

# Faster broadband brings £3 billion boost to London SMEs

Submitted by: Point Topic

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The use of faster broadband by London's small and medium-sized enterprises (SMEs) taking up the Government's Broadband Connection Voucher Scheme will enable them to generate GBP2 billion additional sales within the first two years, 32,000 new jobs and to achieve just under £1bn cost savings, making London's voucher firms considerably more competitive and profitable.

The combined sales increases and cost savings represent GBP1.7bn GVA(1), just over a 20% (a one fifth) increase in GVA of London's voucher firms. (see notes to the editor explaining GVA)

The net benefits of this to the Greater London economy(2) are estimated to be an additional GBP430m additional GVA and an additional 8,118 jobs.

This represents a very positive economic return on investment of public funds into the scheme of 23.7:1 (GBP23.10 GVA per GBP1 invested in the scheme) (3) and a cost-per-job of GBP2,226(4)

These are the findings based on analysis of a comprehensive online survey of voucher scheme recipients carried out for the GLA by Adroit Economics with support from Point Topic, The Fifth Sector and the University of Manchester.

"Faster broadband is transformational for businesses and the economy," says Dr Steve Sheppard, Managing Director of Adroit Economics, a specialist in economic development and regeneration.

"Upgrading to faster broadband brings significant financial benefits to SMEs and results in substantial economic uplift. The findings of this survey, its analysis and assessment, provide strong evidence that the benefits to SMEs and resulting financial and economic impacts locally, regionally and nationally of the use of faster broadband are high, representing the equivalent of a third of current turnover. This is far higher than current global broadband literature suggests."

Just under 450 firms took part in the survey and of the respondents that answered, 50% said that faster broadband had a transformational impact on their business.

Benefits to SMEs include cost savings, staff time savings, increased sales, improved staff skills and proficiency, and increased productivity of home and mobile workers. The survey found that:

- Average cost savings of 4.8% were gained
- Average sales (turnover) increases of 10.5% are estimated
- Staff time savings of 6.1% were made
- Home working and mobile working productivity benefits of 11.1% were achieved.

Iain Bennett, Managing Director of The Fifth Sector, a digital transformation agency, says, "Small businesses that adopt faster broadband see immediate changes in their way of working as people in the organisation seize on the opportunity to improve their skills and 'work smarter'. The technology unleashes latent productivity, which provides a lasting and growing benefit to the individuals and firms

concerned – a really important finding at a time when businesses and policy makers alike are striving to find new ways to boost economic performance, increase jobs and improve skills.”

Oliver Johnson, CEO at Point Topic, adds, “The survey and associated data change our understanding of the benefits of broadband. We finally have some well researched, concrete and frankly very impressive inputs for business models around the country. Long to medium term it appears that there is at least an order of magnitude more to be gained than many projections had forecast and even short term there is a much stronger case for more bandwidth in business. As far as policy goes again broadband moves up the ranks and cements its place as a vital instrument in future growth.”

#### NOTES FOR EDITORS

(1) GVA = Gross Value Added, the Government’s preferred measure of economic wealth creation. GVA is similar to GDP minus taxes and subsidies. Total sales/turnover in a firm (or economy) comprises (i) purchases of goods and services (ii) wages (iii) profits. GVA is a measure of wages and profits, excluding purchases. The proportion of GVA to turnover reflects the overall wealth creation of the firm or industry sector. The proportion of GVA to turnover varies considerably, from less than 20% to 70-80% for high value financial and business service sectors.

(2) Not all of the benefits to firms are benefits to the London economy. For example, a proportion of the additional sales achieved by voucher firms will be at the expense of other London firms’ existing turnover. Government economic evaluation guidance sets out the methodology to convert total (gross) benefits to net additional benefits to a local economy, taking account of deadweight (what would have happened anyway), leakage (of benefits outside of the local economy), displacement (of existing turnover from other firms). Taking account of these factors, our calculations suggest that just under 25% of gross benefits are ‘net’ to the London economy – i.e just under half a billion GVA.

(3) The London voucher scheme achieved an economic return on investment (ERoI) of GBP23.70 for every GBP1 invested in the project by Government (the ERoI is calculated by dividing the net additional GVA to the London economy by the cost of the project (£18m). This is a significantly positive ERoI given around £10 is deemed to be a good economic return on publicly-funded economic development projects.

(4) In terms of job creation, analysis suggests the London voucher scheme will result in an additional 23,350 gross jobs over the first 12 months and 32,824 jobs over the first 24 months following connection of faster broadband service. This translates into 5,775 and 8,118 net additional jobs in the Greater London area and represents a cost per job of between GBP3,130 and GBP2,226 – a highly competitive cost per job figure for economic development projects.

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A detailed executive summary is available on request.

Adroit Economics Ltd, established in 2005, has developed a number of models and tools to help government, local and regional authorities create policy and programmes to address broadband gaps, including

provision of faster broadband.

<http://www.adroit-economics.co.uk/>

Point Topic Ltd has gathered, analysed and published broadband information data sets since 1998, used across industry and beyond as the foundation for reporting, planning and strategy. It provides insight, context, sourcing and transparent reporting so customers can follow data inputs through to information outputs with confidence.

<http://point-topic.com/>

The Fifth Sector offers corporate clients, public sector organisations and medium-sized businesses expert advice and help on strategic business cases, investor development, project management, research and feasibility studies focused on the Creative Economy, impact of digitisation and developing human capital

<http://www.thefifthsector.co.uk/>