

Unlocking the digital potential of the UK's rural areas

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Rationale for the research

Context:

- Potential of digital to address some inherent rural constraints
- Read-across with concerns about productivity levels in rural areas
- Focus has largely been on connectivity rather than take-up and use

Objectives:

- How are rural-based businesses using digital?
- What business benefits accrue from digital take-up?
- What factors constrain businesses' digital take-up?
- What growth potential might be released if the constraints were removed?

Research methodology

Literature review – what is known already



Data analysis – to create rural UK statistics



Business survey – achieving 807 responses



Interviews – with rural and tech experts



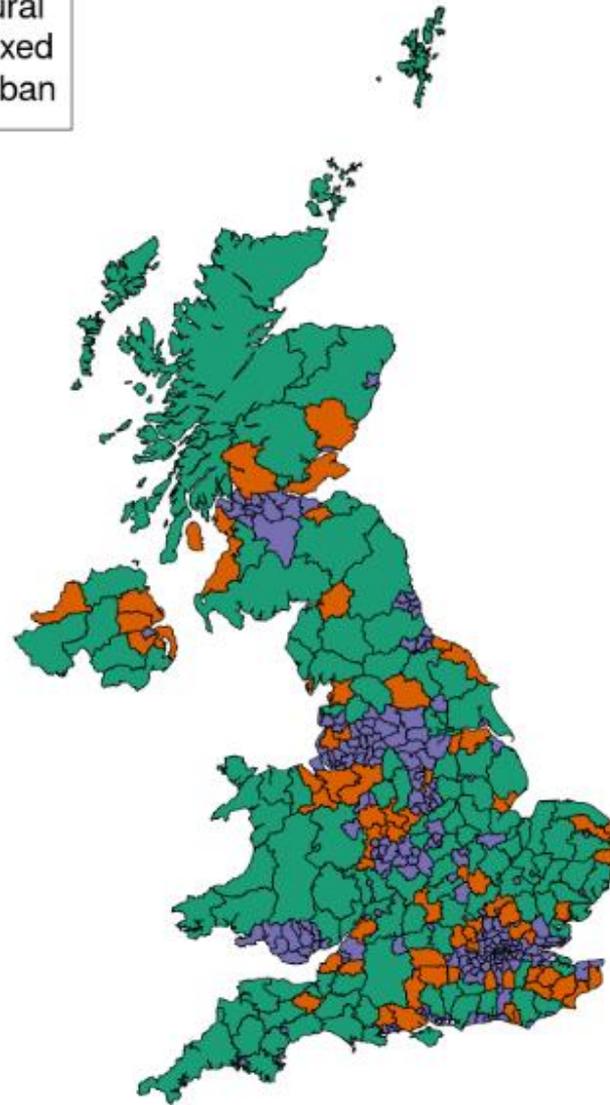
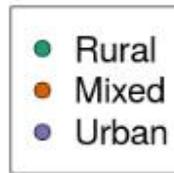
Assess potential – later research stage

Predominantly rural areas of the UK (shown in green on the map)

Rural is home to **763,900**
registered businesses

Which is **25%** of all UK
registered businesses

Possibly another 900,000
unregistered businesses



Rural business characteristics

- **Diverse:** operating across a wide range of sectors
- **Size:** dominated by those with no or few employees
- **GVA:** contributed £299 bn to UK economy (2015)
- **Productivity:** £20,472 GVA per head (2015)

