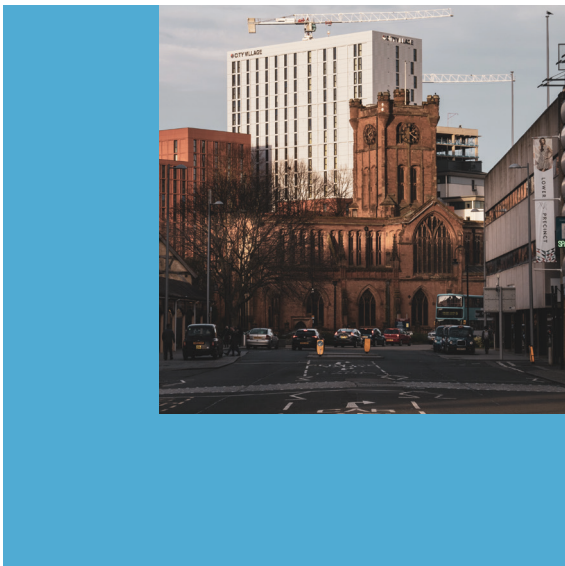




Small Businesses Supporting Small Businesses



How the West Midlands Combined Authority (WMCA) can strengthen its local economy through increased engagement between SMEs, local technology resellers and large technology suppliers.





Overview

Purpose of this Document

The purpose of this paper is to evidence the opportunity for the WMCA to boost the economy of the West Midlands Metropolitan County (WMMC). It details how the WMMC can boost the region's economy by increasing Small to Medium Enterprise (SME) productivity and success. It demonstrates benefits to the region through a solution that draws on existing local expertise. An SME is defined as a registered company with 1 - 249 full time employees. SMEs contribute more than £2 trillion to the UK economy (Cook, 2022), and SMEs in the WMMC have an untapped opportunity to improve their business efficiency and productivity through better use of technology and support from local resellers.

Structure of this Document

Following the executive summary, this paper begins with an analysis of the opportunity for SMEs in the WMMC to increase their contribution to the local economy by improving their productivity through more effective investment in technology. Evidence of the opportunity is followed by insights about the impact this could have on the WMMC economy before detailing a practical solution that draws on local firms already trading in the region. Finally, the document makes recommendations about the steps needed to unlock this potential in a manner where everyone involved in the technology buy and supply chain wins.

At the end of this document there are two appendices. Appendix 1 is the full results of research carried out in 2022 by Larato into how SMEs buy technology. Appendix 2 is further information about Digital Wholesale Solutions Limited.

Rationale for this document

Currently, the typical technology transaction disadvantages smaller businesses customers. The reasons for this are presented throughout this report alongside straightforward remedial steps that can be taken to everyone's benefit.

SME success is an issue that DWS and Larato care about. Today's technology can put smaller organisations on a level footing with their larger counterparts. Sadly, this is not happening. Yet it could. And it should. The effort required is low and the value to be gained is high.

This document has been authored by Terry O'Brien, the Chief Executive Officer (CEO) of Digital Wholesale Solutions Limited (DWS) and Dr Lucy Green, CEO of Larato Limited (Larato). DWS is one of the UK's leading technology distribution companies with revenues of £300 million. Lucy is the Chief Executive Officer of Larato Limited, a highly respected business development company specialising in the UK technology market.

DWS and Larato have produced this document because we would like to work with the WMCA to help make a difference in the region that is both tangible and accessible. Our aim is simply to support local business growth and we do not propose to charge for support provided.

Benefits and how to access them

Enabling small businesses to make better investments in technology can provide the following benefits to the WMMC;

- Increased cash in the local economy,
- Increased digital opportunities,
- Increased productivity,
- A stronger digital ecosystem,
- Increased attractiveness to overseas investors.

These substantive benefits can be realised by strengthening the region's technology buy and supply chain. Today, most small businesses buy their technology from high profile national and international providers like BT, Vodafone, and Microsoft. This is understandable since these suppliers offer all of the products that SMEs need. However, it is not economical for these global brands to provide the level of consultative advice that small businesses need in order to buy the right solutions for their organisations. There is a straightforward answer to this problem. Increase the engagement between SMEs and local technology resellers who have the skills and resources to help their customer SMEs buy better.

There are 432 expert technology resellers (Companies House, 2023) trading in this region that are well equipped to provide what small firms say they need;

- Help to buy the right technology to achieve their business goals,
- Help to understand how to use their investment well,
- Help to build a relevant business case.

On the surface, introducing local reseller expertise could be perceived as taking business away from the larger providers. The reverse is true. When small organisations work with local experts who help them to buy well, the larger providers sell them the right products which results in higher customer satisfaction, reduced churn, and lower cost of ownership.

Encouragingly, the key to unlocking all of these regional benefits lies in raising the awareness of local expertise to local businesses. The solutions are already in place. What is needed is communication.

The Potential

The more SMEs thrive, the more they can contribute to the regional economy. Growing SMEs cite heavy dependence on technology to help them improve operational efficiency, access new markets, and deliver better customer experience as well as increase competitive advantage. (See Appendix 1, Questions 7 & 8). Hence, most of them invest between 4% and 10% of their turnover in technology. They understand that prices are increasing and are still willing to invest in technology to achieve their business goals. Healthcare, Professional Services, Retail, Technology, Manufacturing, Financial Services, Education, and Construction are the fastest growing SME industries for technology investment.

With a total turnover of approximately £144.22bn, SME spend on technology in the WMMC sits between £5.77bn and £14.42bn. Unfortunately, SMEs are not realising the benefits they want and expect from their investments in technology. This is a consequence of current SME procurement practices, with most sourcing solutions from large national or international providers like BT or Microsoft who offer outstanding products but cannot service them profitably (Please see Appendix 1, Question 23). Practical business models mean that small customers of large suppliers have to be managed in a 'zero-touch', highly automated fashion. However, technology is becoming more complex and harder to invest in to secure the right returns. This is probably why 92% of SMEs are not satisfied with the sales service offered by the large national providers. This is not the fault of the larger providers; it is a simple matter of economics. It is too expensive for national providers to spend the time needed to fully understand the best technology for a small business.

