



OFFICIAL REPORT
AITHISG OIFIGEIL

Economy and Fair Work Committee

Wednesday 4 May 2022

Session 6



The Scottish Parliament
Pàrlamaid na h-Alba

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ECONOMY AND FAIR WORK COMMITTEE

12th Meeting 2022, Session 6

CONVENER

*Claire Baker (Mid Scotland and Fife) (Lab)

DEPUTY CONVENER

*Colin Beattie (Midlothian North and Musselburgh) (SNP)

COMMITTEE MEMBERS

- *Alexander Burnett (Aberdeenshire West) (Con)
- *Maggie Chapman (North East Scotland) (Green)
- Jamie Halcro Johnston (Highlands and Islands) (Con)
- *Fiona Hyslop (Linlithgow) (SNP)
- *Gordon MacDonald (Edinburgh Pentlands) (SNP)
- *Colin Smyth (South Scotland) (Lab)
- *Michelle Thomson (Falkirk East) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

- Gillian Crawford (Lily Blanche)
- Carolyn Currie (Women's Enterprise Scotland)
- Neil Francis (Scottish Development International)
- Hugh Lightbody (Business Gateway)
- Stuart Mackinnon (Federation of Small Businesses)
- Siobhan McDermit (Scottish Development International)
- Dr Peter Mowforth (Indez)

CLERK TO THE COMMITTEE

Anne Peat

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Economy and Fair Work Committee

Wednesday 4 May 2022

[The Convener opened the meeting at 10:01]

Decision on Taking Business in Private

The Convener (Claire Baker): Good morning and welcome to the 12th meeting in 2022 of the Economy and Fair Work Committee. Our first item of business is a decision on whether to take item 4 in private. Do members agree to take item 4 in private?

Members indicated agreement.

Town Centres and Retail

10:01

The Convener: Our next item of business is the continuation of our town centres and retail inquiry. The broad theme for today's meeting is e-commerce and opportunities for Scottish businesses. The committee will hear evidence from two panels. I welcome the first panel: Gillian Crawford, managing director at Lily Blanche; Carolyn Currie, chief executive of Women's Enterprise Scotland; Stuart Mackinnon, head of communications and public affairs at the Federation of Small Businesses Scotland; and Dr Peter Mowforth, chief executive of Indez. Thank you all for coming.

As always, I ask members and witnesses to keep their questions and answers as concise as possible. The witnesses may not be asked to respond to every question, but they will get an opportunity to speak during the evidence session. I will ask the first question, and will give all our witnesses an opportunity to have a brief go at it.

During the evidence that we have heard so far, there has been a discussion about the role of e-commerce. Some contend that it is an undue threat to high streets and that it is one of the contributing factors in the demise of high streets because everybody shops online now, and nobody goes down to their high street. Is that how you see e-commerce in the future? What do you think is its relevance? Is it a threat to the high street or does it have something positive to bring to the high street? I will bring in Gillian Crawford first.

Gillian Crawford (Lily Blanche): It is absolutely not a threat; it is a myth that that is the case. You can look at the statistics and see that that is very much not the case. In 2021, United Kingdom online retail sales grew to £119 billion and accounted for 28.9 per cent of all retail sales, so most retail sales still take place on the high street. It is clear that e-commerce is a growing market, but it is also clear that the sweet spot is an omni-channel experience. If you have a bricks-and-mortar shop, you will do much better with e-commerce than if you do not. It is a dangerous fallacy to suggest that it is e-commerce versus the high street—it is not.

I will point out a statistic to show you how future proof the idea of bricks and clicks is and how the way that we shop is changing; it is not going from one thing to another, but becoming a mixed omni-channel way of shopping. We just got the 2021 list for America, and traditional retailers with bricks-and-mortar stores dominated the top 10 US e-commerce websites and had the biggest gains in Google in 2021. There was no pure play e-

commerce site in the top 10 Google e-commerce gains because of their bricks-and-mortar stores.

Even for small businesses, having a bricks-and-mortar store and e-commerce working together is absolutely the best way to do commerce. The idea that it is e-commerce versus the high street is something that we need to put aside right at the beginning because it is just not true.

Stuart Mackinnon (Federation of Small Businesses): The problems that Scottish high streets and town centres face pre-date the rise of e-commerce. Over the past 30 or 40 years, we have seen supermarkets, out-of-town retail and a shift in how we work and live, and all of that has had an impact on our town centres and high streets.

One of the few silver linings of the pandemic is that we have seen a big spike in the number of businesses, including small businesses, that have improved their digital capabilities. Survey work that we did suggests that the Covid crisis led a fifth of Scottish businesses to adopt new digital technologies, with one in seven businesses saying that the pandemic led to them selling online for the first time.

We see a real opportunity to cement those gains in the digital capabilities of small businesses by providing smaller firms with the right support to professionalise their offer. We have seen some of that through the digital boost development grant, which we think is an excellent initiative that we would like to see retained. However, our view is that there is further work to do to use the help that is on offer as bait, if you like, for smaller firms to build their digital capacity both in an e-commerce sense and to improve their business function overall.

The Convener: Following up on Stuart Mackinnon's answer, some of the local businesses that we had at our round-table session and businesses in my region have spoken about how they started to sell online during the pandemic, when their online sales were really positive and a growth part of their business, but they are now seeing what they describe as a significant dip in online sales. The cost of living crisis could be a factor, but they are trying to understand why it is happening. They are small businesses, so when they are making investment decisions, they seem to be trying to decide whether to invest in their online offer to make that more attractive or to focus on their local market, which was their market prior to the pandemic. Is that a common story that the FSB is hearing from small businesses and what advice would you give to them?

Stuart Mackinnon: There is a tension in trying to ride both horses by running a shop and an e-commerce business. As an organisation, FSB

offers a whole stack of support for members who are looking to expand their e-commerce offer and to improve their retail offer. From our point of view, the situation that you described, in which perhaps the same customers who were using the businesses online are now visiting them in person, is something that we can all understand. However, if we can get the support right for small businesses, it is possible for many of them to have complementary e-commerce and retail offers.

The Convener: Thank you. Would Peter Mowforth like to come in?

Dr Peter Mowforth (Indez): Thank you, convener. This whole thing is being put forward almost as a combative problem between e-commerce on the one hand—which uses different techniques, skills and approaches to trade—and traditional businesses on the other, but that really is a complete misnomer.

It used to be the case that a business's shop window was large sheets of glass. These days, a high street retailer's shop window is very often people's phones. When people come into town, they have already done their research: they know what products they want and they just want to work out where they can find them.

We have worked with big, highly successful Scottish companies such as Chisholm Hunter, whose businesses have never been stronger and fitter because all the products that they have in store are communicated through Google. People can find your products online, even if you are a traditional retailer.

My suspicion is that probably 98 per cent of Scottish retailers do not use Google Merchant Center—they do not upload their inventories. If anybody is looking to purchase something, they can just look in Google Images, Google Maps or whatever and the products are there. Those are free services and they are easily available. Instead of there being two camps—e-commerce and high street retail—there is a complete spectrum of technology. Those things are easy to use. The elephant in the room is skills, because people just don't know what they don't know, and nobody is providing the training to help people to make the best of trade in the modern world.

The Convener: Thank you, Peter. Carolyn, would you like to come in?

Carolyn Currie (Women's Enterprise Scotland): Thanks. Pete Mowforth just mentioned training. Our organisation has just finished delivering a series of 17 different events, funded by the Scottish technology ecosystem fund. They were taster sessions to see how women would engage with technology. We set out to support women to engage with e-commerce because women are the majority of employees in that

sector, as I am sure you will be aware, and it is a sector in which women set up a lot of businesses.

