

## **IO1/A1 Country report: UK**

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## Glossary

EU	European Union
PEACOC	Personalised e-Business Coaching for Construction SMEs
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## 1 Importance of the construction sector in the country economy.

The construction sector in the UK is of extreme value to the country's economy, given the inherent importance of the products that it produces – namely homes and other buildings – but also because of the direct economic value in the sector in terms of financial output and employment.

By means of example, the industry was in 2019 estimated to have a value of £118, 997 million - almost £119 billion. Even compared to the size of the overall UK economy, this is a significant amount. Indeed, in 2018, the House of Commons Library estimated in a report that construction represented 6% of the total economic output of the entire country. Similarly, the same report found that construction employed 5% of the entire British workforce.

While the situation vis-à-vis COVID will certainly have had a disruptive impact on the national economy generally and on construction specifically, especially given the restrictions on construction work at the beginning of the pandemic, it does not follow that this will diminish the importance of construction in relative terms. Building remains a key industry in any economic weather, and one for which there is simply no substitute.

### 1.1 - What is the weight (in percentage) of SMEs in the construction sector in the country?

Like in the EU as a whole, and Europe more broadly, SMEs play a very significant part in the economy generally, and construction in particular. A Government report by the Department of Business, Innovation and Skills from 2013 suggested that about 99% of construction companies are SMEs, and many of those even being micro-businesses. This is the figure that continues to be quoted by many sources.

## 2 - State of the digital economy in the partner country.

It can be a little difficult to distinguish the digital economy (describing any economic activity undertaken digitally) from the digital sector (describing businesses that operate by selling digital technologies or tools), but either way, digital technology is increasingly important in the modern UK economy. Computers and the necessity of having an online presence for all sorts of companies are now ubiquitous throughout the UK economy, meaning that studies on digital economy tend to somewhat narrow their definition in order to make the digital economy more measurably and assessable.

With that being said, the UK has a very strong level of digital engagement in its economy. It has been ranked by some studies among the top digital economies in the world, with areas such as supply and access to internet, government and policy support, demand for digital tools and products, and digital innovation all praised as noteworthy. This, one report notes, is particularly true in comparison to its European peers.

This digital strength is almost certainly to have only increased in the context of the COVID crisis. Huge swathes of the population have been working from home for over a year now continuously, shoppers are encouraged – in some cases even required – to pay by contactless card and avoid cash, and the restrictions on eating out have likely caused a significant surge in the numbers of people ordering food over the internet, along with other products. Indeed, 96% of households already had internet access in the UK by 2020, a figure that will presumably increase over time.

While COVID itself is of course not permanent, these effects, to some degree, may be. Reports suggest that many people, for example, may choose to continue working from home even once they are allowed to return to the office. The more dramatic consequence of this has been observed across the world, with people during the pandemic often choosing to work remotely from rural areas instead of from the urban environments in which their offices and employers are more generally based. This could have a particularly profound effect in the UK, as there is a great deal of centralisation, including in the tech sector, in London.

Furthermore, digitalisation is something that governments are continuing to pursue. Rollout of faster broadband continues to be the subject of relatively high-profile targets, and digitisation has in the Scottish election (where CIVIC is based) been the subject of some notable discussion even in areas such as education.

As such, the UK has all the potential to have a very strong online component to its construction sector.

### 3 An overview of the construction sector e-commerce market

#### 3.1 - Statistics about internet usage and online sales;

The level of engagement with internet and websites of construction companies, notwithstanding the information given above about the strength of the UK digital economy, remains a small but quickly growing part of the construction sector more generally. Estimates indicate that the value of website sales in the construction sector in the UK surpassed £2 billion for the first time in 2018. This is already quite a feat, given that these estimates had them not even reaching £1 billion as recently as 2016, but it seems likely to continue this dramatic growth, given the implications of the COVID situation for e-commerce.