Enabling SMEs in the WMMC to deliver their full potential requires a bridge between them and the national or international suppliers. Local technology resellers, many reselling these big brands, can provide the consultative expertise that ensures SMEs make the best investment decisions they can.

The problem is that SME awareness of local technology resellers is low. Almost half are aware that these resellers exist but do not know who they are or how to reach out to them. The remainder are simply unaware of these local experts that can help them to excel in an evolving digital landscape. (Please see Appendix 1, Question 25).

Augmenting the existing ecosystems that nurture small business growth in the WMMC by strengthening the technology supply chain to include local resellers would realise four benefits: more efficient SMEs, improved technology adoption and usage, growth of local technology reseller businesses, and retention of business by the national brands through buyers buying the right solutions.

The Opportunity

SMEs contribute significantly to local, regional, and national economies. The more successful small businesses are, the more turnover they achieve and the more they can contribute to economies.

There are 432 local technology resellers registered at Companies House in the WMMC that can deliver bespoke advice and support to help SMEs achieve their business goals. The breakdown of resellers in each district is as follows:

WMCA Council	Total number of resellers
Birmingham	193
Coventry	48
Dudley	49
Sandwell	31
Solihull	64
Walsall	17
Wolverhampton	30
Total	432

Therefore, there is an opportunity to bridge the gaps between SMEs, local technology resellers with the right expertise, and the larger suppliers with excellent products. This creates a win-win-win environment where the local resellers continue to buy from the national providers and the SMEs buy from the local technology resellers. As a result, SMEs increase productivity, and the local reseller market is optimised leading to economic growth.

Before contextualising the opportunity in the WMMC, it is helpful to consider the national situation.

In the **United Kingdom**, it has been evidenced that accelerating the adoption of technology could increase UK GDP by £236bn by 2040 (Virgin Media O2 and CEBR, 2021). SMEs are fundamental to this because they account for 38% of the UK's national income and 68% of Britain's profits (OECD, 2021). Therefore, this information proves that equipping SMEs to adopt the right technology at pace is an important part of increasing GDP.

Healthcare, Professional Services, Retail, Technology, Manufacturing, Financial Services, Education,

and Construction are the fastest growing industries for technology investment. They have budget to invest and understand that prices are increasing. They want to invest to achieve value and require advice about

- What to buy and why,
- How to build their digital skills,
- How to create a business case for investment.

The overall picture of the UK largely reflects that of the WMMC.

In 2022, the turnover of the WMMC based SMEs was £144.2bn (ONS, 2022) and they generated over 999,000 jobs (BPE, 2022). The WMMC small business population (registered companies) is illustrated in Table 1. While the region has traditionally been a hub for manufacturing, other sectors have significant SME populations, as can be seen in Table 1 below.

Count of CompanyName	Column Labels							Grand Total
Row Labels	Birmingham	Coventry	Dudley	Sandwell	Solihull	Walsall	Wolverhampton	Grand Total
Section A - Agriculture, Forestry and Fishing	39	19	14	6	23	12	13	126
Section B - Mining and Quarrying	13	8	2	1	9	1	1	35
Section C - Manufacturing	1188	341	347	488	197	318	333	3212
Section D - Electricity, gas, steam and air conditioning supply	43	10	8	14	21	6	4	106
Section E - Water supply, sewerage, waste management and remediation activities	76	12	19	36	18	22	27	210
Section F - Construction	2169	646	595	1974	691	566	642	7283
Section G - Wholesale and retail trade; repair of motor vehicles and motorcycles	4324	875	688	1296	562	608	801	9154
Section H - Transportation and storage	997	545	547	767	166	412	1130	4564
Section I - Accommodation and food service activities	1442	216	159	363	143	156	226	2705
Section J - Information and communication	1862	611	266	329	595	244	297	4204
Section K - Financial and insurance activities	593	145	89	95	172	86	87	1267
Section L - Real estate activities	3187	632	358	543	706	339	432	6197
Section M - Professional, scientific and technical activities	3014	849	549	483	1043	369	434	6741
Section N - Administrative and support service activities	3877	574	749	512	549	407	927	7595
Section O - Public administration and defence; compulsory social security	52	13	10	14	12	16	14	131
Section P - Education	696	126	87	122	121	82	73	1307
Section Q - Human health and social work activities	2216	371	251	430	412	299	377	4356
Section R - Arts, entertainment and recreation	461	121	129	89	111	77	92	1080
Section S - Other service activities	1492	239	211	309	294	220	239	3004
Section T - Activities of households as employers; undifferentiated goods- and services-produce	492	55	34	30	107	31	46	795
Section U - Activities of extraterritorial organisations and bodies	191	71	51	89	85	26	35	548
(blank)	1063	187	139	229	198	148	169	2133
Grand Total	29487	6666	5302	8219	6235	4445	6399	66753

Table 1: WMMC SME population by sector

That said, these SMEs require the right technologies, skills, resources, and support to succeed. The industrial resilience of the region is impacted by how SMEs adopt technology.

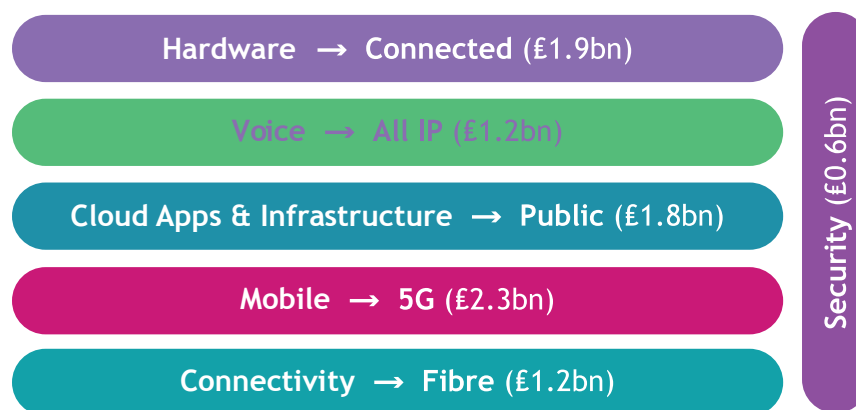
Improving SME productivity through the local reseller channel aligns with the WMMC Digital Roadmap mission to realise the potential of digital to transform the local economy and build economic resilience” (WMCA, 2021).

