FSB Uncovers a 'Two–speed Digital Economy'

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New FSB research finds many rural firms in digital slow lane when compared to those in cities.

New research from the Federation of Small Businesses (FSB) has found half (49%) of rural small businesses are dissatisfied with the quality of their broadband provision. The data showed nearly double the level of dissatisfaction compared to urban small businesses (28% dissatisfied).

This issue is predicted to become even more significant over the next two years, as small firms become more reliant on a high quality broadband connection to do business. More than three quarters (77%) said that email will be critical to their business, while more than half (57%) said broadband will be essential to engaging with their customers in the next two years.

The current lack of broadband infrastructure serving small firms threatens the expansion of the £400bn rural economy. The business opportunity includes 28% of all UK firms and over one million small businesses.

The FSB research uncovered rural businesses' dissatisfaction across a number of areas, including reliability (47% dissatisfied), upload speed (61% dissatisfied) and download speed (61% dissatisfied). This represents nearly a 50% gap in reported satisfaction levels with comparable urban businesses.

Mike Cherry, National Policy Chairman for the Federation of Small Businesses, said:

"This research paints a worrying picture of a divided business broadband landscape in the UK, and unless addressed highlights a clear obstacle to growth in the coming years. We risk seeing the emergence of a two-speed online economy resulting from poor rural broadband infrastructure.

"It's worrying that as many as 14 per cent of UK small firms still view the lack of a reliable broadband connection as being the primary barrier to their growth. A reliable connection is now viewed as a key business requirement by 94 per cent of small UK businesses, yet continued poor connectivity in rural areas represents a huge missed opportunity for economic growth in many parts of the country. These gaps and weaknesses need to be addressed as a matter of priority with the minimum of 10 Mbps to all business premises by 2018/19, and a pledge to deliver minimum speeds of 100Mbps to all by 2030."

Improvements to the UK's broadband provision have been made in recent years and more packages are now being targeted towards the needs of business. However the FSB believes that more could be done, especially as just 16 per cent of rural businesses have access to super-fast broadband. The Government's strategy to deliver 24Mbps broadband to 95 per cent of all users by 2017 is not sufficiently ambitious, especially for the five per cent of mainly rural businesses left receiving just 2Mbps, which is barely sufficient for even basic tasks like sending commercial emails.

As a result of the findings laid out in its 'Fourth Utility' report, the FSB is calling for Government to conduct a comprehensive review of broadband policy. This includes measures to encourage more competition for better packages in the business broadband market, a commitment to accelerate the roll-out of 4G mobile services and prioritisation of fibre-optic provision to business parks and enterprise zones.

Key Findings
1) 47% of rural small businesses are dissatisfied with their broadband reliability, 61% with upload speed and 61% with download speed.

2) 49% of rural small businesses are dissatisfied with the quality of their broadband provision, compared with 28% of urban small businesses.

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Notes to Editors
1) The FSB is the UK's leading business organisation with around 200,000 members. It exists to protect and promote the interests of the UK's Real-Life Entrepreneurs who run their own business. More information is available at www.fsb.org.uk and follow on twitter @fsb_policy
2) The FSB surveyed members of the 'Big Voice' Research Community Panel in December 2014 and received 1402 responses. The study was undertaken by Verve on behalf of the FSB.

3) Information in this release was taken from the FSB discussion paper 'The Fourth Utility: Delivering Universal Broadband Connectivity for Small Businesses in the UK, 2014'.
4) Information in this release was taken from the Ofcom 'Infrastructure Report 2014'.
5) The figures concerning the size of the rural economy and the percentage of businesses classed as rural is from the paper 'Reimagining the rural: What's missing in UK rural policy?' by Newcastle University, September 2014.

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