Businesses in agriculture/forestry/fishing sector = 14%

Registered businesses that are micro (0-9 employees) = 80%

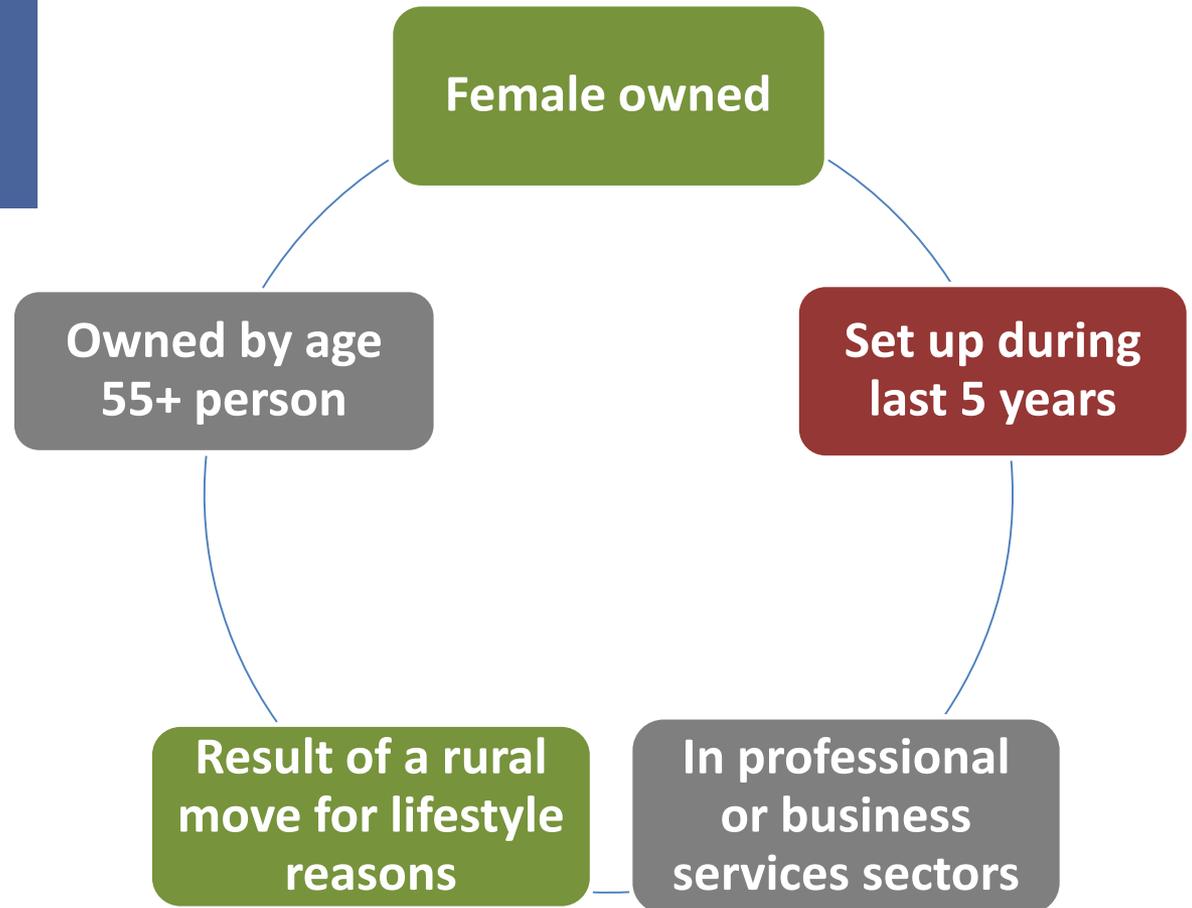
UK GVA that derives from predominantly rural areas = 18%

Characteristics of one person businesses

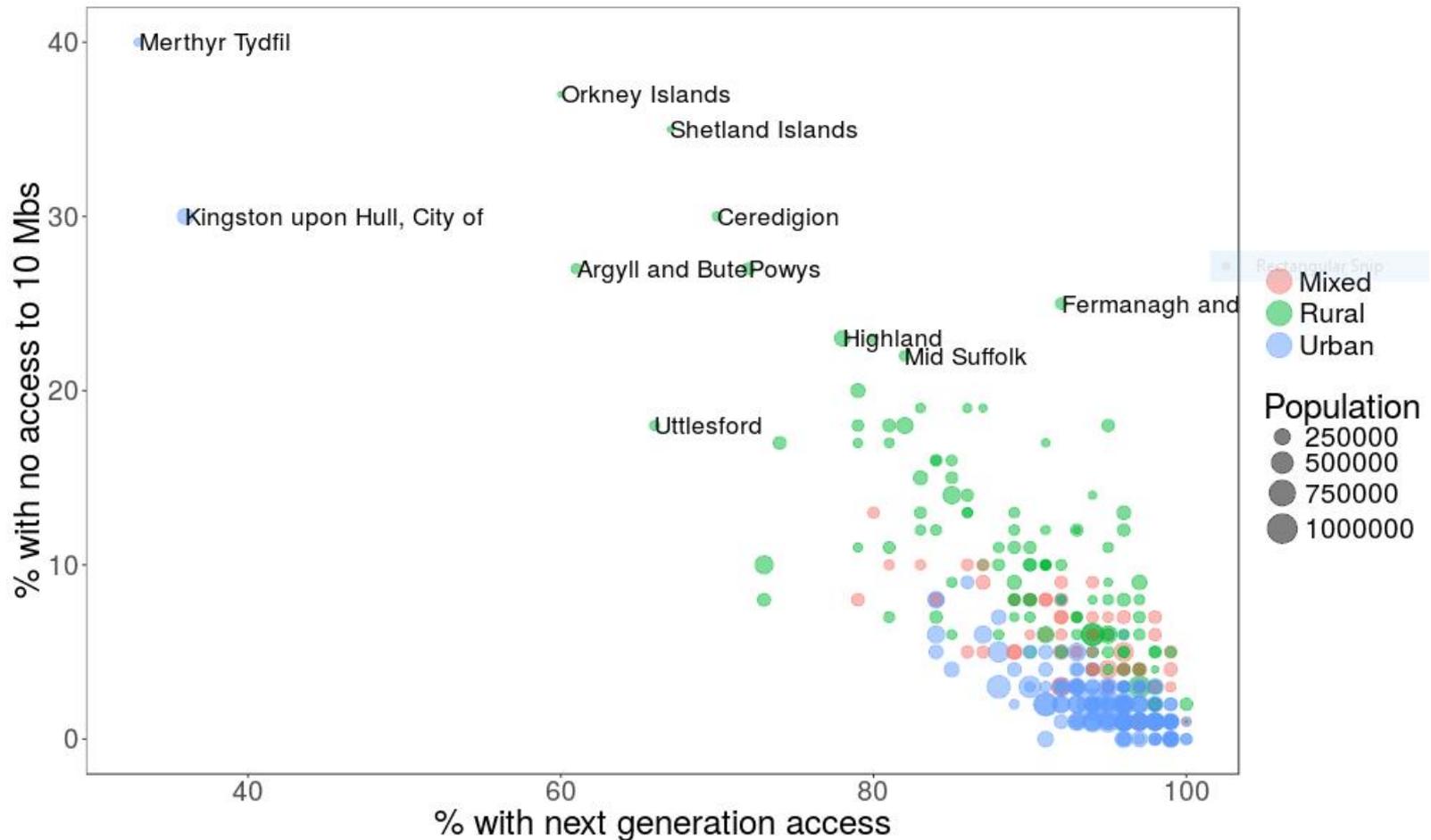
Comprise one third of all businesses responding to our survey.