The opportunity is for the WMMC to exceed a GDP of £76bn which represents a 4.1% contribution to the UK economy (ONS. 2022).

The Problem

SMEs invest a median of 6% of their turnover on technology. It has already been noted that larger suppliers cannot cost-effectively service small organisations in today’s complex technology landscape. Although technology is becoming more valuable to business performance, it is much harder to buy solutions that will deliver the required business results. This problem is illustrated well in Figure 2 below that sets out the technology that small businesses want to invest more in.

Look forward technology used by UK SMBs (FY21 market size)



Subscription-based services

Figure 2: Small Business Technology Stack (EY Parthenon / DWS)

97% of growing SMEs depend on technology (Appendix 1, Question 6). Technological developments across all of the areas shown above mean that investing well is harder than ever.

The problem is made worse by poor access to high quality Internet connectivity. According to research from the Organisation for Economic Cooperation and Development (OECD), low access to high-speed broadband across UK SMEs is a significant competitive threat. Figure 1 shows the UK, (pink data point), has the second lowest percentage of small firms in Europe with broadband download speeds of at least 100M bits/s (OECD, 2021).

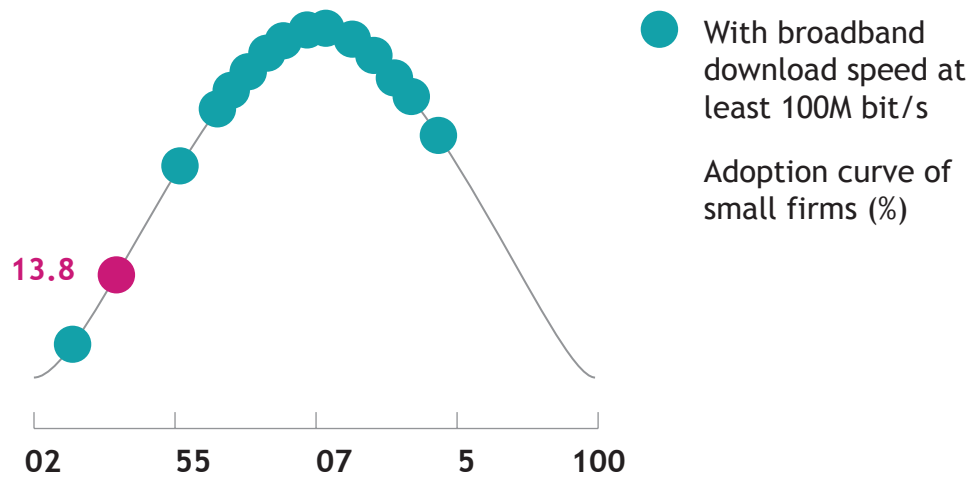
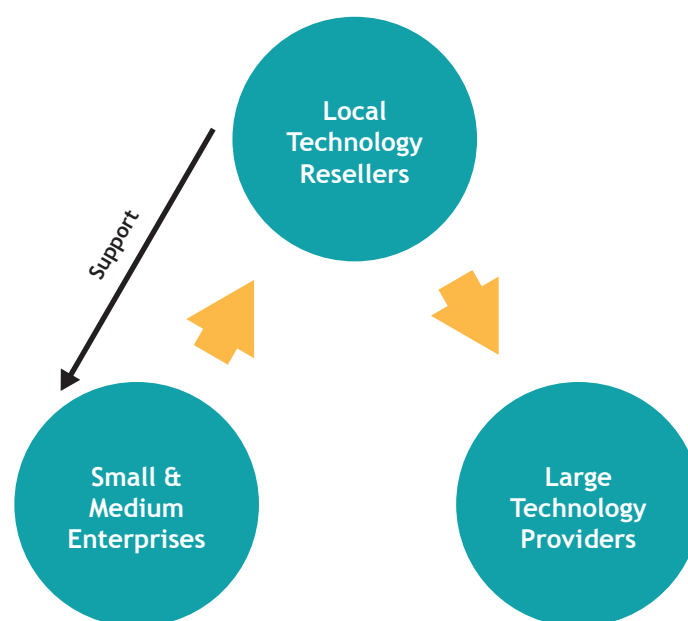


Figure 1: Digital readiness, OECD 2021.

Buyers need expert guidance to gain the right returns on their investments. As long as small businesses remain unaware of the local expertise that is on hand to help them, their abilities to invest well remain compromised. This observation is evidenced by small business satisfaction with the purchasing advice they receive from global brands which currently runs at 8% (DWS and Larato, 2021). Therefore, ninety-two out of one hundred companies are not accessing the best advice when it is readily available locally.

The Solution

The solution is to strengthen the existing ecosystem that supports local SME growth by raising their awareness of the local expertise that can bridge the gaps between SMEs and large providers in a way where everyone wins. This is demonstrated in Figure 3 below.



The easiest way to grow is to grow together!

Figure 3: Small businesses supporting small businesses.

Benefits of this Solution

Bridging the gaps between SMEs and local resellers can create a strong and supportive ecosystem that would positively impact the local, regional, and national economies. Some of the key benefits to a strengthened engagement include:

- **Increased cash in local economy:** If local businesses increase their trade with one another, then more money stays within the local economy with all the benefits that this brings. Buying from a national or international telecoms company, or a large software application provider means that more money leaves the local economy. This is a problem that can be reduced by strengthening the ecosystem between SMEs and local technology resellers in the WMMC as if services are purchased from resellers, more of the SME technology spend of between £5.77bn and £14.42bn will remain in the region. Additionally, increased sales for technology resellers are likely to lead to new jobs across the region as the resellers and their customers expand. This is in line the WMMC Plan for Growth and the development of the region (WMCA, 2021).
- **Increased digital opportunities:** The region has made technology a priority, with its Digital Roadmap and the introduction of a tech commissioner. The solution supports these plans by helping the region to develop its technology sector locally. Additionally, it will improve local digital capital with resellers providing training and guidance. Our proposed solution aims to improve digital capabilities for SMEs within the region by providing additional technological support and upskilling the SME workforce.
- **Increased productivity of local small businesses:** SMEs that use technology effectively are more productive than those that do not. Once SMEs are familiar with the local technology resellers in the WMMC, they have an opportunity to make smarter technology purchases to improve performance. While these resellers cannot compete with incumbents in terms of brand and reputation, they can offer the required bespoke advisory and support to help SMEs achieve business goals.
- **Mitigation of the digital challenges in the region:** Currently some of the significant challenges in the region include supply chain difficulties, poor risk capital funding for SMEs, low broadband and limited mobile connectivity (WMCA, 2021). Strengthening the digital ecosystem in the WMMC allows SMEs to explore alternative local technology resellers to resolve supply chain issues. Additionally, SMEs need to show their backers that they have a strong business plan, which includes but is not limited to a technology strategy. The personalised service and support from local resellers can help SMEs adopt the right types of technology to positively impact their performance. Therefore, strengthening the relationship between SMEs and local resellers can help to lessen the digital challenges in WMMC.

