



BAMGOOGLED: Digital Skills Among Newly Registered Businesses

UK Startup Digital Marketing Report

About The Company Warehouse

The Company Warehouse are one of the UK's leading company formation agents and business startup specialists. They deal with thousands of new businesses each year providing services from company formation and business registration through to accountancy, web design and digital marketing.

The Company Warehouse have been building and managing websites, social media and digital marketing strategies for startups and small businesses for a number of years. As such they have a keen interest in both the startup and marketplace and in developments in web design and digital marketing.

Founded in 2003 *The Company Warehouse* were one of the UK's first online company formation agents. As well as being a formation agent *The Company Warehouse* sell and manage domain names for customers and are Nominet Accredited Tag Holders.

'BamGoogle' :

[bam : gu : gl]

verb (used with object), **bamgoogled**, **bamgoogling**

- to confuse, bewilder, perplex or mystify (someone) by the workings of the internet and search engines.

"They were completely bamgoogled when it came to promoting their business online."

Executive Summary

When talking about startup businesses many people think of high tech companies like Google and Facebook, or of the firms clustered in London's Tech City. The UK has one of the most developed digital economies in the world with online sales making up 14% of retail spending. Yet there are huge numbers of startups and small businesses who don't engage with the digital economy. Up to 50% of small businesses do not have a website and over 95% of startups and small businesses

don't have a basic understanding of how search engines like Google work. The tech industry is relatively small, only making up around 6% of the UK economy.¹ Startup businesses come from all types of industry with construction, healthcare and retail being among the biggest drivers of small business growth². A number of recent studies have looked at digital skills among small businesses little work has been done on very early stage startups.

80% of startup businesses fail within the first 18 months³. While there are many reasons for this, failure to attract enough paying customers and to control costs are common factors. Businesses with strong

digital skills tend to be more successful⁴ and longer lasting. Understanding, and addressing, the issues around lack of digital skills in early phase startups could then be a good way to reduce startup failure rates.



More than 90% of startups **do not** know what **SEO professionals** do.



Over 90% of startups **do not** have any budget allocated for **SEO or Social Media Marketing**.



Less than 5% of startups had an understanding of any **ranking factors** other than **keywords**.



49% of startups are willing to pay someone to setup **social media accounts** for them.



55% of startups are willing to pay to have **website content written** for them.

¹ Digital Skills for the UK Economy Report https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/492889/DCMSDigitalSkillsReportJan2016.pdf

² Office for National Statistics Business Population Estimates https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/467443/bpe_2015_statistical_release.pdf

³ <http://www.forbes.com/sites/ericwagner/2013/09/12/five-reasons-8-out-of-10-businesses-fail/#7aad18f5e3c66aab29405e3c>

⁴ Surmounting 21st-Century Business Challenges: How Leading Entrepreneurs are Thriving :

[https://webforms.ey.com/Publication/vwLUAssets/EY-how_leading_entrepreneurs_are_thriving/\\$FILE/EY-how-leading-entrepreneurs-are-thriving.pdf](https://webforms.ey.com/Publication/vwLUAssets/EY-how_leading_entrepreneurs_are_thriving/$FILE/EY-how-leading-entrepreneurs-are-thriving.pdf)

& Digital Skills for the UK Economy Report: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/492889/DCMSDigitalSkillsReportJan2016.pdf

Introduction

Much has been made in the last few years of a growing spirit of entrepreneurship in the UK as evidenced by growing numbers of companies being formed and businesses being registered⁵. The record number of private businesses is often linked to the Tech City phenomena and to tech startups more generally. The UK does have one of the most evolved digital market places in the world and thousands of UK businesses have sprung up to capitalise on the opportunities the internet and communications technologies provide. This type of high tech business is what many people think of when we talk about startups but the majority of new UK businesses are more traditional. They are builders, plumbers, shops and cafes. These more traditional businesses can also benefit greatly from joining the UK's digital market but a significant number of them don't.

It is an unfortunate truth that up to 80% of newly registered businesses will fail within their first 18 months⁶. While there are many reasons that new businesses fail, one area where they can often fall down is a lack of engagement with new digital technologies.