Similar to other small businesses in digital use (except quite low for e-commerce).

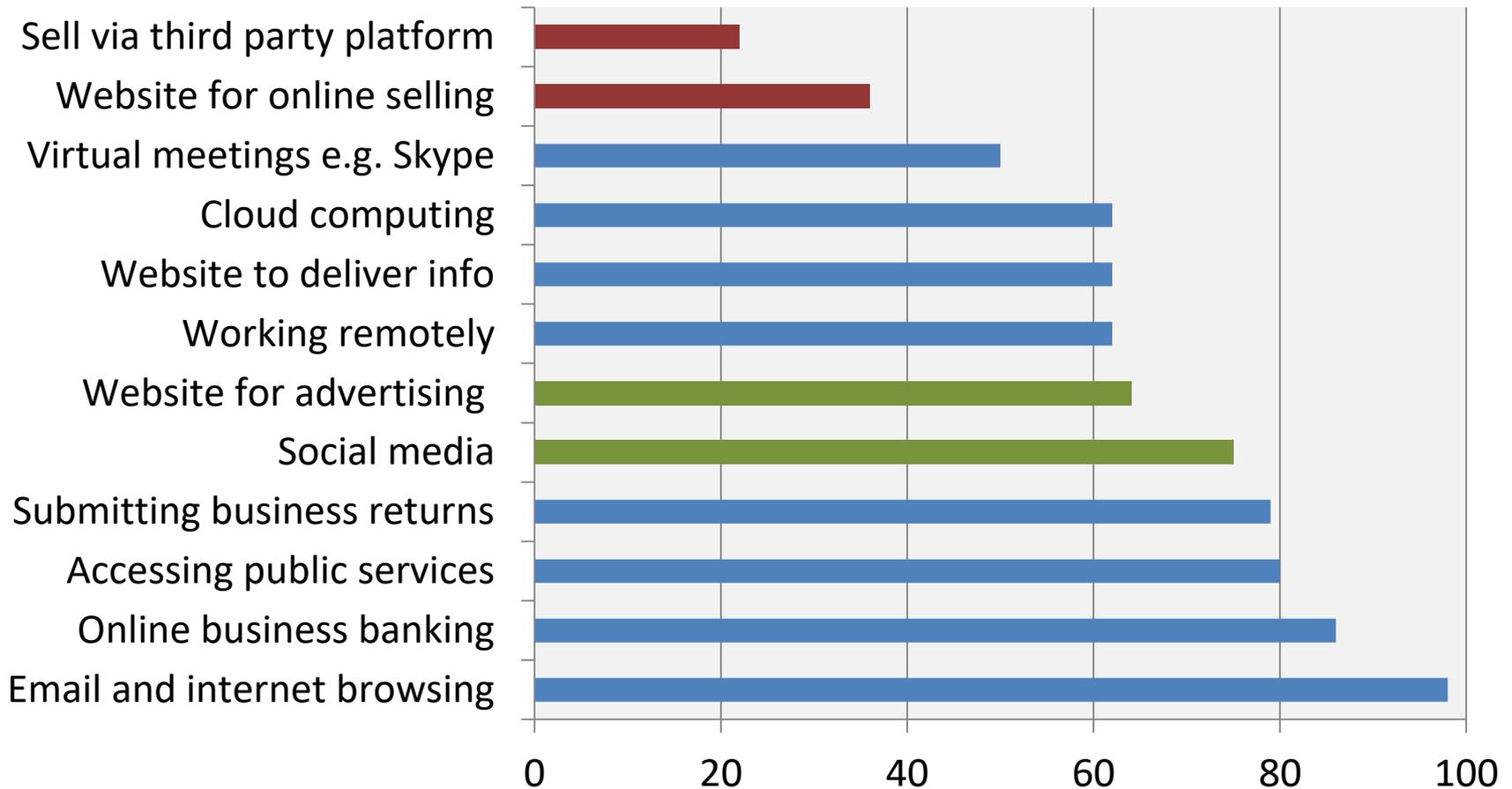
However, they are more likely to be:



How local authority areas score for broadband connectivity (Ofcom 2016 data)