- **Increased attractiveness of city to foreign investors:** Foreign direct investment is a vital part of the WMMC Plan for Growth. This solution supports this as superior commercial performance because of increased productivity of SMEs could make the region appear as a safe and attractive investment to relevant investors.

Next Steps

For the WMMC's economy to reap the benefits of the proposed solution, there needs to be action. The following are some of the steps that can be taken to strengthen the ecosystem between SMEs and local technology resellers:

- 1** Make an online catalogue of all local technology resellers available to SMEs: This will allow SMEs to be aware of the local resellers and the services they offer, allowing SMEs to choose the best resellers to help them improve productivity. To increase awareness, the WMCA could work with local business organisations such as the Federation of Small business and Chambers of Commerce. DWS would like to offer its support by creating such an online catalogue that could also include local reseller specialisms like Microsoft or Cyber-security.
- 2** Engage with the WMMC reseller community help them understand the local SME population in more depth. This is important because it will help to tailor their value propositions and marketing to their local SME communities. Larato is happy to provide intelligence and coaching materials to help with such an initiative.
- 3** Increase marketing of local technology resellers to targeted SMEs: increased promotion and marketing of local technology resellers will increase their visibility and attractiveness to SMEs. Resellers can directly market to targeted SMEs using various strategies such as direct marketing, social media campaigning and participating in events such as technology exhibitions, local business organisations and networking forums.
- 4** More collaboration with the SMEs, local technology resellers, the WMMC combined authority and the new technology commissioner: increasing the productivity of SMEs by helping them to adopt the right types of technology sits within the local government's Digital Roadmap. This presents an opportunity for SMEs and local resellers to be actively engaged in Local Government initiatives, work towards a shared vision and grow the economy.

The Authors



Dr Lucy Green

Chief Executive Officer at Larato

Dr Lucy Green, has been helping to grow businesses for the length of her career, specialising particularly in the technology and communications space.

Lucy has woven her passion for analysing, testing, and tweaking data into the fabric of Larato's culture. It is this passion for consistently testing the value of our data that drives sustainable performance in every business Larato work with. Lucy is an Enterprise Nation top 10 advisor and the only one specialising in technology.

Larato are business development experts working with businesses and investors. Our customers love us because we've increased their revenues by more than £750 million and saved them countless hours measuring and validating the true value of opportunities on their behalf. We understand how buyers buy and suppliers compete, helping sales sell more. Our team of independent experts are helping businesses win business everyday by bringing marketing and communications together with strategy and business development.

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Terry is CEO at Digital Wholesale Solutions. He joined the Daisy Group back in 2011 from his previous role as Retail Director for Vodafone UK. Building on the success of the Wholesale division as Managing Director, he became CEO of Digital Wholesale Solutions upon the launch of the new brand in April 2019.

Digital Wholesale Solutions is a platform business that uses automation to deliver connectivity, voice, IP communications, cloud, and hardware services. Working creatively within the marketplace, it helps partners to simplify their business while optimising the opportunities presented by the convergence of telecoms and IT. It offers the highest-level relationships and buying power with tier one telecoms and IT vendors to provide partners with a constantly evolving portfolio of digital infrastructure solutions.

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Power in Partnership

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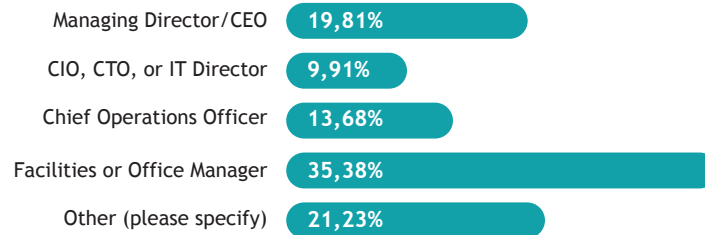
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Appendix 1: 2022 Survey on How SMEs buy Technology