I just totted up the numbers last night and we had a total of 433 businesses engaging across those different events. We held peer learning groups; they were extremely well attended across all the different subjects that we trialled, but the e-commerce peer learning groups were especially well attended. We had two e-commerce peer learning groups; other peer learning groups were on subjects such as cybersecurity. We ran five basic getting to grips with technology webinars on a range of subjects. Again, we decided that we would hold two events on e-commerce, and those two events were also extremely well attended. We held three master classes—on artificial intelligence, data analytics and e-commerce. The e-commerce class was very well attended.

That shows that when you make training available to a community that wishes to engage, the engagement is absolutely there. We had only about two months in which to deliver those events, so they were not particularly well advertised in terms of the length of time that businesses had to become aware of them. They were free and they went out to our community of women-owned businesses. I think that, by any standards, a total of 433 engagements across that reach is pretty phenomenal and evidences the desire of businesses to engage with technology. Our research over the years has told us that access to digital resources is one of the areas in which women struggle persistently, so when you make it available, they will engage.

The dip in online sales cropped up at our peer learning events and we are seeing that across the board as a bit of a trend in our community. We discussed that and, again, it is about skills and data analytics. Pete Mowforth has already touched on the range of tools that are free through Google. It is about making people aware of those resources and giving businesses the skills with which to engage. There is a plethora of free resources there but curating that learning with different communities is what is really important. From our experience, we know that creating a safe environment where women-owned businesses can come to learn and engage leads to uptake and has an impact.

Stuart Mackinnon mentioned the digital boost grant. We are not quite as convinced that it is a robust tool for businesses. There are some quite serious structural inequalities in the digital boost framework. For example, it is a graduated system. You have to be a VAT-registered business in order to access the higher grants, yet, consistently, people in our community tell us that they cannot access digital resources. These are not VAT-registered businesses; these are small businesses

that could be regenerating local high streets or the retail sector, but they are unable to access the higher amounts of investment. The lower amount in the digital boost programme is £5,000. That is not going to transform someone's e-commerce capability or help them with their digital ambitions. We are seriously missing a trick with regard to the opportunities to engage more businesses with digital.

10:15

Some of those businesses could become the backbone of local communities. Women-owned businesses are, at best, 20 per cent of the current business base. Only 14 per cent of businesses are employer owned, a figure that has dipped down from 21 per cent. We have a phenomenal opportunity to engage businesses with a digital strategy that could regenerate our high streets.

The Convener: I will bring in Michelle Thomson, who is interested in some of the issues that you have raised, and I will then bring in Gordon MacDonald.

Michelle Thomson (Falkirk East) (SNP): I want to explore with Carolyn Currie in particular an issue relating to women in enterprise. We have read a lot about how to support and develop town centres. I appreciate that that is highly complex, but I wonder to what extent you have considered how well women-led businesses are reflected in town centre development. For example, we know that our cities and, to some extent, our towns have been designed around cars. I have not heard much or been able to read much about putting women's businesses, or diversity in general, at the heart of town centre development.

Carolyn Currie: That is utterly missing from the current strategy. There is a reference to the fact that women are 60 per cent of employees and are also behind the majority of small retail business start-ups. The strategy rightly talks about inclusion, but it does not speak about the groups that are intended to be included. Women are a significant demographic—at 51 per cent, they are the majority of the population in Scotland. If we want to have successful and vibrant town centres, we need a distinct strategy to engage all women and, certainly, women-owned businesses.

Gender-specific initiatives could be considered. A women's business centre could successfully engage and revitalise business ownership by women. That model is highly successful in countries such as Canada and the United States, which have the highest percentage of women-owned businesses. Because of that model, there has been phenomenal growth in the United States, where women-owned businesses are now 40 per cent of the total, which is double the figure in this

country, at best. I have said that, at best, 20 per cent of our businesses are women owned, but that is probably slightly optimistic. In the United States, women-owned businesses make up 40 per cent of the business base.

That model is economically successful and is creating jobs. We already know that women contribute £8.8 billion to the economy, and it is important to put that in context: that is more than each of the designated growth sectors. Women's contribution of £8.8 billion is more than comes from food and drink, the creative industries or sustainable tourism. We need a dedicated strategy to unlock the full potential, because we could do with another £8.8 billion in our economy. Women have also created 230,000 jobs, which is 13 per cent of private sector employment.

Having a dedicated strategy to help women to start businesses and locating women's business centres in town centres makes good economic sense to me. We urge the committee to seriously consider such strategies to engage women and boost the economy, creating the new jobs that our communities really need.

Peter Mowforth: There is a link on the Indez blog to a large study that has just been conducted, which suggests that e-commerce is by far the most successful area of digital with regard to gender equality at all levels. Unlike in the gaming industry, cyber or some other areas, a large number—around 50 per cent—of business owners and managers are female, and there appears to be equality at all levels. That does not apply to other areas.

Stuart Mackinnon: I will make a quick point about enterprise support. Traditionally, our enterprise support models have been reluctant to support retailers, the view being that the bulk of the business base will take care of itself. However, the FSB's manifesto for this week's local government elections calls for the Business Gateway service to provide dedicated support for minority ethnic and female entrepreneurs. That will play a key role in helping us to rebuild our business base, which has taken a huge hit over the past two years. Official Scottish Government statistics show that the number of businesses in Scotland reduced by 20,000 over a single year of the pandemic. We need renewed action to rebuild the very small businesses that we lost during the pandemic.

Michelle Thomson: You have spoken about women's enterprise centres being at the heart of developing communities. I can see a virtual link with getting more women involved in e-commerce and what we want to do with encouraging science, technology, engineering and mathematics as we move down the generations. Are there any other ideas that would lend a shift to the systemic issues

that we have with town planning? Most surveyors and traffic planners are men. It is perhaps a hard question, given that it is not your specialism.

Carolyn Currie: I would definitely—

The Convener: I am sorry to interrupt, but I will bring in Gillian Crawford. I am the only person who can see her request to speak, because of where I am sitting, and I think that she was interested in the first question that you asked, Michelle.

Gillian Crawford: Thank you. I will follow on from what Carolyn Currie and Pete Mowforth said. I am the chair of the British Association of Women Entrepreneurs in Scotland and an ambassador for Women's Enterprise Scotland. In that capacity, I am interested in bridging the gender enterprise gap.

E-commerce is in a particularly good position to do that—I have written a paper on that. As Pete Mowforth pointed out, the barriers to entry are not capital based, as they are in fintech or other kinds of technological businesses. E-commerce businesses are skills and knowledge based. The key reasons that women find it difficult to set up and scale up businesses can all be overcome by using e-commerce as a model, because it is so productive and flexible. I proved that in the way that I started up and grew my e-commerce business, which was a traditional business to start with.

We know that women have lower levels of capitalisation and a lack of access to finance. There is also a propensity for women-owned businesses to be run from home, as there are issues with childcare and flexible working. There are lower levels of full-time employees in women's businesses, and there is a concentration of women's businesses in the traditionally female sectors. All those factors really play into using e-commerce as a model, because it is perfect for moving from a part-time or full-time job into business ownership. You can run an e-commerce business part time, at the kitchen table, with the kids around your ankles or while you are looking after your elderly parents. It is really flexible. You can do it from 5 to 9 and build it slowly. You do not even need your own website, because you can do it all on platforms.

E-commerce is such a flexible model that all it really needs is basic connectivity. That is why it is so good for rural businesses and businesses run by people with disabilities or special needs. It can play a vital role in all sorts of areas where people are left out of the mainstream of business ownership. I know that because I have done it and have seen lots of other people do it—men and women, including people in rural communities. The big problem is access to knowledge, access

to skills and knowing where to go to get the information that is lacking.