A recent survey of successful small business leaders in the USA, conducted by Harvard Business Review, emphasised the importance of embracing the potential in digital. The entrepreneurs surveyed, who had all won the 2015

Regional Entrepreneur Of The Year award were identified to have “cracked the code of digital transformation by putting digital technologies at the core of how their businesses operate”⁷

5 - There were 146,000 new businesses last year according to the Office for National Statistics Business Population Estimates which are based on the number of trading businesses - https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/467443/bpe_2015_statistical_release.pdf. Some organisations use the number of new company formations as a measure of new businesses. This is significantly higher at around 600,000 but the majority of these company formations will not be for real trading businesses - <http://blog.thecompanywarehouse.co.uk/2015/06/24/most-reports-on-the-number-of-uk-startups-are-rubbish/>

6 - <http://www.forbes.com/sites/ericwagner/2013/09/12/five-reasons-8-out-of-10-businesses-fail/#7aad18f5e3c66aab29405e3c>

7 - Surmounting 21st-Century Business Challenges: How Leading Entrepreneurs are Thriving [https://webforms.ey.com/Publication/vwLUAssets/EY-how_leading_entrepreneurs_are_thriving/\\$FILE/EY-how-leading-entrepreneurs-are-thriving.pdf](https://webforms.ey.com/Publication/vwLUAssets/EY-how_leading_entrepreneurs_are_thriving/$FILE/EY-how-leading-entrepreneurs-are-thriving.pdf)

Introduction

A number of reports have been published in the last year looking at engagement with digital among small and medium sized businesses (SMEs).

A recent report published by the Department for Business Skills and Innovation⁸ found that while most SMEs have some engagement with digital technologies, for many this is limited to sending emails or using the internet to find information.

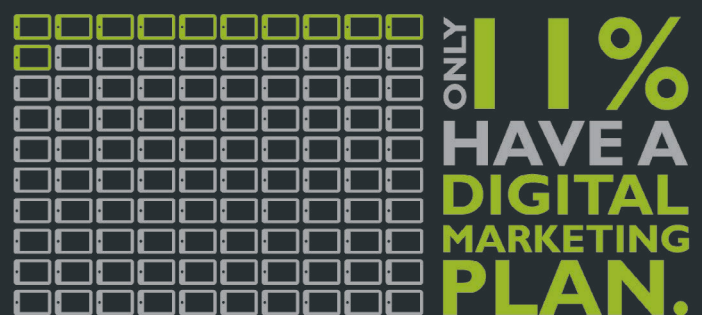
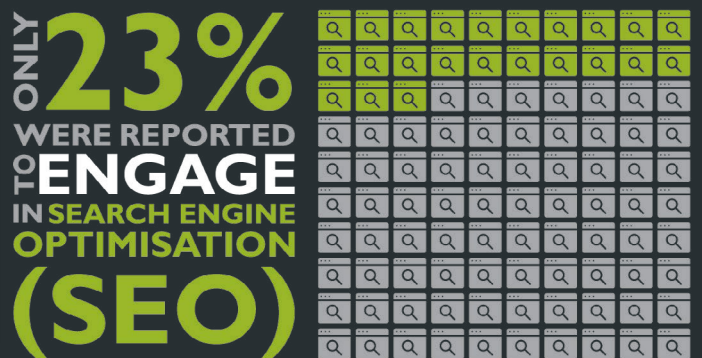
36% of small businesses were reported not to have a website, only 23% were reported to engage in search engine optimisation (SEO), and only 11% had a digital marketing plan.

Although this report attempted to segment the SMEs surveyed by size it was generally dealing with established businesses. As the SME definition can include businesses with up to 250 employees⁹ these figures may not be representative of early stage startups.

This report seeks to compare the findings of the Department for Business Skills and Innovation report with the newly registered businesses that *The Company Warehouse* deal with.

⁸ - Digital Capabilities in SMEs: Evidence Review and Re-survey of 2014 Small Business Survey respondents https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/457750/BIS-15-509-digital-capabilities-in-SMEs-evidence-review-and-re-survey-of-2014-small-business-survey-respondents.pdf

⁹ - Different parts of the UK government use different definitions of what an SME is but 250 is generally the agreed upper limit - <http://blog.thecompanywarehouse.co.uk/2012/07/31/what-is-an-sme/>



What do we mean by Digital Matters Technologies?

Although lack of digital skills generally is an issue for many startups and small businesses for this report we are specifically looking at websites, SEO and digital marketing. Having a website built, getting it to rank in Google and promoting a business through social media and email marketing are all basic steps that most businesses should take but large numbers don't.

Why does engagement with digital matter for startups?

Creating an effective web presence means that a new business can be more easily found by potential customers. Online sales account for up to 14% of all retail spending in the UK¹⁰ so this is a potentially important sales channel for new businesses. However, even those businesses who cannot, or don't want to sell online, need to have a strong online presence.

74% of people use internet search as their first port of call when looking for local businesses¹¹ and 80% of people report researching products and services online before buying them from a local business¹². Simply having a website is often not enough.

48% of consumers report combining social media with search engines when making buying decisions,¹³ so it is important that businesses get to grips with social as well. Without a website or social media presence startups will miss out on these customers, making it much harder for them to compete with established businesses, maintain cashflow and survive.