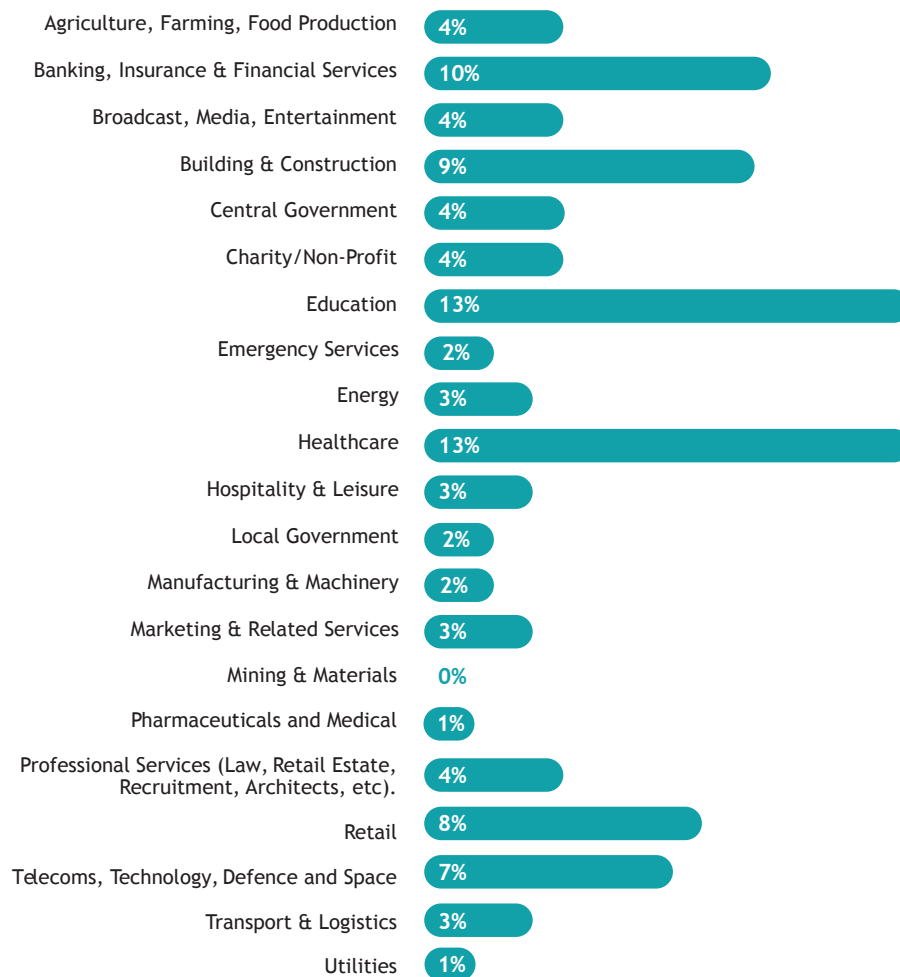
1 What is your job role?

Job Role of Respondents



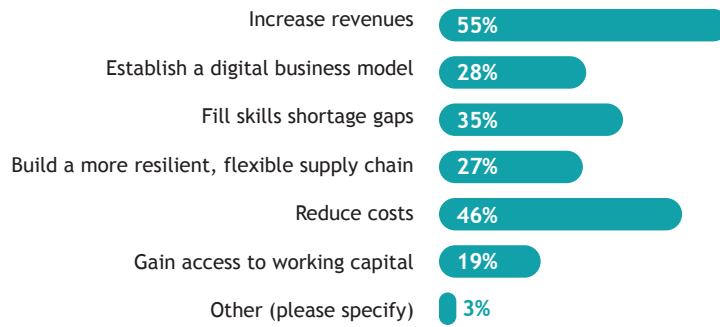
2 Which industry does your organisation operate in?

Industry of Business



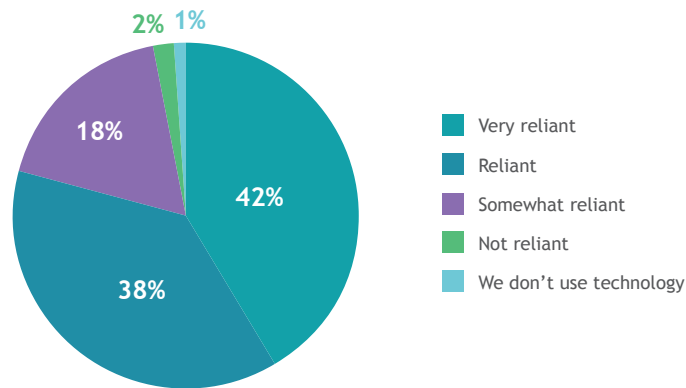
3 What are your top business priorities for the next 12 months?
(Tick all that apply)

Top Business Priorities



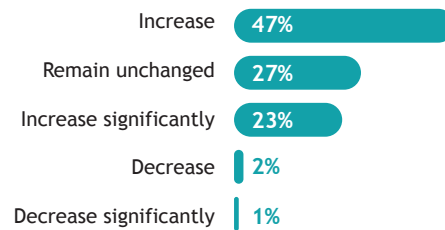
4 How reliant is your business on technology?
(Tick all that apply)

SME Reliance on Technology



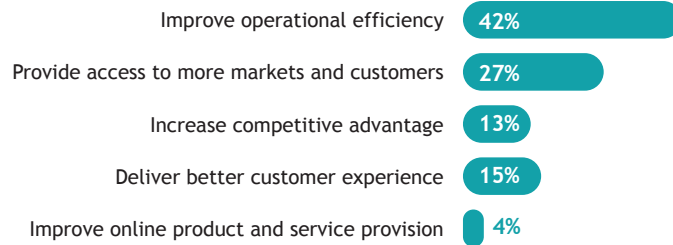
5 How do you expect your company's IT support needs to change over the next 12 months?

Expected Changes in IT Support Needs



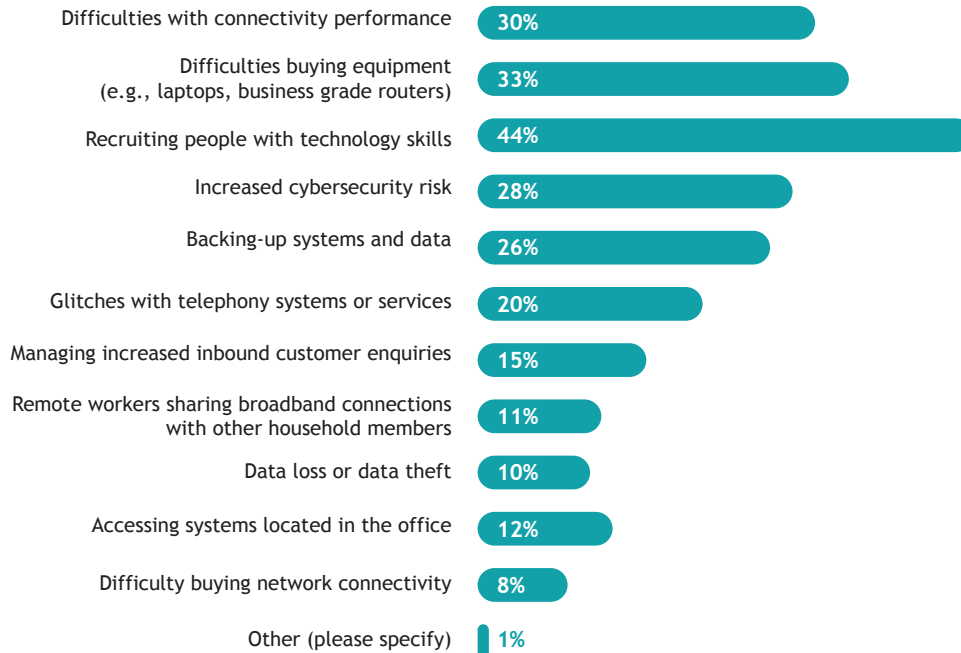
6 In your opinion, how can technology best contribute to your company's growth prospects over the next 12 months?

