

Press release

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Digital technology set to support high street businesses recovery, says techUK report

- *COVID-19 impact still visible on high street businesses*
- *techUK lists three key recommendations for government to support the local high street economy*
- *Digital technology adoption could drive £145 billion in increased economic output*

LONDON, 13 December 2021: Government must support the digitisation of high street businesses to help COVID-19 recovery, says a new techUK report '*Technology and the future of the high street*'. The report calls for the UK Government to support the use of technology by businesses and local authorities to put the high street at the centre of the local communities and economies through three recommendations.

High street businesses have been subject to a range of challenges over the years, including rising business rates, a decline in real wages, stagnant economic growth, parking and infrastructure problems, and a shift in consumer behaviour towards online commerce. Most recently, high street businesses have been hit by the restrictions of the COVID-19 pandemic. Research shows that by September 2020, non-food retailers had lost more than £9 billion in sales, and more than 13,867 shops had permanently closed, a 24.7% rise from the same period the previous year¹.

However, with changes in the way people work, shop, and live over the past 18 months, there is an opportunity for a rethink of the role of the high street in the local community and economy.

The adoption of digital technologies has been an essential part of the pandemic response by many businesses in the UK, with more than 60% of local shops and restaurants adopting an omnichannel approach through e-commerce, online ordering, and delivery platforms to

¹ <https://www.theguardian.com/business/2020/sep/28/second-covid-19-wave-could-be-knockout-punch-for-uk-high-street>

continue trading and serving their customer base². There is appetite from large businesses and SMEs to increase technology adoption in their operation to increase opportunities and productivity.

However, the adoption of technology by businesses alone is not enough. Technology can support improvements to increase footfall, attract customers, and improve business prospects in the long-term; this will require local government and organisations to rethink the role of the high street in the community, as well as address challenges to accessibility, mobility and sustainability.

Enhancing tech adoption by SMEs such as those found on high streets across the country could support 2.7 million jobs in the UK, deliver £325bn in additional SME revenue, and drive £145bn in increased economic output due to improved productivity³.

There is a significant role for government to play in this transition, and techUK has outlined three key recommendations for Government to support the digitisation of the high street to help the high street prosper at the centre of the local economy:

- > **Enable businesses to help themselves through digitisation:** the Government should expand the 'Help to Grow: Digital' scheme to support high street businesses to face high up-front costs to digitise, allowing the enhancement of supply chains, competing with international brands by transforming customer experience and the reach of the business using advanced digital services like e-commerce, enterprise resource planning and HR software. It also means abandoning plans for an online sales tax which would penalise companies that seek to shift to digital.
- > **Give high streets the infrastructure and connectivity they need to thrive:** seek to target support from the Towns Fund as well as the National Infrastructure Bank to support the connectivity infrastructure, optimising public transit options, enabling consumers to find the businesses they want and thus facilitating access and visits to local high streets.
- > **Respond to the needs of the post-pandemic local economy:** the Government should convene a Future of Work council, bringing together businesses, business groups, and trade bodies to examine the local and regional changes in working patterns and how to best support workers and increase productivity, creativity, and drive the economic recovery.

Antony Walker, deputy CEO, techUK said:

"The importance of high streets is not just in their economic value, but also in our sense of place and community. While the COVID-19 pandemic has been particularly harsh for high

² https://cep.lse.ac.uk/_new/publications/abstract.asp?index=7291

³ <https://www.sage.com/en-gb/news/press-releases/2020/10/145-billion-productivity-boost-for-uk-economy-if-sme-digital-investment-unlocked/>

streets, it has also shown the resilience of British businesses who have sought to use technology and innovation to adapt and thrive.

"However, we need to go a step further and support the high street develop a new omnichannel business model that leverages technology to create new attractive places people want to visit and spend their time in. This will require a coordinated approach from Government and the private sector. The commitment and ambition is there, and by following the recommendations in this discussion paper relevant organisations can add to their efforts to revitalise the high street."

The report will be presented at an event at the House of Lords on 14 December 2021. Representatives will include techUK, Matt Vickers MP, Co-Chair of the APPG on the Future of Retail, the British Retail Consortium, eBay, and the Federation of Small Businesses.