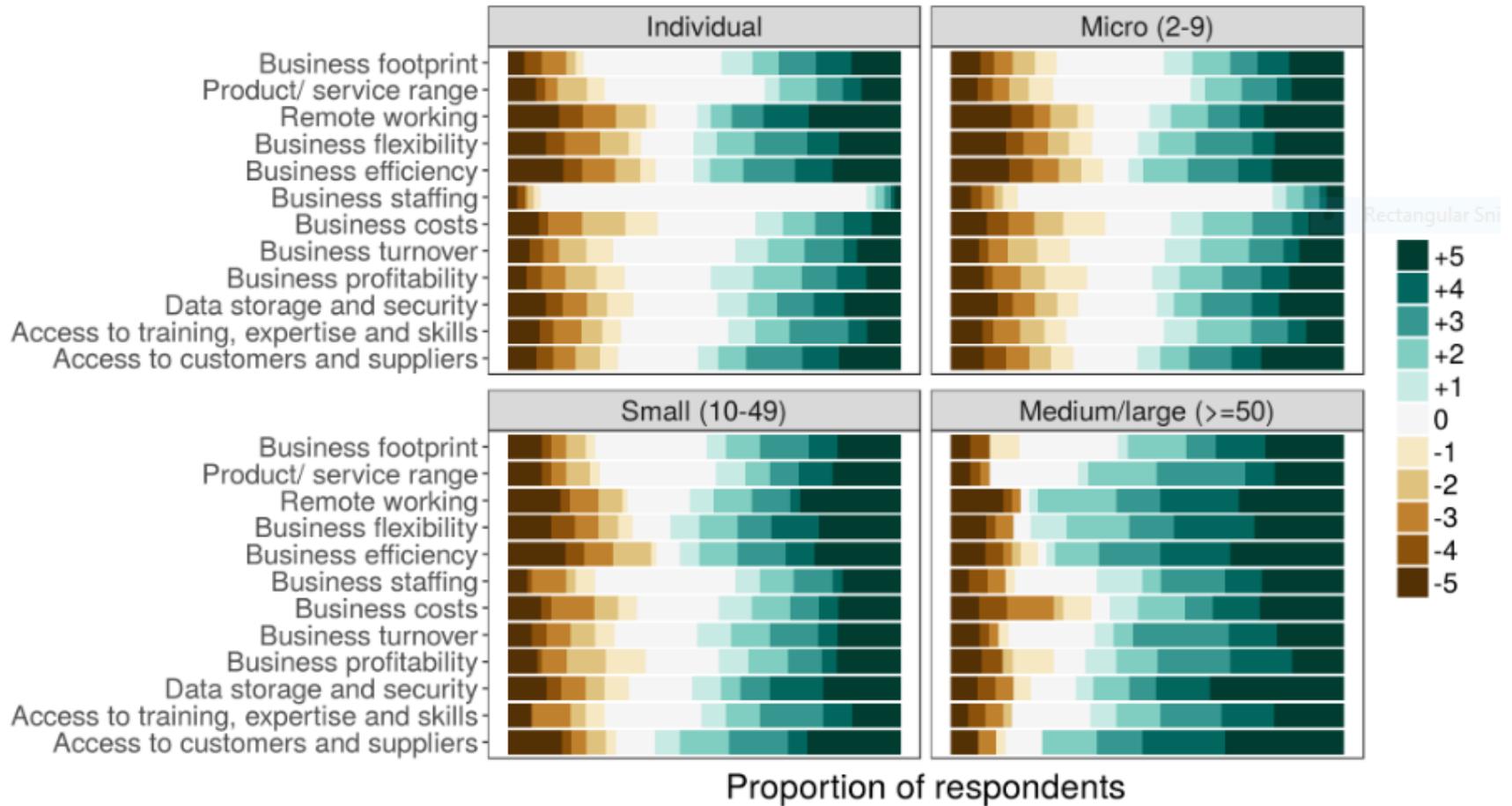
What rural businesses use connectivity for: (Per cent using named applications)