The Impact of Technology on Growth Prospects



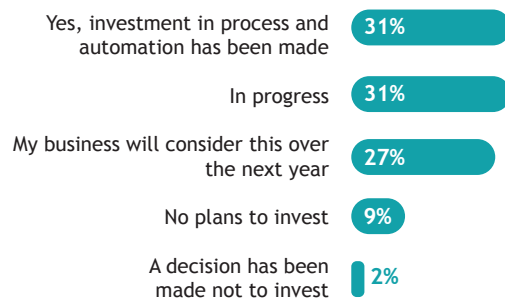
7 What technology challenges is your company experiencing? (Tick all that apply)

Technology Challenges



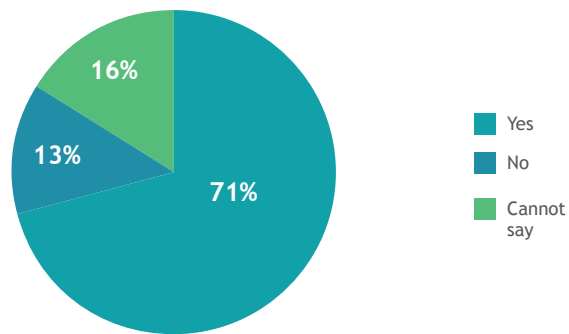
8 Has your company considered how automation of process can improve its commercial and operational performance?

Investment in Automation and Process



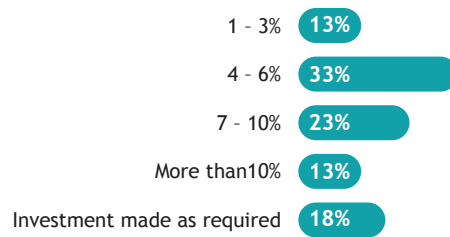
9 Does your business have a technology budget?

Technology Budget



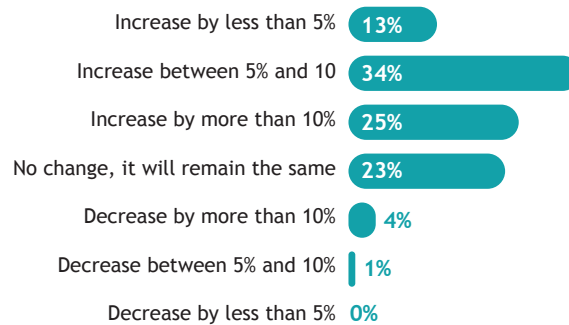
10 Approximately what percent of your turnover does your business invest in technology?

Percent of Turnover Invested in Technology



11 In your opinion, how will your IT budget change next year?

IT Budget Changes



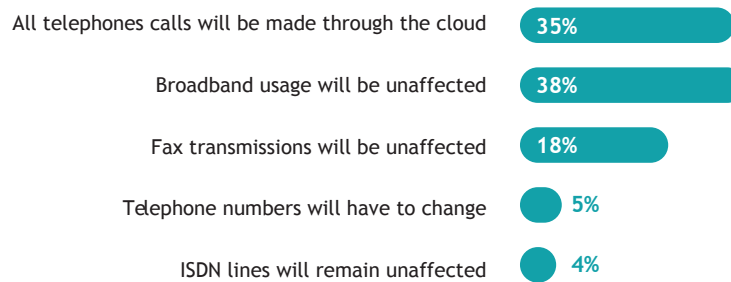
12 What are your organisation's technology investment priorities over the next 12 months? (Select all that apply)

Investment Priorities



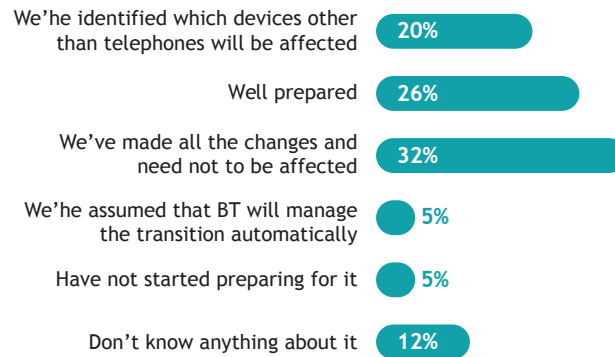
13 BT is switching the analogue telephone network off in 2020. In your opinion, which of the following statements is most accurate?

Analogue Telephone Network Switchoff



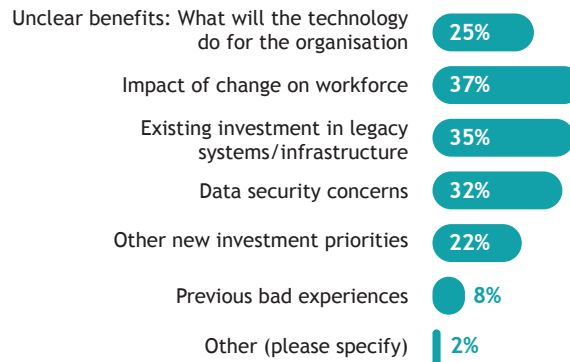
14 In your opinion, how well prepares is your organisation for the PSTN switch off?