We talk about the place of e-commerce in the high street, which is important, but it is such a golden opportunity for Scotland just now that, if we did not take it, we would be quite mad. E-commerce is growing at a rate of knots. It is difficult just now. E-commerce sales have dropped off a cliff with the pandemic opening up and people now spending on experiences and travel, so e-commerce businesses are finding it tough, but we will ride that storm using technology to the best of its ability.

If we do not use e-commerce now, we will not be able to future proof the Scottish economy. For example, the money that is spent in high streets circulates within the local economy; when people buy things in the high street, that money does not go anywhere. Scots are just as likely as anyone else in the UK to buy online, but they are much less likely to sell online. We do not know how many e-commerce businesses there are and we do not know which the biggest businesses are, as we do not collect those statistics. However, we know that if we do not have a thriving e-commerce sector in Scotland, that money will flow into the hubs in Manchester and London, where fantastic e-commerce businesses are being built around airports and transport links.

The Hut Group has said that it will employ 10,000 skilled e-commerce staff. In Scotland, it is hard to find those people and to retain them. If we do not get into the skills business now and if Scotland becomes independent, that money will flow out of the Scottish economy. There will be no way to keep the money here, because e-commerce does not respect borders. As I am a business person, that really worries me. We have a fantastic opportunity, but, if we do not take it, that will potentially be of real detriment to the Scottish economy.

Michelle Thomson: E-commerce, its enablers and the skills that are needed will be a big topic in the committee's inquiry, and I suspect that other committee members will come in on that subject.

I will finish off the piece about women-led businesses. In addition to the areas that we have already highlighted, given that this is a generic inquiry into town centres, my second question is: do you have any other ideas about what we need to do to put women-led businesses at the heart of town centre redevelopment? I appreciate that that is a hard question, given that that is not your specialism, but I would like to hear other ideas before we move on.

Carolyn Currie: The design of town centres is crucial. Town centres are declining, in part, because they have failed to respond to women's

needs as well as to retail outlets' needs. Safety is important for women—they need to feel safe when they go into town centres—and issues such as inadequate signage, poor toilet facilities and poor transport connections all combine to make women feel unsafe.

I was looking at what research has been done recently, and I found that the UK did not make the top 10 of the safest countries in the world for women. Research that has been done into women's perceptions of town centres includes a study by Cleveland Police in the wake of Sarah Everard's murder and the safer streets campaign. That research found that a whopping 80 per cent of women felt unsafe in Teeside in 2021. That is right here on our doorstep in the UK. Issues that were cited included poorly lit areas and parks where women felt unsafe exercising because of the presence of substance misusers, beggars and men who were staring at them. In this day and age, it is shocking that over 80 per cent of women reported that they felt unsafe in public areas.

A clear strategy that puts women at the heart of the regeneration of urban areas and that harnesses women is needed. We have a real opportunity to create and redevelop town centres in partnership with businesses and other agencies such as housing and, potentially, tourism to make town centres destinations of choice for everyone in our population, especially women and families. The design of our city centres and urban areas needs to be significantly reworked in order to engage women, particularly as we come out of the Covid pandemic.

The Convener: Thank you, Carolyn. We will discuss at a future meeting some of the issues that you have raised.

I ask witnesses to be concise in their replies, so that we can get through as much business as possible.

10:30

Gordon MacDonald (Edinburgh Pentlands) (SNP): During the pandemic, the online share of retail sales reached a high of 37 per cent in February 2021. Peter Mowforth, are you able to highlight whether some sectors benefited more than others from that growth in retail sales and whether large or small retailers—or a mix—benefited?

Dr Mowforth: All kinds of businesses gained, and the drop that we have seen over the past six months has been simply the mirror reflection of the significant increase that took place at the start of the pandemic. If we take out the blip that happened while everybody was stuck at home, it is business as normal—the trend has continued in

the same direction. We are on track for one third of retail to become mediated online.

I will pick up on some of what Carolyn Currie said. A week ago, I was on Sauchiehall Street with my wife and I hung my head. We felt uncomfortable and nervous. I have never seen Sauchiehall Street look so dismal and so bad. A serious wake-up call is needed. I could not believe how grubby, dirty and uncomfortable it was. I fully understand why a lot of people would not want to go shopping there.

Given that it is inevitable that there will be a reduced number of high street shops, we need to make decisions. So that every other shop is not empty, we need to consolidate shopping areas. If someone goes to an area, they do not want to see boarded-up windows; they want all the shops to be full and vibrant. Often, the reason why people are there is that they found the products of those shops through searching online, which is the modern shop window for high street retail. However, that consolidation is just not being done.

Gordon MacDonald: You said that we are on track to hit one third of sales being online. Figures from the Office for National Statistics currently have it at 25 per cent—down from the 37 per cent high. When will that growth hit 33 per cent?

Dr Mowforth: Remember that, before the pandemic hit, it was at 19 per cent. It is just business as normal. There is no great shift. People are going to continue to make use of online mechanisms for sourcing products and for trading.

The sad fact, and the big elephant in the room, is that Scotland is seriously underperforming in e-commerce. We are the worst part of the UK for online trade. We have 8 per cent of the population and 1.9 per cent of the e-commerce jobs. The key reason why Scotland has underperformed is that, at all levels—business ownership, investment, e-commerce manager, specialist skills and junior skills—we have not provided the right kind of skills training, and a key reason why our skill set has not been sufficient is that it has been provided not by hands-on practitioners but from within the agencies. That is a personal view.

Gordon MacDonald: You touch on the role of the agencies. In November, Skills Development Scotland announced that its use of the national transition training fund will help up to 20,000 people with digital technology. Will that start to address the issue that you have highlighted?

Dr Mowforth: Skills Development Scotland has just launched an e-commerce training scheme. The agenda for the course was put together by the colleges and it was aimed at unemployed people. Across all three colleges, precisely zero people applied to go on the course. That is the exact

opposite of what Carolyn Currie found through engaging with hands-on practitioners who know and understand the subject. The agencies have to engage with the industrial and business sectors that provide those competencies if they want to see them being used more broadly in Scotland. So far, what we have seen has been a failure.

Gordon MacDonald: Peter Mowforth highlighted the fact that 98 per cent of companies do not engage online, and he talked about Chisholm Hunter. I found another example: Findra Clothing has had 40 per cent year-on-year growth and has opened another shop in Edinburgh. Stuart, how do we get the message across to small private businesses that the way forward is online?

Stuart Mackinnon: The latest Scottish Government digital economy survey revealed that 35 per cent of Scottish businesses are trading online. I highlight the figures that I mentioned earlier in relation to the shift that we saw during the pandemic and the need to cement those gains. Carolyn Currie also highlighted some issues with the digital boost development grant. I would say that that is an argument for further expanding the programme. I know that £100 million has been committed to that programme already. There is a really good opportunity to use that co-investment grant model as a mechanism to get more businesses engaged with the enterprise support that is on offer.

To reflect on what Pete Mowforth said, the same Scottish Government survey reveals that only a fifth of Scottish businesses believe that they have all the digital skills that they need. In order to solve that problem, we need to better connect Scotland's business community with our educational providers, whether they are colleges, universities or private providers. To a certain extent, that is a question of getting the incentives right, but another factor is the marketing and trying to make sure that the courses and training that are on offer from our education system really meet the needs of business owners, especially the owners of small businesses, which might have different needs to larger companies that can allow staff to be off for longer periods.

Peter Mowforth: I will make a point of clarification. When I said 98 per cent, I meant that 98 per cent of small high street retailers do not use the free and simple tools that would allow them to upload their inventory and product catalogues. They do not need to have an e-commerce platform, because Google provides free and easy use. Nobody knows about it and nobody teaches those skills.