¹⁰ - <http://www.ons.gov.uk/ons/rel/rdit2/e-commerce-and-internet-use/5-facts-relating-to-web-sales/sty-5-facts.html>

¹¹ - <http://searchengineland.com/survey-search-now-top-resource-for-local-information-12396>

¹² - <http://searchengineland.com/survey-search-now-top-resource-for-local-information-12396>

¹³ - <http://socialmediatoday.com/jeffesposito/310611/30-social-media-stats-c-suite>

Do all Businesses Need to be Digital?

The Company Warehouse speak to hundreds of new startup businesses per week about their plans and how they are going to put them into practice. In most cases these are people who are either about to complete a company formation for a new business or who have registered a business within the last 48 hours. The vast majority are first time entrepreneurs launching their first startup venture.

Although there are thousands of new businesses setup in the UK each year a large proportion of them don't really trade. Large numbers of new limited companies are setup each year to hold assets such as Buy to Let and commercial property.

76% of UK businesses are single person entities.



76% of UK businesses are single person entities. That is businesses which are owned and run by one person, often acting as a contractor and gaining work through agencies, freelancing websites or personal contacts.



businesses who did not have a website 77% said one wasn't necessary for their business.

These businesses are unlikely to want or need a web presence. This is reflected in figured from a recent Department of Business Innovation and Skills report which showed that among the smallest businesses (those with less than 9 employees) only 50% have a website. Of those businesses who did not have a website 77% said that one wasn't necessary for their business¹⁴.

However, there is still a significant number of new business who would benefit from having an online presence but don't. A more common issue is that new businesses purchase a website but then don't have the skills or knowledge to maintain and promote it. As a result their website's do not attract significant numbers of customers for their business and they become unwilling to invest further in them.

Startup's Knowledge Gap on Digital Marketing

Of those new startup businesses who do require a website for their business virtually all of them are aware that they will need to spend some money to get a business website live. However very few new startup businesses have given much thought to their digital marketing beyond that point.

This is perhaps not surprising when we consider that **only 11% of established SMEs have a digital marketing plan.** Among the newly registered businesses The Company Warehouse speak to over **90% do not have any budget allocated for SEO or Social Media Marketing.**

Part of the reason why startups do not have specific budget allocated to digital marketing is because of a lack of understanding on what digital marketing is and why it is necessary. Among newly registered businesses *The Company Warehouse* have found that **over 90% do not have a clear understanding of what SEO professionals do.**

This is very close to the percentage of newly registered businesses who have not allocated a budget for SEO work or social media marketing to be done. This is perfectly understandable as new businesses on a tight budget are unlikely to spend on something they don't understand.



Over **90%** of startups *do not* have a clear understanding of what **SEO professionals** do.



90% of startups *do not* have any budget allocated for **SEO or Social Media Marketing.**



While **78%** of startups had *some* understanding of the importance of keywords for SEO.



Less than **5%** of startups had an understanding of any *other factors* used by **search engines** to rank websites.

The obvious solution for newly registered businesses on a tight budget is to try and do some, or all, of their SEO and social media marketing themselves. However, *The Company Warehouse* have found that **While 78% had some understanding of the importance**

of keywords for SEO less than 5% had an understanding of any other factors used by search engines to rank websites. Without this basic level of SEO knowledge most new businesses would struggle to make much headway in improving their search engine rankings.

As well as a lack of skills and knowledge holding new businesses back from doing their own SEO work it also leads many to do things which could seriously damage their online presence.

The Company Warehouse found that 71% of newly registered businesses would be happy to copy website content directly from their nearest competitor's sites. Similar numbers were also happy to take images from websites and search engines without seeking permission.

As well as this being a breach of other businesses intellectual property rights such activity can actively damage a website as search engines like Google actively look for plagiarised content and punish sites where they find it.



This general lack of understanding of how **SEO** and **digital marketing** works is comparable with that of the general population. As mentioned above most of the newly registered businesses *The Company Warehouse* are speaking to are often people launching their first startup venture. Unless these people are from a marketing or IT background it is therefore not surprising that they lack detailed knowledge of the subject.

For new businesses to succeed in the UK digital marketplace it is therefore important for them to have access to impartial information on digital marketing. Before startups can make an informed decision about how they want to market their business online they will need to understand the basics of how search engines work, what the major ranking factors are and have a working knowledge of social media. This basic knowledge will equip startups to gain access to the UK's online economy and promote their business and services to a **widest** possible audience.

Where do Startups Spend their Money?

Most new businesses *The Company Warehouse* speak to who want a website are prepared to spend at least some money on creating one. Those customers who paid to have a website built were also prepared to spend on services around digital marketing. **55%** of new startups who purchased a website were prepared to pay to have their website content written and optimised for them and **49%** of new startups who purchased a website also paid to have someone setup their social media accounts for them.

