital and some customer segments struggle when physical currency is not an option.

But for the sake of choice, efficiency and the bottom line, it makes sense for SMEs to invest in digital payments. Cashless isn't going anywhere - experts believe it could be fully upon us within a generation.

Sources:  
The Cashless Experience - Bouncepad.com



# CONCLUSION

It's 2019 and there's uncertainty in the air, but we are astounded by the confidence, the resilience, and the growth-mindset of the UK's SMEs.

Although big gaps are there to be bridged, the outlook is much more buoyant than one would expect.

From sole traders to 250-strong organisations; start-ups to old hands, and in all corners of the UK, SMEs in all sectors are choosing to focus on the positives.

But within the concerns the case for optimisation - in online, eCommerce and payment tech - is obvious. The opportunity to ride even the wildest social and economic waves and to efficiently open up new global markets is much too tempting to let slip.

It's also much easier than most believe it to be.

We work with SMEs of all shapes, sectors and sizes across the UK. And while some are eCommerce and digital veterans, many are just starting out on their exciting online journey.

We're here to make sure it's a profitable, efficient and enjoyable one for them - and for you.

We're here to help British SMEs see in a future they can already envisage, but with less pain, more profit, fewer variables, and perhaps just a little more speed.

# Methodology

The research was conducted by Opinion Matters on behalf of Elavon, with 865 SME owners / directors / senior managers between 22.05.2019 - 04.06.2019.

An online quantitative survey was used for data collection.

Opinion Matters abide by and employ members of the Market Research Society which is based on the ESOMAR principles.



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