Gordon MacDonald: Thank you for that clarification.

Carolyn, do you have anything to add? How do we encourage people to take up those opportunities?

Carolyn Currie: I am a chartered banker, so I like nothing better than leveraging resources as much as we possibly can. To me, that is what we are failing to do. We are not connecting up well the agencies and communities of interest. SDS is a great example of an initiative that could have been super but has not worked. We need to be better at connecting the pipeline of resources that we have, because some of them are very good. There is basic but free training—for example, through the Business Gateway—which is helpful. We need to connect up that pipeline with the gaps in that training and with the communities where those businesses are.

Pete Mowforth talked about our engagement with expert practitioners. We see that women will go to places where there is low-cost or free training. Women do not have resources to spend on the training to get started, so they will congregate in those communities and trusted places. We can target them and deliver the training by harnessing those communities. However, those initiatives tend to be delivered in silos and they do not connect up with communities like ours. I hope that the example of the Scottish technology ecosystem fund grant evidences, beyond any doubt, that the appetite is there.

We are not curating the engagement. We need to get better at curating the agencies' engagement with the communities where the businesses are and at connecting up that pipeline. It is not that difficult to do. If we do that, we will get more results like the pilot schemes that we have seen. Because 400-odd businesses have now engaged with our organisation, I need to find a way to keep that going, because we have now created a demand for that. I want to keep curating, and I am actively looking for partners to come and help me with the community that we have created, which could have a huge economic impact here.

Colin Beattie (Midlothian North and Musselburgh) (SNP): I would like to expand a bit on what Peter Mowforth said earlier about developing digital services. What level of collaboration, if any, is there between Scottish universities and colleges and retail businesses on developing digital services?

Dr Mowforth: There is nothing that I am aware of.

Colin Beattie: Nothing at all?

Dr Mowforth: There probably is somewhere, but I am not aware of it and I would be well placed to know if there was something going on. For instance, two years ago, we ran an advanced course for e-commerce managers at the University

of Strathclyde's business school, but it was delivered by a company—Indez—not the academics.

The problem here is that, if you are looking for e-commerce skills, you should not start with colleges and universities, because anybody who had significant e-commerce skills would have left to set up an e-commerce business. The people who know what is going on, where all the trip-up points are, what tools should be used, what the best practices are and what the cheapest and quickest way is to get an e-commerce business running are the hands-on practitioners, but they are largely sidelined, because the delivery mechanisms sit with the agencies.

Colin Beattie: Stuart Mackinnon, assuming that you agree with Peter Mowforth's statement that there is no collaboration at the moment, is there any way that collaboration could be put in place? What would that look like and how practical is it to expect practitioners to take time out from their business to train people who are coming up?

Stuart Mackinnon: I gently disagree with Peter Mowforth in that I know of several initiatives by colleges and universities in Scotland on digital skills in the round, although they are perhaps not the specialist training and education in e-commerce that he describes. There are other initiatives such as the help to grow digital initiative, which is led by the UK Government and universities in Scotland, so there are initiatives in the pipeline.

Colin Beattie: How joined up are they?

Stuart Mackinnon: It is fair to say that there is a question of scale. If it is an economy-wide problem and the bulk of businesses, or retailers for the purposes of this inquiry, need to upskill and reskill the business owner and their staff, we will have to massively increase the amount of training and support that is on offer. The question then becomes how you reach the business community, especially the small business community, which can be difficult to reach at times.

Although organisations such as WES and the FSB can play a key role, there is a question about ensuring that the money that is provided through the Scottish Funding Council to universities and colleges is shaped in such a way as to encourage them to provide training and courses that are used by business communities to try and shape those incentives, so that they are providing the help that businesses want.

Colin Beattie: The impression that I got from how you described the various initiatives was that they did not seem to be terribly joined up; they seemed to be individual initiatives that have been launched for good reasons, but if you are looking across the piece at retail businesses and the

offerings from colleges and universities, it does not sound very strong.

Stuart Mackinnon: I know that Colleges Scotland recently did some work in the area, and we are trying to develop a more cohesive and comprehensive report. I do not have a global picture of who is doing what; I could not say that, for example, 50 per cent of colleges are doing certain work. My impression is that it is at the discretion of individual educational providers.

Dr Mowforth: You cannot get away from the fact that e-commerce involves technology. When small businesses want to find out how they can increase their sales and get more profit through their business, they need to know specific skills, so they will ask, “How do I set up Google Merchant Center?”, “How do I set up an inventory feed?”, and “What type of photographs do I need, what format should they be in, how do I upload them, how long will it take and how much will it cost?”

10:45

Those are the technical business questions that small businesses want to know the answers to, and none of the initiatives that are offered in colleges and the usual further and higher education infrastructure that I have heard about provides that information. The only people who have access to all the details are the hands-on practitioners, who are always expected to give their time and effort for free.

Colin Beattie: Gillian, what is your impression of the level of support for developing digital services?

Gillian Crawford: I was lucky enough to be on the course that Indez delivered at the University of Strathclyde, which Pete Mowforth talked about. It was a really useful course, and one of the most useful things about it was that we were able to create a community of e-commerce people out of it. We set up a WhatsApp group, which has been very helpful. We are senior e-commerce managers, and we can now share information. Before that, we did not really know that one another existed. Therefore, there is a need to bring a community together in the e-commerce space.

Lots of people are super willing to give their time for free, and there are some brilliant e-commerce managers in Scotland. For example, Jason Stewart at Donald Russell, the online butcher, is a brilliant e-commerce manager, and he is champing at the bit to help to bring other people on; however, there is not a forum for him to do that yet. I have been lucky because I have been able to work with Carrie Currie and with Pete Mowforth

to do a bit of training, which has been very satisfying.

The big issue is that e-commerce is not static—that is the problem. In the world of e-commerce, and in your own business, things move so quickly. E-commerce is where technology and psychology meet, and you have to have a wide range of skills to do it well. There are a lot of levers that you can pull: you have paid and unpaid traffic, search engine optimisation, online and offline public relations, influencers, Instagram and other social media. However, at any time, any one of those can change. The rules, best practice or the way in which the consumer is buying can change, and you cannot wait six months for somebody on a course to tell you that that has happened; you need to be on it right away. If your e-commerce sales start to go, they can go very quickly, and you have to find a way of moving the dial and find another lever to pull.

In lots of ways, it is quite a complicated business, because there are many elements to it and it is fast moving and fast changing. That is fantastic—it is exciting because you have the whole world as your potential marketplace. We are selling into America and on Etsy to people whom we could never have found in any other way. They are finding our products and loving them, and we have a real community. We are selling quite a traditional product in a very cutting-edge way, but we are still managing to keep a traditional consumer relationship with our customer, although we are using technology.

At the heart of it is how fast moving e-commerce is. It is important to have a community of people who are doing the same things, because they can tell you what they are doing, what has worked and what has not worked, and what they are paying for things. There is a lack of transparency in some of the apps. You might find out how much you would pay in transaction fees if you processed your payments through a different merchant provider. That information is gold dust to a small business such as ours, because we do not have huge resources to spend in that area.

There is so much enthusiasm in the community in Scotland, and there is a willingness to share, but it is about finding a mechanism, such as a forum, to keep the community together and to bring more people into it.

Colin Beattie: Carolyn, my final question is for you.

The Convener: We will have to make some progress as we are pushed for time.

Colin Beattie: Okay.

Maggie Chapman (North East Scotland) (Green): Good morning, panel, and thank you for

being here. I just want to follow on from Colin Beattie's questions about skills and training by looking at that issue with regard to retail businesses themselves. Peter Mowforth and Carolyn Currie have both talked about the lack of skills in that respect, but I also note that, according to the digital economy business survey, only 50 per cent of businesses seem to have any interest in training their own teams. What do we need to do to shift that? Linked to that, is one of the barriers or one of the things slowing everything down a lack of adequate access on our high streets to the digital infrastructure that businesses and wholesale providers need? Perhaps Carolyn Currie can respond first.