#### 3.2 - E-commerce Regulation in each partner country (Data Protection policies, Consumer Rights...)

Although it has formally left the European Union, the UK continues to use GDPR as its model for data protection law, with much of the necessary adjustments having been made both among business and the public before Brexit took place. Whether this remains the case through future years and governments remains to be seen; a variety of factors could push the UK to loosen these protections, but at the moment there do not appear to be any

such overt plans and this sort of speculation remains speculation only. For the moment, the UK government altered UK law sufficiently so that although the EU's GDPR no longer applies in the UK, the rules it sets out continue to apply in practice through domestic UK law. With that being said, companies that continue to handle EU data will still need to comply with the original EU GDPR.

In terms of consumer rights more broadly when shopping online, the UK has two central laws that address this: the Consumer Contracts Regulation and the Consumer Rights Act. These laws, in brief, cover a range of issues including the level of detail of description required for products to be sold online, the returns and cancellation policies, the quality and functionality of products being sold online, and the rights of consumers if a product does not work as intended upon arrival. The rules are reasonably clear generally speaking, with a 30-day refund having to be offered as legal requirement if the product does not work as intended and a 14-day refund legally required more generally. Nevertheless, the applicability of these rules for construction will vary depending on the exact nature of the thing being bought online, as there are exceptions for certain types of products and services.

### 3.3 - How do most companies use e-commerce and for what kind of services?

Given the nature of the construction industry, it is perhaps not surprising that it is considered one of the less well-developed sectors when it comes to e-commerce. Nevertheless, there are some aspects of e-commerce that the sector has adopted. Electronic document management is cited as one key use of e-commerce, pushed in large part by clients and facilitating quicker management of documents. Another example is maintaining a website – this can serve a large variety of functions, including general business information, contact information, advertising, recruitment, and purchasing. The precise ways in which a website will be used will of course depend on the construction company in question – its clients and target audience, as well as the product or service that it is trying to sell. This will change not just the aesthetic and structure of the website, but also in some cases whether the website offers direct sales at all.

Beyond the direct provision of e-commerce by construction companies themselves, the internet has also given rise to “marketplaces”, on which users can search for a particular product or service and be provided with possibilities from numerous different providers.

### 3.4 - what services do they sell online? (products, services for construction/rehabilitation such as local work, design, consulting and diagnostic services...)

There is a significant variety of services and products offered online by companies in the construction sector. In terms of the actual service of construction itself, online engagement tends to take the form of descriptions of various case studies of jobs that a company in question has completed, with an option to get in touch with the company in question for more information about using their services. Sometimes this contact takes the form of a generic contact form, other times a more specific form concerning the type of work that the enquirer wants done, and sometimes simply a physical or email address to use.

Physical products are for a variety of reasons easier to sell more straightforwardly online. Depending on the type of company – whether a construction company per se or a company that deals more in supply of construction – a broader or narrower array of products may be on offer, available either for purchase directly through the company’s own website or through third parties. With that being said, it is a clear trend that most construction companies themselves do not appear to sell physical products directly on their websites, but focus almost entirely on the services they offer. These do vary somewhat, even in emphasis if not in substance, but common services seem to include renovation, construction, property maintenance, architecture, design, planning, conversions, remodelling, and general trade services.

### 3.5 - How dynamic and interactive are the websites from most companies? (Try to give a perspective of the best and the worst that you can find at the moment)

The interactivity of construction company websites seems to vary somewhat, but following a general pattern. Websites will be split into sections, indicated by a standard set of tabs at the top, which usually include headings to the effect of “About us”, “Our Services”, “Our Work”, “Contact us”. Given the nature of the business, they also tend to include a significant number of pictures, generally of projects that the company has undertaken and completed, and contact forms of varying complexities. At best, these are quite detailed and specific, with fields to help considerably narrow down the enquirer’s area of interest, budget, and other significant details; at worst, there is simply an email address or phone number to use.

As such, there is relatively limited interactivity to these websites beyond the forms and pictures – where such companies have social media presences, these can be used interactively, but tend to be distinct from the company website.

### 3.6 - What kind of software and technology is mostly used?

Though it is not always possible to tell from the front end exactly how a given effect on a website has been achieved, it is clear that there are various forms of software and technology being employed. On the websites described above, clearly various types of forms are being customised and used, as well as frequently carousels of images.