PSTN Preparation



15 Other than cash constraints, what would prevent your organisation investing in technology over the coming year?

Reasons SMEs won't Invest in Technology



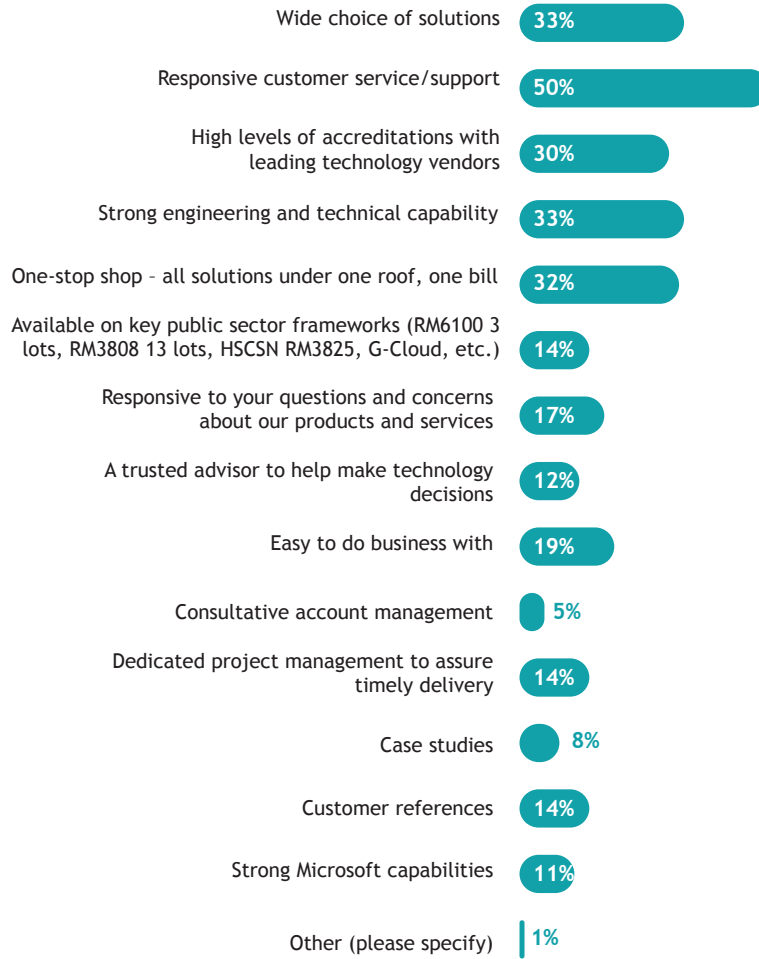
16 What are the most helpful things a supplier of technology services can do for your business over the next 12 months? (Select all that apply)

Helpful things Suppliers can do for SMEs

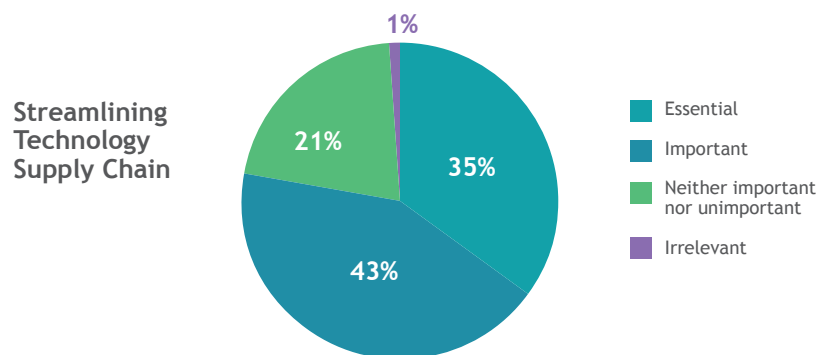


17 Which of the following attributes do you most value in a technology supplier?

Attributes SMEs Value Most in Technology Suppliers



18 How important is streamlining your organisation's technology supply chain over the next 12 months?



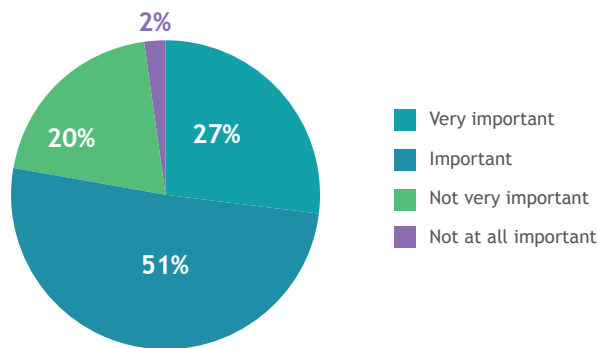
19 In your opinion, how could technology suppliers' sales representatives improve their service to your organisation?

How Suppliers' Sales Reps could Improve Service



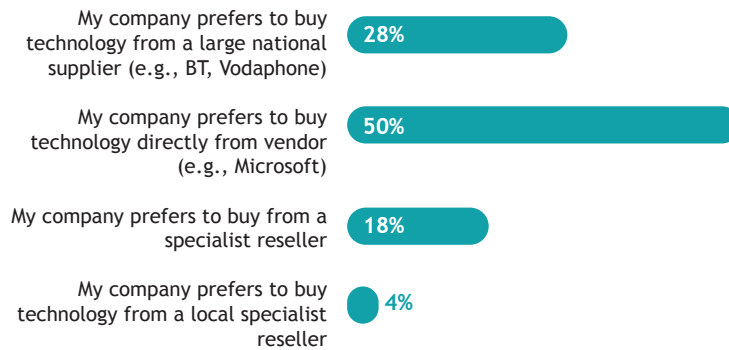
20 How important is Net Promoter Score (NPS) when choosing a technology supplier?

Net Promoter Score Importance



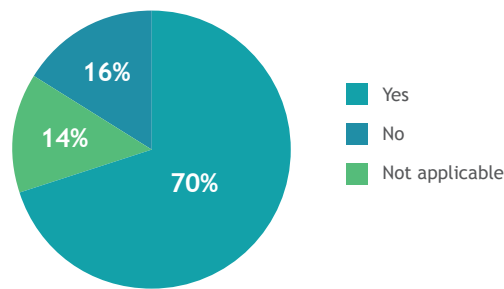
21 Please choose one statement that most accurately describes your technology buying preferences.

SMEs' Technology Buying Preferences



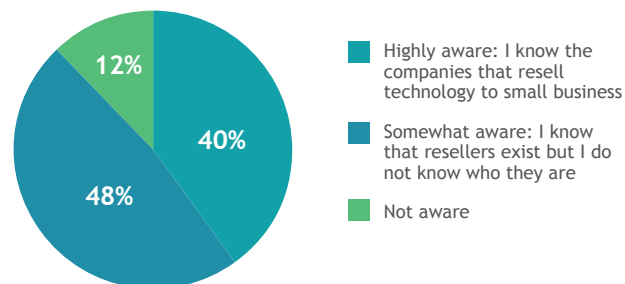
22 Are you satisfied with the support you receive from national technology vendors and/or suppliers?