-ENDS-

Notes to Editors

The full list of recommendations is:

Recommendation 1: Support high street businesses to digitise

The government has been a strong supporter of digitisation across the economy. High street businesses and SMEs more generally need support to engage in this process, which often has a high up-front cost, but huge productivity benefits in the long-term. High street businesses need support to:

- Become omnichannel retailers that can engage in as many combinations of online and offline purchasing and delivery as possible
- Compete with international brands by transforming their customer experience using cutting-edge technologies like AR and VR
- Deploy technology widely to improve hygiene by incorporating touchless experiences and app-based ordering and shopping
- Enhance the security, transparency, and efficiency of supply chains by using digital technologies.

To support this Government should expand the Help to Grow: Digital scheme. The scheme provides a discount of up to 50% with a possible total value of £5,000 for SMEs who want to upgrade their software. However, when it launches the programme will be limited to just three types of software, Accounting, Customer Relationship Management (CRM) and e-commerce. To make this programme the real driver of digital adoption that it aspires to be and make the difference for high street retailers, politicians should challenge the Government to expand the scheme to cover new types of software and technology as the programme develops.

To support this the Government should also abandon plans for an online sales tax which would penalise high street businesses that seek to adopt digital channels and could also see knock on effects for inflation.

Recommendation 2: Digitise the high street to improve access and social capital

Local authorities should be encouraged – with ideas and financing – to use connectivity and tech to make it easier for people to visit and spend time on their local high streets and town centres, from optimising public transit options, enabling consumers to find the businesses they want, and providing accessible, safe, and fast connectivity infrastructure.

techUK's work on Local Digital Capital has shown the need to increase both levels of collaboration and coordination and the importance of local data ecosystems, to drive the needed changes to create network effects, smarter cities, and better high streets. Strong local tech ecosystems can be powerful engines for local growth and innovation, which will be needed to use technology to make high streets and town centres more efficient and succeed in the new normal.

Government should seek to target support such as from the Towns Fund as well as the newly created National Infrastructure Bank to support investment here. However, some Towns and Local Authorities may also need support to successful bid for investment.

Recommendation 3: Join the dots between conversations about the future of work, supporting local economies, and the future of the high street

Government should convene a Future of Work council, bringing together businesses, business groups, and trade bodies to examine the changes in working patterns and how to best support workers and increase productivity, creativity, and drive the economic recovery.

There are significant local and regional differences across the UK, and the variety of needs for different local communities must be acknowledged in policy making. Local authorities and business can be empowered to improve their high streets with the right combination of funding and data.

Online Sales Tax:

In response to the shift to online sales and tech-enabled retail experiences, there have been calls for the Government to adopt an online sales tax.

However while an online sales tax would raise revenue for government, it would increase costs for many small businesses who are least able to bear them, as they rapidly shift to selling online as a response to the changes in the consumer demands during and after the COVID-19 pandemic—thus, an online sales tax could disincentivise many small businesses from adopting technology that could help them grow in the future.

In addition, most of the tax burden will fall on consumers at a time when the economy is just beginning to recover from the huge recession caused by the COVID-19 pandemic and there are concerns about rising inflation.

The Treasury's own analysis has said that a potential Online Sales tax would see costs passed on to consumers at a high rate, with the burden of the new tax being placed on households.⁴ While in their analysis the Institute for Fiscal Studies does not believe an online sales tax would redress any imbalance in business rates.⁵

Rather than an online sales tax, techUK favours the long-promised wholesale review of business rates—which is needed now more than ever to help revitalise high streets across the UK. The Government should also continue to support the OECD process to deliver a multinational tax agreement that will mean large international firms pay a greater proportion of their tax in the markets where they operate, rather than where they are headquartered.

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The full report can be downloaded [here](#).

About techUK

techUK is the trade association which brings together people, companies and organisations to realise the positive outcomes of what digital technology can achieve.

With over 800 members (the majority of which are SMEs) across the UK, techUK creates a network for innovation and collaboration across business, government and stakeholders to provide a better future for people, society, the economy and the planet.

By providing expertise and insight, we support our members, partners and stakeholders as they prepare the UK for what comes next in a constantly changing world.

[Digital Economy techUK hub](#)

⁴ [HM Treasury, Business Rates Review, Final Report, 2021](#)

⁵ [Institute for Fiscal Studies, Budget and Spending Review 2021](#)