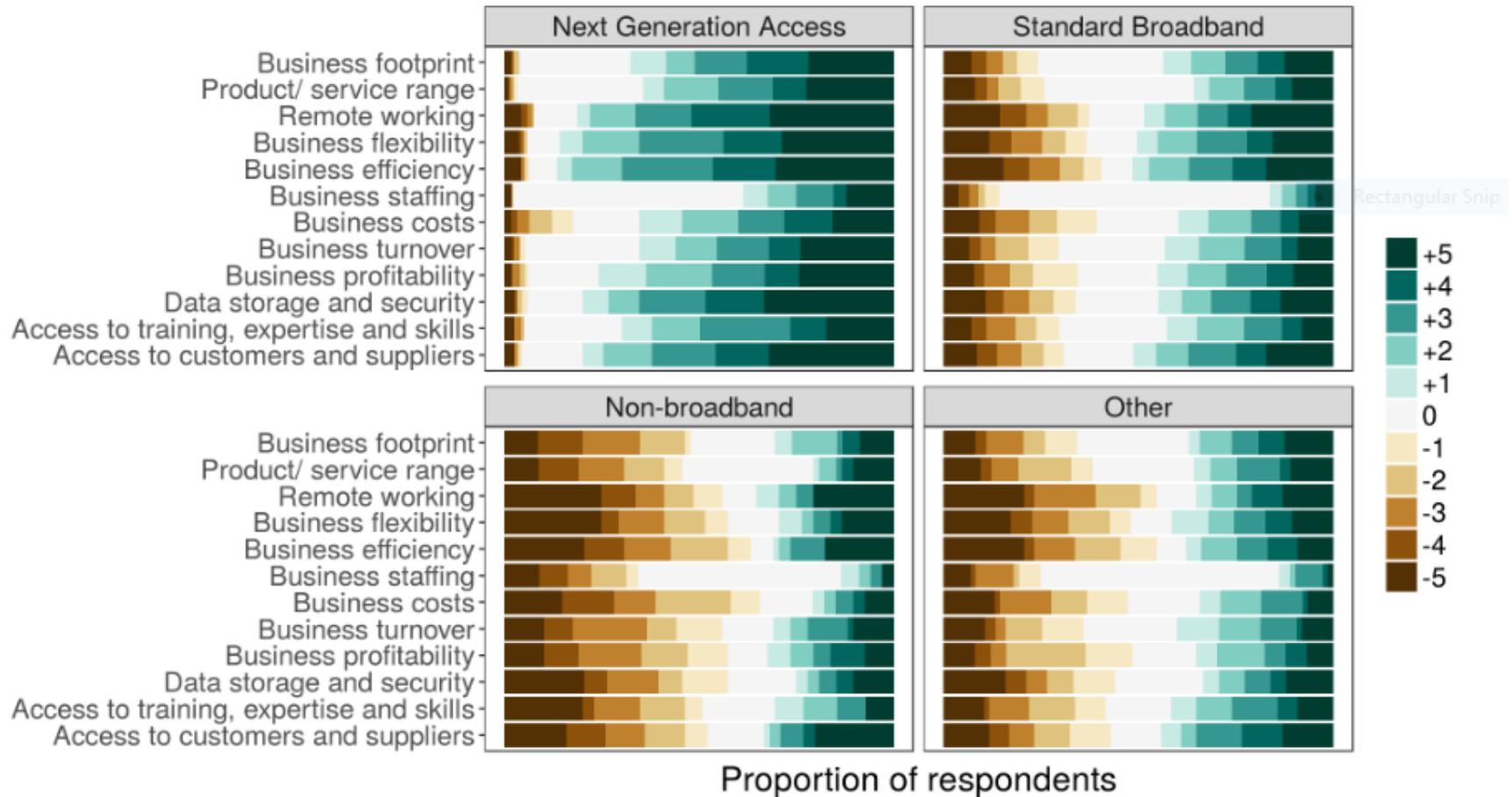
Business benefits from digital connectivity (over last five years)

Impacts	Perceive significant benefit	Net significant benefit
Remote working	30%	+11%
Customer/supplier access	29%	+17%
Business efficiency	28%	+9%
Data storage and security	25%	+8%
Business flexibility	25%	+9%
Access to new markets	22%	+12%
Profitability	19%	+9%
Product/service range	18%	+8%
Turnover	16%	+7%
Business costs	16%	+4%
Access to training/skills	15%	+4%
Staffing/recruitment	7%	+1%