Carolyn Currie: Gosh—where do I start? I would like to pick up on your comment about 50 per cent of businesses being interested or engaged in this activity, because, as chair of the board of the Productivity Institute in Scotland, I can tell you that we published a green paper on this at the end of last year and digital investment is one of the areas that we are going to look at and analyse, using—I hope—some of the data that has been created as a result of all the work that the Government has delivered so far through, for example, the digital boost scheme. Indeed, that has given us a huge data set that can help inform us of best practice and allow us to share that best practice with the community. It is important that some information will be forthcoming to help inform and direct future investment, because I think that that insight is lacking. After all, 50 per cent is a huge amount.

The other key issue that relates to this is leadership, which is a key interface in progressing the digital and skills issues. We are hearing from a lot of leaders about a nervousness in engaging with digital. With such a constantly changing environment, the question is: where do you pick it up? Where do you intervene? Who can help you get a lens on your business and tell you with confidence and clarity where you actually need to invest? A key worrying statistic that I have seen is that around 50 per cent of investment that businesses have made in digital is deemed not to have worked, which is whopping in terms of economic impact and opportunity missed, isn't it? We need to get a much better insight into what is working so that we can help inform businesses.

The good news is that we have mechanisms to reach businesses and communities. I have talked about our work with WES, but I would also highlight the Scottish Council for Development and Industry, which is running regional productivity clubs and is out there in local communities, working with businesses that are interested in boosting their productivity and, particularly, developing their digital footprint. There are some good case studies of businesses that have been

successful in that respect, but there is no doubt about it—there is a phenomenal amount of work to be done there. We need to support our leaders to invest in skills and showcase best practice.

I can give you an example from my work at WES. For the first time during the pandemic, we took on a young intern in an entry role; after six months with us, she went off and got her dream job working for Penguin Books in London. We then took on a second intern, a young woman who was very interested in policy work. We have just developed a large digital platform called the Women's Business Centre and we brought in Katy, our new intern, and trained her in that digital work. Six months on, she has just resigned and is off to work for a tech scaler based in London that is in the top 10 in the *Times* list of scale-up companies. She is going to work in a search engine optimisation role after just six months of working with us on our digital platform—imagine what we could do if we were able to replicate that. We are a small business—my staff refer to my budget as 20p and two Snickers bars, and they are not far wrong—and if we can manage to do something like that, I think that that is very relatable for other small and microbusinesses as a route for bringing in and developing young people and their skill sets. The training that we have delivered is largely founded on the free tools that we are shamelessly mining and capitalising on for our digital platform.

Dr Mowforth: First of all, I just want to highlight a useful snippet or statistic. According to the largest study that has been done, e-commerce's footprint is 17 per cent greener than that of traditional retailers, just through the efficient use of journey time.

I can see that the point that Maggie Chapman is getting at is: what can be done to improve things? From the industry perspective, a good starting point would be for politicians and Governments to talk about the subject a bit more. I am biased—we all live in our own little silo and bubble—and I live in a world that is full of technology and business. I look at politicians as a group and I do not see the same shared space around a total focus on business and technology and the synthesis of the two.

If politicians could just talk about e-commerce a bit more, that might help to move the dial, which would be really good. The sector is so huge. The ONS statistics that were mentioned show that it is worth £680 billion. It is massive, yet there is no Scottish Qualifications Authority qualification for it in Scotland. The subject is not taught very well and I think that part of the answer is finding what we can do to move the dial.

One thing would be to do something to promote the few fantastic businesses and case studies that

we have here in Scotland because, believe you me, there is nothing that would give me greater pleasure than to see an army of Scottish businesses going out and helping to create wealth and high-paid jobs. The agencies have a focus on exporting but, to start with, we need to export to the rest of the UK. It is difficult to export beyond that because of all the other problems that there are. All the low-hanging fruit is selling more within the UK and doing more of that.

We need fantastic case studies that can inspire businesses and business owners to get on board the e-commerce train and start doing something about it. That story has been coming out from business year after year and nothing gets done. I do not know why. Is it simply because we on this side of the room are the people who have got our heads around and understand technology and business, and understand how the two can be fantastic for creating advanced first-world countries with well-paid jobs and everything, or are we just going to sit with 100-year-old technology, working on the high street in the same old way that we used to?

Maggie Chapman: Can I bring in Stuart Mackinnon on that question, and on the question about infrastructure? What are your members telling you about what is or is not there?

Stuart Mackinnon: Yes. My heart sank when I read that statistic in the Scottish Government report. It is a frightening figure. I understand that it is not just a technology or digital problem. The amount of upskilling of existing staff that we are doing is not good enough and we need to change that culture.

I return to my point that we have a really good product in the digital boost grant and that there is an opportunity, through better integration of our enterprise networks and skills bodies, to say to businesses, “You are getting this grant; have you thought about training up your staff to use the new technology that you are getting? Here is the future programme of support.”

On a related point, we have seen the success of the CodeClan model, but that is a very high-end product. Could we replicate a similar vocational training course for different skill sets? Is there an opportunity to look at that success story and say, “That worked. Let’s do more of that”?

In relation to digital infrastructure, the official stats show that both broadband and mobile coverage are improving in Scotland, although they are not quite reaching the political ambitions that we would like to see. In particular, I highlight 4G coverage as an on-going problem. I am an adviser on the Scottish Government’s 4G infill programme and I would say that there is still a huge amount to do on that, especially because things such as

cashless payment technologies rely on decent digital infrastructure.

The current focus is on speed, but reliability is often a more important factor for many of our members. At the moment, there does not seem to be a wide enough diversity in the products that are available in the telecoms market in comparison with the wide range of businesses that are out there with different needs.

11:00

Fiona Hyslop (Linlithgow) (SNP): We have heard some very interesting insights, some of which are contradictory, which is fascinating. Dr Mowforth, I am not sure whether attacking politicians for talking about e-commerce in a committee that is looking at e-commerce is necessarily—

Dr Mowforth: I welcome it—I just want more of it.

Fiona Hyslop: Okay—you want more of it. That is good to hear.

I am interested in what Carolyn Currie said about curating and communities of interest. I had a brief spell as Cabinet Secretary for Economy, Fair Work and Culture during the pandemic, and I introduced the digital boost programme, which we had to increase massively.

There are some general issues with businesses’ lack of investment in skills. Historically, there has been a lack of demand for digital from businesses, but the pandemic accelerated demand. Who would do the curating, how would we implement it and how can we make the step changes that are needed? It is, I assure you, a given that town centres will have to be both physical and use e-commerce.

Gillian Crawford talked about going to Strathclyde to do a course with Peter Mowforth. Were you talking about the University of Strathclyde?

Gillian Crawford: Yes—the course was at the business school at the University of Strathclyde. There were 20 of us in the group. Pete is one of the people with whom I keep up and share knowledge, which has been really helpful.

Fiona Hyslop: Before the pandemic, the Scottish Tourism Alliance worked to try and stimulate demand and get tourism businesses to embrace e-commerce. It did that using what was almost a roadshow that was done in different towns.

We are looking at town centres, and there are different models. How do we get the curation that Carolyn spoke about? I can see how it would work for women. I do not know whether the Scottish

Chambers of Commerce or a chamber of e-commerce could do it. How can we help the retailers in our town centres to do that? What would that model look like and who would deliver it? The whole point of the digital boost was to provide grants to get practitioners to help. It was commercial. How should that be delivered, and what is the role—if they have one—of agencies apart from to deliver funding?