In terms of payment, this is difficult to tell from the website of most construction firms given that, as mentioned above, they do not generally facilitate payment for their most common services on their website – or at least not in a way that is straightforward to find. For companies that deal more in physical products and construction supplies, payment does tend to be possible online, and technologies are employed to match that. This includes technology facilitating the creation of user accounts, the use of bank cards for payment, issuing of invoices, and of course where relevant, the integration of third party payment apps to the site to allow a smoother purchasing process. Payment apps like this include those such as Sagepay and Paypal.

Some of these companies also have feedback form prompts enabled, stock checks, store locators, and even on the rare occasion, a live chat function.

### 3.7 - What is the weight of the international sales?

The UK operated with a deficit of £10,421 million in 2019 according to official figures, with imports constituting more than double the value of exports in this area, despite recent reductions of the deficit by – in relative terms – a small amount.

## 4 E-commerce main barriers for the SMEs of the construction sector

### 4.1 - How complex is it to start an e-Business?

The difficulty of starting an online business in the UK depends on the type of business you are hoping to start. That being said, it is not in general a difficult process. The first step is normally to register your business, a process that is relatively simple and cheap. The level of complexity and expense implied in this process varied based on what sort of business you want to set up – for example the Sole Trader arrangement or (more likely for a company offering construction services) a Limited Company. If the latter, using a formations agent is generally cited as the easiest option, which, although it does cost, can be undertaken for £100 or so.

Beyond this, setting up an e-business will be much the same as it is in other countries, with the requirements of setting up a website, exploring and deciding on payment options, making a business plan, and targeting your audience.

### 4.2 - Is there enough information and training available on this topic?

Although e-business in the construction sector is quite a niche topic, starting up an e-business more broadly is not a difficult subject on which to find information. A simple online search reveals a broad range of sources of information, and the website of the Government itself is reasonably straightforward and clear on the requirements for potential businesspeople.

In terms of formal trainings, the UK is home to many universities and colleges, and business qualifications of various types are very commonplace. Increasingly, in particular following COVID, such courses are likely to be available remotely as well as in-person, to varying degrees.

Similarly, although digital skills are to some degree well-integrated in the UK's population, there remains an abundance of courses and website from which to learn, often not prohibitively expensive. With that being said, this will depend on the level of expertise being sought. A more complex or interactive website will require a greater level of skill and knowledge, which in turn will require a more specialised course.

### 4.3 - What are the reservations or concerns that prevent entrepreneurs from adopting new behaviours and using new tools regarding e-commerce?

One of the main factors that prevents construction entrepreneurs from adopting new behaviours and tools when it comes to e-commerce is simple habit and culture. Many



sources note that familiarity is among the biggest enemies of e-business in construction. Others, however, suggest a broader and more concrete variety of reasons. One of these is the expense – new technologies (depending on their intended function) can require significant investment, the sort of capital that many companies either simply do not have or are reluctant to spend.

Another such reason is the burden of data. Being able to access and organise data much more easily is a key perk of doing business digitally, but it can also be one of the biggest challenges when setting up whatever system a company chooses. Transferring all a company's existing data into a new, digital format can be a cumbersome and complex task, just as it also invites new and challenging questions about data protection. Data protection has been very high profile in Europe in recent years, and security of data as well as payment has been a major issue even longer. This is something that businesses must grapple with, or risk facing the consequences to their image. As such, the questions and extra work implied in doing digital business are often-cited factors in companies choosing not to engage in e-commerce.

#### 4.4 - Is the security of online transactions still a concern?

Digital payments in the UK tend to have a positive image, and online shopping is relatively widespread. One study suggests that online transfer or PayPal is the third most widely accepted payment method by businesses, second only to cash and cheque, the single most common payment method used by consumers, and overwhelmingly the most preferred option to businesses. For construction specifically, this trend holds – online transfer or PayPal is second in being offered by construction businesses only to cheques, and remains the most used method by consumers, as well as the most preferred method by businesses.