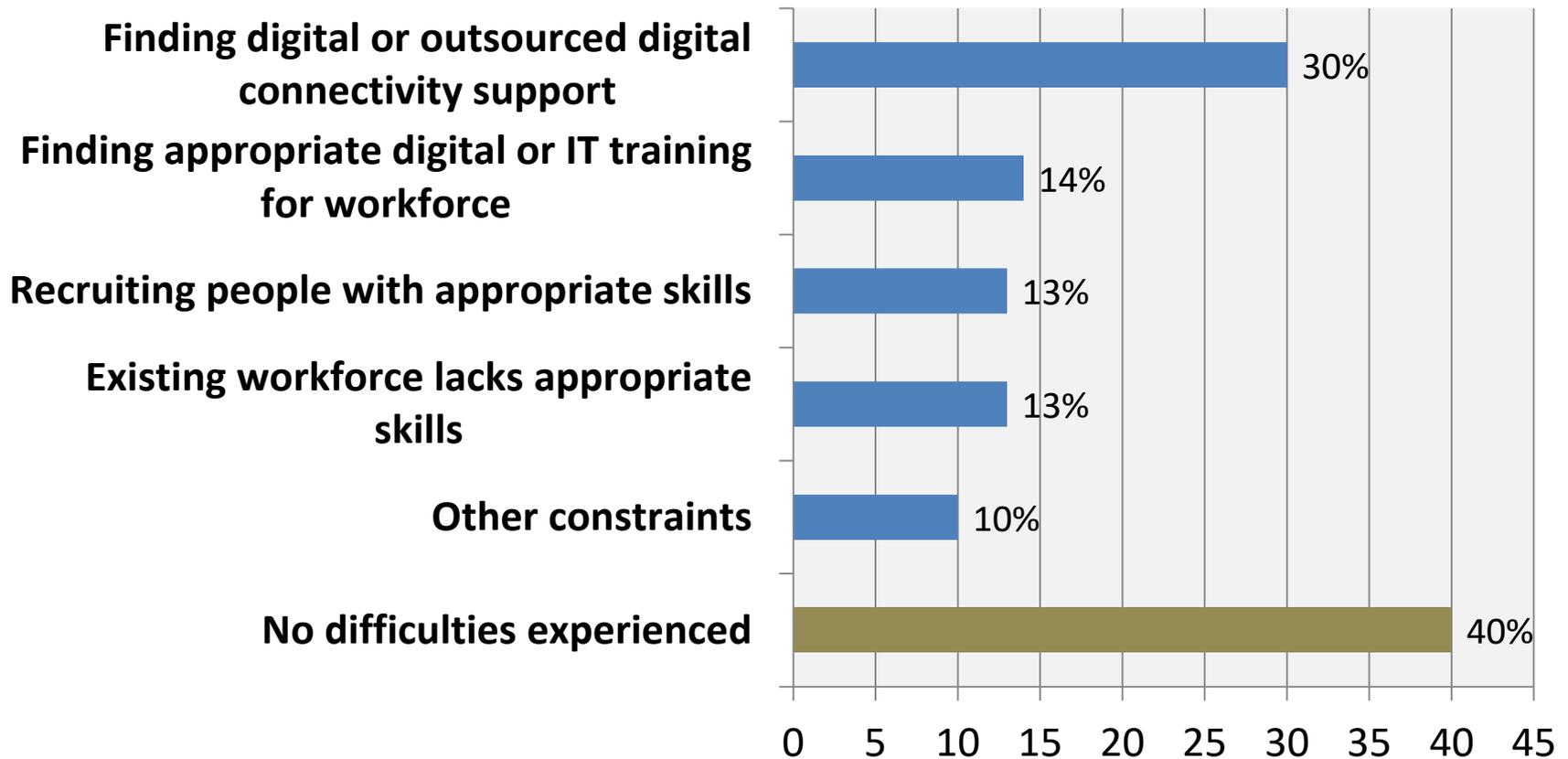
Digital benefits or disbenefits, by business size (employee numbers)



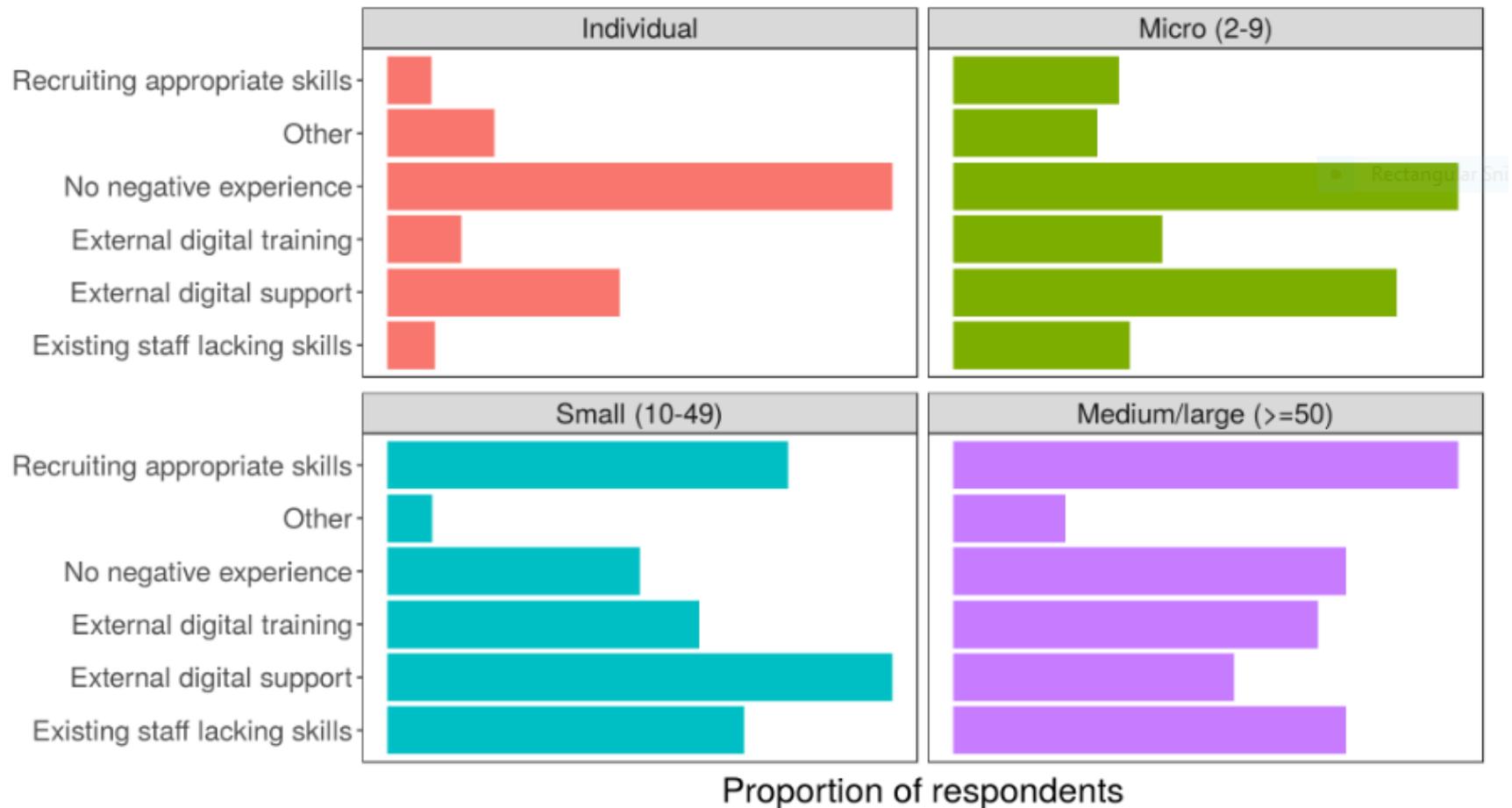
Digital benefits or disbenefits, by businesses' broadband connectivity