Gillian Crawford: That is a good question, and your comparison with tourism was good. In my experience, the various tourism bodies have done a brilliant job of putting Scotland on the map, and of connecting their local areas and boosting tourism within them. That is a very good model that we could look to.

E-commerce is very much part of the town-centre story, and a good model of it comes from Schuh, the shoe retailer. My local Schuh, in Stirling, is one of the few busy shops in Stirling; upstairs, it has three people packing e-commerce orders. Carolyn Currie mentioned that shops have a lot of dead time during the day when people are at work and do not come in. Shops could have a dual model in which they also have an e-commerce station—which would not take up a lot of space—to pack e-commerce parcels, as they would for a customer who had come through the door. They could have staff doing e-commerce work from the computer at the same time as they serve customers. During busy times they could serve customers, and during quiet times they could do e-commerce. That is a productive model that already happening on our high streets—in Schuh, for example.

The most enthusiastic people have to deliver e-commerce. When fantastic, enthusiastic and go-getting people deliver something it will spread like chickenpox in the nursery and everyone will want a bit of it, which is fantastic. However, part of the problem is that there is variation in knowledge, skills and ability to deliver. It needs to be a grass-roots movement in which businesses are given the funding and ability to get together.

I have found a lot of really beneficial stuff in the peer-to-peer space. We need people who know what they are doing and experts who have done it before in bigger companies. However, every company is different and no one model will fit everything. Whenever I talk to other e-commerce companies, I have to be very conscious that something that might have worked for us in a certain context and time it might be slightly different for them. Everyone comes with a different platform, different e-commerce or digital experience and different psychological barriers to digital. It cannot be a case of one size fits all; what is done has to be tailored. It is not a homogeneous thing.

It is good to have enthusiastic people in your community who can get going with this. There are e-commerce champions in every town centre and community.

The other thing to say is that digital loves local. We have not mentioned that enough. Google loves local and will boost local businesses through Grow with Google. Facebook loves local—it is really wanting local. A lot of the big players are really willing to back local. I suggest that we bring in some of the big players. People are very scared of those companies, but we engage with senior people in Google and BigCommerce, and they are willing. They really want to boost e-commerce in Scotland, but they do not have a conduit through which to do that. It would be great if Scottish Enterprise, or whoever, at least had access to senior people in the big companies in the UK that have a lot of input in e-commerce, such as Google and Facebook, as a conduit. We would then have a route through which to get some of the big players involved.

We need the grass-roots approach, but we really need things to come from both ends. We need the Scottish Government and the agencies that work for it to facilitate that, and not necessarily with money. I was a recipient in the digital boost programme, so I would like to say, “Thank you very much.” It was a great thing for my business. It was not perfect, but it was one of the best grants out there. I would just not consider most grants because of the amount of time and effort that they require and because the conditions of most grants mean that they would not be beneficial to us. However, the digital boost grant was really good for us and made a massive difference when we got it.

Fiona Hyslop: I am conscious of the time. I think that the VAT registration requirement for digital boost funding was meant to stop the massive fraud that we have seen with pandemic funds in other places. However, that needs to be looked at. There is something in what Stuart Mackinnon said about how we develop it into a better product.

With regard to curation, women are 52 per cent of the population but are underrepresented in business in Scotland. I listened to what Gillian Crawford said about the need to localise. Packages exist and are free; we want the practitioners. Who does the curation and how do we do it?

Carolyn Currie: That should be a blended initiative. Where we are able to do that curation, it works really well. In its simplest form, it is about harnessing what each organisation does well and curating all that together in a space.

I have talked about women's business centres—similar could be done for e-commerce spaces that would bring people in and which different communities could use. A one-size-fits-all approach works for some people, but for others it does not. We have learned from the events that we have curated that some businesses welcomed a kind of idiot's guide to starting up because it demystified the process. It is a highly complex and detailed subject and it is off-putting for people to be sitting in an environment where they think that the other people understand the terminology and the vast array of Google dashboards that can be tapped into.

We can curate that with different communities—women are one community for whom I argue that that would absolutely be a space where they can go—and businesses that we have a reach to, so we can then help those communities to develop and grow. As Gillian Crawford said, as communities develop and grow, they build a much better sense of what they need and want, whereas at the start they do not necessarily have that confidence. If you can bring like-minded people together who have the same needs, it will be the same as for any new product development: the better you target the needs, the more impact you will get in return. I advocate that it is worth trying to bring together that pipeline model of support.

The agencies generally have good contact with larger and scale-up businesses, and can help to bring businesses together in a forum. I can help to curate women-owned businesses. Those are often microbusinesses, but that is not necessarily true in e-commerce. There are businesses out there with significant turnovers, but no one knows that they exist and we are not tapping into them. They are not hitched up to the scale-up agencies or the resources that are out there. There is a two-way path. We could better leverage all our respective resources to create a collaborative model that would really boost both e-commerce and our national productivity.

There are sectors that are growing massively, in which women are represented but not supported. E-commerce could be the route to supporting women in those sectors. Health, beauty and wellbeing are massive multibillion-pound sectors. We have huge opportunities and could use e-commerce to tap into them, because our national infrastructure does not help with that, as Pete Mowforth said. People who turn up in retail are not be welcomed with open arms and a plethora of resources, because of how our economic development works. Digital is the route by which we could curate that better.

Fiona Hyslop: I am conscious that the convener might cut us off, but those are really rich ideas.

Dr Mowforth: I hope to make my points quickly. I agree with everything that Carolyn Currie said. Small e-commerce business clubs can be a vehicle for that kind of work; there is a successful one in Scotland's central belt. We need to engage with agencies that are connected to support mechanisms so that we can encourage people to come along. Such clubs are never advertised on agencies sites because they are not funded by the agencies, but they could easily advertise them. That is my first point.

My second point is about the best way to provide skills training. Rather than force-feeding that through a college or university course, it could be like the digital boost grant. Companies could be offered training vouchers and the market could vote with its feet. Good products bubble to the top on e-commerce sites because they get great feedback and people really like them. Skills training could be voucher-based. Gillian Crawford said that people go to local suppliers that are relevant to them, so why can we not do that?

Fiona Hyslop: Stuart Mackinnon, who should do that and how?

Stuart Mackinnon: We have seen some of that being done through business improvement districts. BIDs played a key role in the pandemic: they often organised local food deliveries to vulnerable customers, which was a good initiative that could be built on. The key idea is that no matter who someone initially makes contact with, that should not stop them being led to other agencies and support in the public and private ecosystems.

I have a general point to make about town centres, high streets and independent businesses. In the past few years, independent businesses have done a lot of the heavy lifting on our high streets and in our town centres, but they cannot do it on their own. I know that e-commerce might be part of the long-term future for local shops, but we need to see big business and the public sector playing a bigger role in local centres.

We need to see more local facilities in our town centres—council-run services, our blue-light services or parts of the national health service. We need organisations such as banks to consider coming back to our local places. We mentioned Sauchiehall Street, but there are ugly gap sites up and down Scotland and we need to make them more suitable for a wider range of public and private bodies.

The Convener: Alexander Burnett is joining us online.

Alexander Burnett (Aberdeenshire West) (Con): I know that we are pushed for time, so I will direct my question to Stuart Mackinnon, who

represents both online and bricks-and-mortar businesses.

An online or digital sales tax has been mooted in previous evidence sessions. Are you in favour of that? What level might it be set at? What issues might arise from that?

11:15

Stuart Mackinnon: I am aware that the UK Government is consulting on an online sales tax right at this moment. It is fair to say that we are pretty anxious about it, principally because, as we heard earlier, a third of Scottish businesses now sell some goods or services online. One in seven Scottish businesses started selling online for the first time during the pandemic. We would hate to see businesses that have diversified over the past two years being hammered by a new online sales tax.