In terms of security more specifically, the report suggested that although security was raised by both consumers and businesses as a concern around online payment, it is not a chief concern and is not a major factor in preventing the provision of online transactions as a payment method by businesses.

#### 4.5 - What are potential disadvantages of e-commerce in the construction sector when compared to other sectors and how might they be surpassed?

As mentioned above, there are issues with setup in particular as regards e-commerce including the necessity of extra work and extra costs. These will of course vary depending on the digital activity or tool in question that a organisation is using, but establishing new methods, technologies, and approaches through e-commerce is likely to create challenges. As such, it is important that companies are strategic in what e-commerce practices they choose to adopt. These choices should be made based on fully informed decisions, bearing in mind the financial and human resources available to the company, the needs and goals of the company, and the level of digital expertise that already exists within the company.

Security is also one of the challenges when it comes to e-commerce, both in terms of finance and data. It is important both for the sake of the company and its clients that transactions and any online resources are securely protected. Most clearly this is the case

for financial transactions, where the company and/or clients stand to lose money to fraud or hackers of various kinds, but it does have a broader impact. Where a client's data or money is somehow lost, this is an enormous blow to the credibility of the broader company, and can even make the news if data breaches are large enough.

This can only be remedied with careful consideration of the technology being used and proper investment to ensure that all necessary and advisable precautions have been taken.

## 5 National initiatives and incentives for digitization and more specifically for e-commerce

There are a significant number of initiatives and incentives for companies to digitise and get into e-commerce, particular since their number expanded considerably – and necessarily – at the onset of the COVID pandemic. There is, for example, a £20 million fund to support digitisation and working from home provided by the UK government, tax relief and rebates on things like research and development, grants available from the Government's innovation agency, and more general financial packages that can be used to partially fund digitisation. At this stage, it is important to note that to some degree, these packages will differ in their size and nature between the four nations of the UK: England, Northern Ireland, Wales, and Scotland, where CIVIC is based.

It is important to note the distinction between these packages and their natures, however. The tax incentives for R&D are for R&D rather than digitisation or e-commerce per se, and as such when being applied for, a company will have to draw a clear link between the digitising efforts they are undertaking and the required definition of "research and development". Similarly, grants, though attractive in their financial status, are very competitive and are likely to be highly in demand. As such, it may be useful when applying for these for a company to perhaps find some particularly innovative or interesting niche in the project they are hoping to accomplish beyond the ordinary process of digitisation and buying into e-commerce.

Further such funds and incentives may be available beyond these, in smaller amounts or in ways more tangentially related to digitisation and e-commerce. Certainly, in light of the COVID situation, although it seems to be coming to an end, it seems likely that development and incentives in this direction will continue.

## 6 Training courses currently available in the country to support e-commerce in the construction sector

Searches suggest that training courses in the UK around e-commerce in the construction sector are sparse, if any exist at all. It is likely that such a topic is considered too niche to merit its own full training course, rather than a lack of demand for either of the individual components, as training courses in aspects of e-commerce and digitisation are plentiful, as are courses in construction or various aspects of business management.

## 7 Aspects to be improved – importance of training

The outlook in Scotland and the broader UK for e-commerce is generally quite good. Although there are indications that the construction sector is in some ways a little more hesitant than some other sectors, overall, confidence in digital tools seems high and adaptation seems generally well underway.

Furthermore, there are government incentives and funds to support businesses in digitising and adopting new e-commerce practices, so the only question that remains is the training. One of the key aspects to upgrading a company's e-commerce practices is having employees with the required expertise, for which having relevant trainings is essential. While trainings on e-commerce and digital issues generally seem to be relatively commonplace, trainings on e-commerce in construction specifically are much more difficult to find. The implementation of trainings directed at this topic specifically can surely only be of benefit to those construction companies looking to innovate and improve their digital outlook. As such, PEACOC should be satisfied that it is filling what might reasonably be called a gap in the market, ensuring that construction companies have dedicated and specific expertise available to them as they seek to adapt to the modern digital era.

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