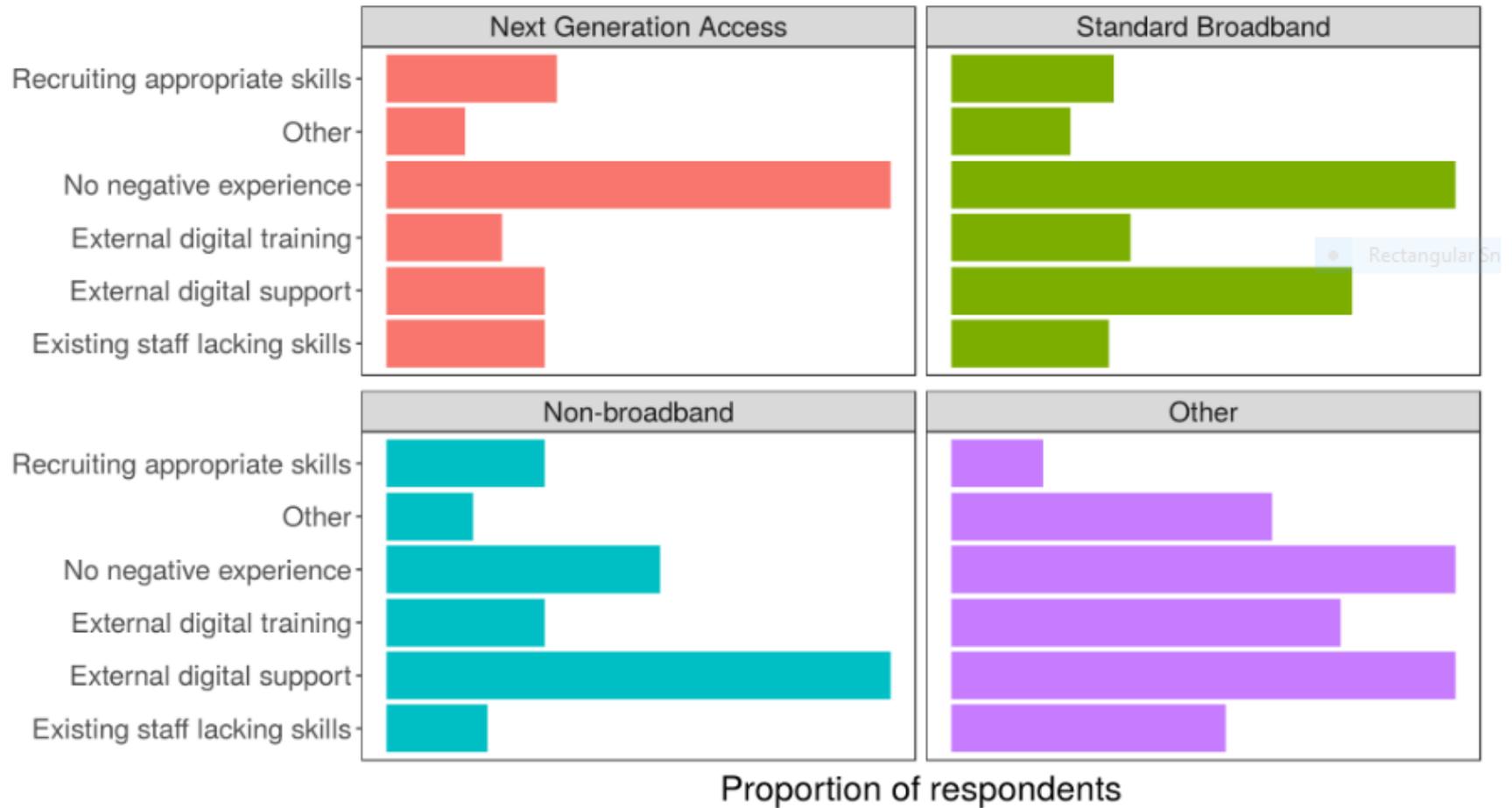
Difficulties experienced which have reduced rural businesses' ability to take advantage of connectivity