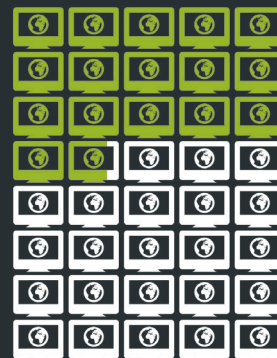
In most cases where startups bought these type of services part of the discussion with the customer about purchasing a website will have covered the importance of SEO/digital marketing and the sharing of information on the subject with the customer. Therefore the rates at which startups are prepared to pay for digital marketing services as described above are a reflection of those founders who have gone through the first stages of the digital marketing education process.



55% OF NEW STARTUPS WHO PURCHASED A WEBSITE WERE PREPARED TO PAY TO HAVE CONTENT WRITTEN AND OPTIMISED FOR THEM.



49% OF NEW STARTUPS WHO PURCHASED A WEBSITE ALSO PAID TO HAVE SOMEONE SETUP SOCIAL MEDIA ACCOUNTS.



42% OF NEW STARTUPS WHO PURCHASED A WEBSITE ALSO PAID FOR HELP SETTING UP ANALYTICS AND TRACKING TOOLS

It is interesting to note for comparison that the while significant numbers of new startup businesses were willing and able to pay for content and **SEO** services only **11%** required significant bespoke development work to get their website up and running. This reflects the fact that the majority of new businesses setup in the UK have fairly traditional business models which can be catered for by standard website frameworks.

Paid Online Advertising

The lack of knowledge about organic SEO among early stage startups is reflected in their level of knowledge about online advertising. 36% of early stage startup founders are not aware that Google Adwords ads are adverts and can't distinguish them from the organic search results¹⁵. This lack of awareness means that many small businesses don't know that they can use Pay Per Click (PPC) advertising to boost their traffic in the early stages of business growth.

Those startups that do use PPC advertising to boot their website traffic often find it hard to earn a decent return on their adverts and many end up abandoning this strategy as a result. Normally this is due to a combination of lack of time and lack of knowledge on how to setup their PPC campaigns¹⁶.

While many startups and small businesses either do not engage with PPC or abandon it those who persevere can see excellent results. *The Company Warehouse* have found that startups are 80% more likely to stay with website and digital marketing packages that include some element of Google Adwords PPC.



Startups are often looking to attract customers **very quickly** and don't want to wait for **SEO** and **Social Media marketing** to build up their web presence to a point where it is attracting sufficient numbers of customers. In competitive industries it can take a significant amount of time to build decent rankings in Google for popular products and services.

This can also be **very** expensive if the startup are not doing the content or social media activity themselves. PPC advertising such as **Google Adwords** gives them a much more tangible response for their money. Many new businesses also reported that they liked having the ability to turn website traffic on and off as budget and workloads allow by adjusting their PPC campaigns.

¹⁵ - <https://econsultancy.com/blog/64808-36-of-people-still-don-t-realise-that-google-adwords-are-ads/>

¹⁶ - <http://searchengineland.com/the-real-reason-adwords-isnt-working-for-many-small-businesses-185379>

Conclusions

Among first time entrepreneurs and early stage startups there is a general lack of knowledge about digital marketing. This knowledge gap is not unique to startups, it is also reflected in small businesses generally. While not every newly registered business needs a web presence,

failure to capitalise on digital marketing is leading many startups and small businesses to miss out on a significant proportion of potential customers in the UK and this is likely to contribute to the high failure rates of these businesses.



Around **20%** of the **UK** population are considering, or involved, in **starting a business**.

A small amount of education and knowledge sharing on SEO and digital marketing can encourage startups to invest in digital marketing and SEO services. While this knowledge can be partly provided by companies who offer digital services such as The Company Warehouse it also needs to be part of a wider effort to improve digital skills among the UK population. Around 20% of the UK population are considering, or involved, in starting a business¹⁷.

In order to make sure that early stage startups have the knowledge they need to market their business online it is therefore also important to make sure that this knowledge is reflected in the wider working population.

The recently published Digital Skills for the UK Economy Study (by the Departments for Business Skills & Innovation and the Department for Culture Media & Sport) recommended that local councils and other business agencies should be encouraged by the government to promote digital engagement among small businesses. But the study also recommended that a more long-term approach was required to “ensure that digital skills are learned

pervasively at all stages of education and training” and that “to this end, digital literacy should be seen as a core skill alongside English and maths”¹⁸

Until digital skills to permeate through the education system into the general population there will be a continuing need to for business mentors, business support officers and service providers to engage in digital education initiatives for new businesses.

¹⁷ - <http://blog.thecompanywarehouse.co.uk/2012/08/24/the-good-the-bad-and-the-ugly-of-uk-attitudes-to-start-up-businesses/>

¹⁸ - Digital Skills for the UK Economy Report https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/492889/DCMSDigitalSkillsReportJan2016.pdf