We accept that there are real anxieties about the online giants, but our concern is that the damage that an online sales tax would do would outweigh any benefit that local traditional operators or businesses that do both online and bricks-and-mortar trading would receive.

The UK Government proposals are in relation to business rates. However, the suggested amount that would be raised is unlikely to be a significant increase in business rates income. We do not yet know what direction the UK Government will go in. I believe that the Scottish Government also has a commitment to look at an online sales tax. We are nervous that it would harm our members more than it would do net good to the Scottish economy.

Alexander Burnett: Thank you. I am sure that the subject will be revisited in the future.

The Convener: A level playing field has been mentioned. Stuart Mackinnon mentioned the giants in online retailing that have been seen as drawing business away from high streets and bricks-and-mortar businesses. Is this the wrong time to introduce an online sales tax? Are we in a more mixed phase of retail, in which we are trying to encourage businesses on high streets to do more online sales, or should online-only sales be taxed and feed into taxation on an equivalent basis to bricks-and-mortar businesses?

Stuart Mackinnon: If you are going to pursue an online sales tax, there is a fairly strong argument to be made for a small business exemption. Even then, there are questions about what sorts of transactions would be covered by the tax. Would business-to-business transactions be included?

When the digital services tax was introduced, we saw a lot of online giants pass the cost on to their smaller customers, despite it being targeted

at those online giants. There is a question about who actually pays, even if the tax is targeted at the biggest operators.

If we are talking about levelling the playing field, there is a strong case for rejecting new out-of-town developments, given that the size of the pie is decreasing for in-person bricks-and-mortar shopping. If there are to be fewer in-person transactions, we probably want them to take place in our town centres—not just because of our net zero aspirations but to help out the existing businesses.

One other angle on levelling the playing field was covered in an FSB report a few years ago. When Parliament considers new rules for business, it will be really important that it considers traditional operators and online operators. In looking forward to our net zero ambitions—when we consider, for example, new rules on waste—it will be really important to consider how not only traditional shops but online operators will get on with the rules. That is why we have suggested that consideration of the digital economy should form part of future business and regulatory impact assessments.

The Convener: Thank you. Finally, Gillian Crawford talked about the example of Schuh, which is combining its retail sales with online sales. Because the committee is looking at town centres, we are interested in the places where people live, work and socialise. The move to online sales affects the fabric of high streets. What is the way forward on that? Is it the combined model that Gillian spoke about? Are businesses moving towards that? Are there barriers to that?

When we visited Dumfries, we heard about a big retailer that had moved from having a physical shop to having a kind of locker, and that there are advantages in having a locker-type system. How do we encourage businesses to remain on the high street and to deliver two services from the same place?

Stuart Mackinnon: It is great to be like Schuh and have a spare floor upstairs. Businesses that operate from smaller units will find doing that to be trickier. We have heard anecdotally from our members that there are issues with access in relation to getting a lot of deliveries to, or taking a lot of deliveries away from, high street premises.

It is easier for some businesses than it is for others to run an e-commerce business and a physical shop from the same premises; they are different. It is not impossible, but there are challenges along the way.

If a businesses need different premises for running a combined e-commerce and shop business, we need Scotland's commercial property market to be adaptive to their needs.

Recently, the UK Government launched a review of the legislative and regulatory framework that governs the landlord and tenant relationship. It would be useful for the Scottish Government to do that, because up and down high streets across Scotland are many empty units, but the price of occupying those units does not seem to be falling. That suggests to us that the property market is not working as it should, which has a range of negative consequences. It should be cheap to take up units on the high street but it is not. We need to ask why.

The Convener: Thank you very much. I thank our four witnesses for their contributions. I briefly suspend the meeting while we change to a new panel of witnesses.

11:21

Meeting suspended.

11:27

On resuming—

The Convener: I welcome our second panel of witnesses. From Scottish Development International, we are joined by Neil Francis, the managing director, and Siobhan McDermit, the team leader of digital trade services. We are also joined by Hugh Lightbody, chief officer with Business Gateway.

As before, I ask members and witnesses to keep their questions and answers as short and concise as possible. All three witnesses will get a chance to answer some questions. They might not be called for each question, but they will get a chance to speak.

The previous panel of witnesses said that, traditionally, Business Gateway would not offer support for retail. The sector is not prioritised. During the pandemic, more Scottish Government support went through local agencies—in particular, for retail, there was business rates support. Our inquiry is considering the changing nature of retail. Do the witnesses see any future role for Business Gateway or local agencies to give more support to, or have more engagement with, the sector?

Hugh Lightbody (Business Gateway): I am happy to respond to that. In fact, the previous witnesses are incorrect: Business Gateway does support the retail sector. Something like 9 per cent of the start-ups that we supported last year and around 7 per cent of digital boost clients were retail.

The Convener: Is that a recent increase? The previous witnesses said that, traditionally, there was less engagement.

Hugh Lightbody: No. We have supported the retail sector from the moment that local authorities took on responsibility for the Business Gateway service in 2008.

The Convener: Will you reflect on how the retail sector has changed and the kind of support Business Gateway has provided? You mentioned the digital boost project, but how have the sector and the type of support that you offer changed?

11:30

Hugh Lightbody: Our support has not changed; we are there. We inherited the service in 2008, at the time of the financial crisis, and a significant proportion of our support at that time and ever since has been about the survival of businesses, irrespective of the sector. Something like 40 per cent of the businesses that we support indicate that the main benefit of the support is the survival of the business.

Since 2008, as well as supporting businesses to start up and helping established businesses to grow, our work has been about building resilience in those businesses to make them stronger and better businesses, so that they can cope with the situations that we have had to face, such as the financial crisis and the pandemic.

The ONS figure for the three-year survival rate of start-ups is 57 per cent, while the figure for start-ups coming through Business Gateway is 77 per cent. Therefore, a business is around a third more likely to survive for three years if Business Gateway has helped it to start it than if we have not, because we bake in resilience from the get-go.

The Convener: We are coming up to an election this week, so there might be some questions that you are not comfortable addressing, but do you find that there is variation across Scotland in the support that Business Gateway is asked to provide to retail—you do not have to mention places—or is it the same?

Hugh Lightbody: It is consistent across the piece. The model of delivery varies from place to place—whether it is an in-house or a contracted service—but the support is the same wherever you are.

The Convener: What I meant was whether the demand for support is the same or is stronger in some areas.

Hugh Lightbody: I am afraid that I do not have the detail on that. I could not comment on that.

The Convener: That is no problem.

Maggie Chapman: You said that 7 per cent of the support that Business Gateway offered last year through the digital boost programme was to

the retail sector. Can you tell us a bit more about that and about the challenges that the retail sector brought to you as you supported it? I have a couple of follow-up questions, but I will start with that one.

Hugh Lightbody: It is perhaps useful to draw a wee distinction between the kind of support that we offer through the digital boost programme, which we have delivered for seven years now, and what it came out of. Once upon a time, we had the digital Scotland business excellence partnership, which is a bit of a mouthful, and what the various agencies—the FSB and others who were around that table—were trying to do was to consider Scotland’s digital situation.

One thing that informed that was the digital economy business survey work that you touched on earlier. A digital maturity index showed that, back then, Scotland was not particularly digitally mature and we needed to do something about that. At the time, the Government’s digital strategy was that Scottish Enterprise, Highlands and Islands Enterprise and the Business Gateway service should work together to develop a programme of support to increase the capacity and capability of Scottish small and medium-sized enterprises to tackle the digital situation and become more digitally savvy. That is what became the digital boost programme; that is what it is.