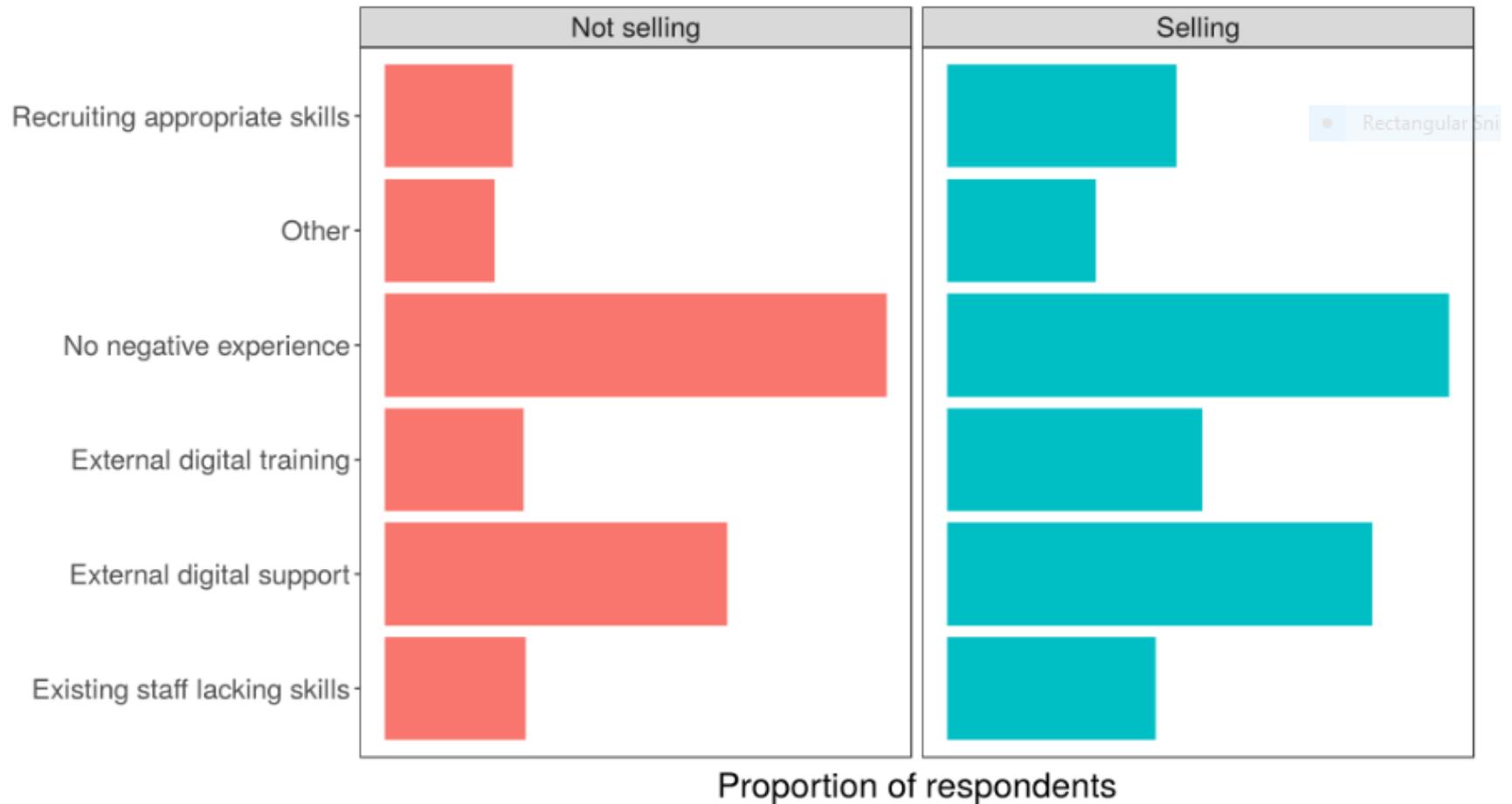
Experience of difficulties, by business size (employee numbers)



Experience of difficulties, by businesses' broadband connectivity



Experience of difficulties, for businesses that sell online and those that don't



Exporting and e-commerce

During the last year:

- **24% of rural businesses have exported goods or services**
- **Over 80% of these used e-commerce to help them do so**
- **Over 40% of these used e-commerce for all of their exports**

Suggested discussion topics for Rural Business APPG

Current policy context:

- Superfast Broadband Programme completing
- Area-specific programmes e.g. Cornwall, H&I
- Proposed broadband USO
- Government's Digital Strategy
- Devolved administration proposals e.g. Islands Bill

- 1) Addressing the **digital support** needs of smaller rural businesses
- 2) Addressing the **digital recruitment** needs of larger rural businesses
- 3) Capitalising on digital adoption to close the **rural productivity** gap
- 4) Encouraging more rural businesses to **export** using e-commerce
- 5) Addressing connectivity concerns about **network reliability** (not just speed)