Are SMEs satisfied with National Vendors and/or Suppliers?



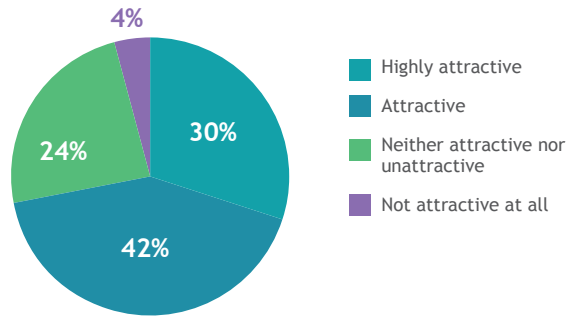
23 How would you describe your awareness of companies that specialise in reselling technology to small businesses?

SMEs Awareness of Specialist Technology Resellers



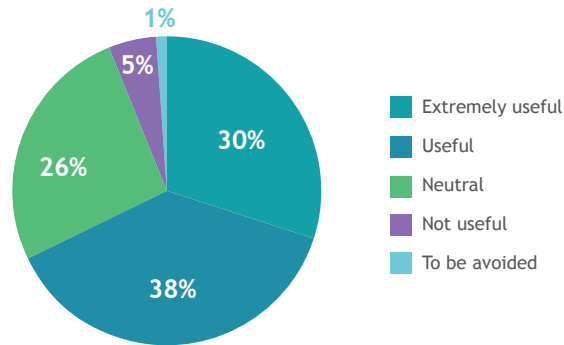
24 If all your service line requirements could be met, how attractive would it be for your business to work with local technology instead of national suppliers/vendors?

SMEs
Attractiveness to Local Providers if all Service Line Requirements could be Met



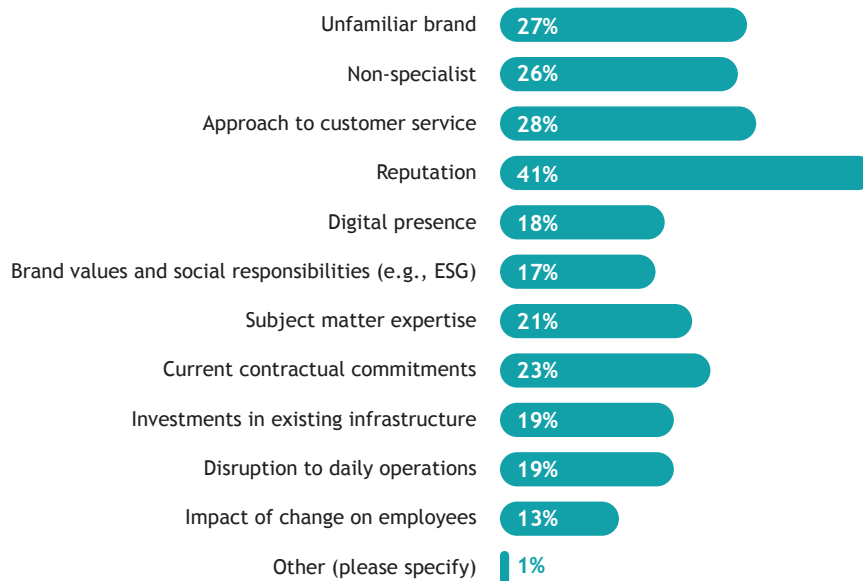
25 As technology becomes more complex, how useful do you believe it would be for your company to buy from local resellers with the capacity to offer personalised advice and support?

Usefulness of Buying from Local Resellers as Technology becomes more Complex



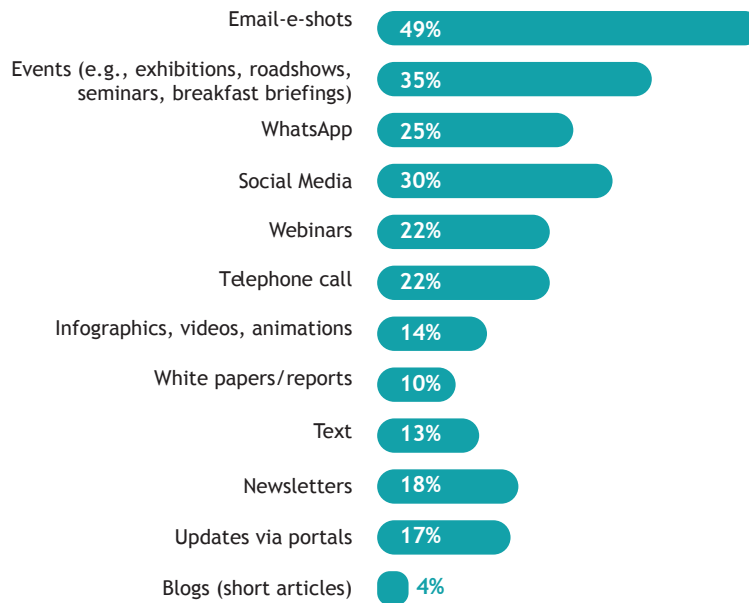
26 Other than price, what would deter your from moving to a different technology provider?

Reasons for Not Switching Technology Providers



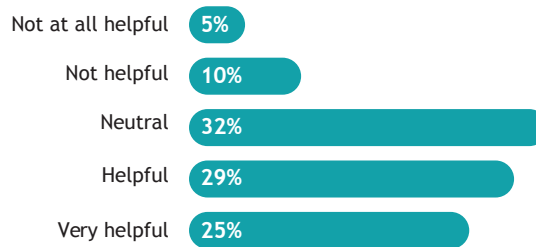
27 How would you prefer to receive information about products/services, updates, news about relevant IT and telecoms supplier?

Communication Preferences



28 In your opinion, how valuable is it to network with local experts?

Value of Networking with Local Technology Experts






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