More recently, the Government has used that brand to promote the digital boost grant, but that is very much the Scottish Government working with its contractor to deliver the grant. All that we are doing is using the name to promote that, because the brand is very well established.

The kind of support that we offer to retail, or any sector, in relation to e-commerce includes a webinar called, “Online Sales: Improve, develop & make more money”. We also offer various coaching sessions on, for example, selling on Amazon, how to sell your products on eBay, selling on Etsy—Gillian Crawford mentioned that earlier—and how to integrate your online shop with Instagram and Facebook. We also have sessions on how to choose the right platform for selling online—because there are many different platforms—and on selling your products on Shopify and WooCommerce.

Those are all backed up by various other webinars and coaching sessions on, for example, how to build a digital marketing plan, paid-for advertising, email marketing for business, how to set up an email marketing campaign and how to create a profile on Google My Business. We offer a wide range of support that helps businesses—not just retail businesses but any business—become more digitally savvy and have the opportunity to trade online.

Maggie Chapman: From what we heard in the earlier discussion, there seems to be a gap between the huge range of support that you provide and the support that retail businesses seek, whether they are bricks-based only or bricks-and-clicks based. Does Business Gateway have any future plans to reach out to retail and other town centre businesses more directly to enable them to access the support that you provide? Should we be aware of any geographical areas that you have identified as places where no support is sought at all?

Hugh Lightbody: We are trying to move businesses up the digital maturity curve. The key message that is emerging from the most recent DEBS survey is that we have not advanced very far with that. Businesses are still reluctant and not necessarily picking up the opportunities, so their digital maturity is not yet as evolved or developed as we might want it to be. There is still work to be done on that.

On the areas that we want to look at, we have the new national strategy for economic transformation. There is a lot of work to be done on the concept of regional economic partnerships. A lot of that work still needs to be thought through and developed, and action plans need to emerge from that to set out the priorities and what we are trying to do with any sector. What are the actions that we need to take to transform the economy over the next 10 years? Retail and town centre regeneration need to be built into that.

The Convener: I have a question for Neil Francis and Siobhan McDermit. I asked initially about the retail sector and Business Gateway. Will they say a bit about the support that Scottish Development International provides to the retail sector in Scotland, if it works with that sector at all?

Neil Francis (Scottish Development International): I will help committee members. Scottish Development International is the international division of Scottish Enterprise. We are part of Scottish Enterprise, but our focus is on the international dimension.

To answer the question, it is important that we in Scottish Enterprise continue to focus strongly on our purpose to help businesses to innovate and scale up to transform the economy. We want to work, are working and continue to work with businesses that are ambitious and want to grow and make the transformation to our economy that we would all like to see happen, which is set out in the NSET that was launched a couple of months ago.

Traditionally, people have been nervous about the public sector intervening to support the retail sector. It has been a bit of a blunt instrument and

is used as shorthand. The important thing is to ensure that public resources do not support one local business to compete against another.

One could argue that, traditionally, for one local retailer to be supported would be to the disadvantage of another. The issue is about understanding how to intervene in any sector to help it to contribute to overall growth, not simply to displace economic activity from one local business to another.

As we have already heard, retail is changing and it is no longer what it used to be.

The Convener: Scottish Enterprise has previously supported Amazon—a development in my region at Dunfermline has had support, and that is retail. Would the argument that supporting one retailer might have an impact on another not hold for other sectors, too, and for any business that is in a competitive field?

Neil Francis: It would. I guess that I did not explain that clearly. It is about considering the impact that a particular business is having and whether it is in a market that is growing and expanding rather than simply displacing an existing business. Traditionally, people have used retail as an example of a sector in which many local businesses would compete against one another. Your Amazon example demonstrates that we have to be careful about grouping everything in one sector together. The question is really about what that business is trying to achieve, what market it is in and how best we can support that particular business.

Colin Smyth (South Scotland) (Lab): I want to follow up that point with Mr Francis. You are effectively saying that, simply because of the displacement issue, Scottish Enterprise's role and focus in our town centres is entirely on economic growth rather than inclusive growth, which means that there is no support for retail in our town centres.

One of the messages that we are getting is that our town centres need to change—that they need more cultural facilities, for example. Are you really saying that, because of your remit—which might differ from that of Highlands and Islands Enterprise and South of Scotland Enterprise, which have that social element—you do not see a role for Scottish Enterprise in supporting a high street business?

Neil Francis: That is a great question. There are two separate bits to the issue. We agree that town centres across Scotland are a really important part of the economic fabric of the regions. We know that the pandemic has accelerated the change that was already happening. Finding a productive future for our town centres, and a role that they can play in our

economy and our communities, is important and needs to be done.

In relation to our role, it is important that we are clear on our focus and purpose and that we continue to deliver that focus on businesses that can innovate, scale up and help to transform our economy.

11:45

Gordon MacDonald: A lot of the questions that I was going to ask have been touched upon, but I am still looking for clarification on one particular issue. We have talked a lot this morning about the digital boost scheme and the grants of up to 50 per cent that Business Gateway has helped with, and I also note that in its submission the British Independent Retailers Association says that there is a requirement for more

“Co-ordinated collection of the support available—both private and public”

that could be aimed at small and microbusinesses to help get them an e-commerce platform. Hugh Lightbody, could you highlight what funding is available to the retail sector—say, through the Scottish funding portal—to allow those businesses to take up the opportunity of having an online presence?

Hugh Lightbody: I do not have any information on what funding is available. Business Gateway, as a service, generally does not provide funding—we do not offer grants or anything like that. As I have said, the digital boost grant was a Scottish Government initiative run by the Government through its contractor. Business Gateway can signpost people to funding—and, indeed, does so—but it is not something that we deliver directly ourselves.

Gordon MacDonald: Thanks.

Colin Beattie: You might have heard our discussion with the previous witnesses on collaboration in developing digital services. There seemed to be different views—I would not call it a disagreement—about whether such training existed in any adequate form or whether, in my words, things were a bit disjointed and sparse. Is there a role for Scotland's universities and colleges in boosting and developing digital services with Scotland's retail businesses? What role would the enterprise agencies play in that respect, given that you already have a training function? In asking that, I am referring back to our previous witnesses' comments that they did not recognise much of what you were doing.

That question is for Hugh Lightbody.

Hugh Lightbody: That is very much a question for Skills Development Scotland, which is doing a lot of work on the digital skills side and has strong

links with the Scottish Funding Council and, through it, the various universities and colleges. As I have said, what that organisation is doing is more a question for it to answer, but what we have done collectively and collaboratively with Skills Development Scotland and other enterprise agencies on the back of the most recent enterprise and skills review is to create something called the business support partnership. We, the enterprise agencies, local government, Skills Development Scotland, Creative Scotland and VisitScotland are all working together to tackle one of the review's key findings with regard to the clutter and confusion in the marketplace. As a result, we are trying to collaborate and align with each other and to work together not only to ensure that what is being delivered is what the marketplace is looking for but to decide who is best placed to deliver that so that we do not have duplication of services or what is going on.

Within that, we are having discussions with colleagues across the enterprise agencies on what we need to be doing on the digital side and who can best deliver those kinds of things. There are different things to consider in that respect. Business Gateway tends to be there for the volume market—the microenterprises and the small businesses—while our colleagues in the enterprise agencies are, as Neil Francis has suggested, picking up those businesses that perhaps have the greater opportunities and therefore need greater investment to realise them. We are collaboratively and collectively working our way through that pipeline of support.

As Neil Francis said earlier, sometimes it all depends on the circumstances. Prior to the establishment of South of Scotland Enterprise, when the Borders region was covered by Scottish Enterprise, we argued successfully for additional support from Scottish Enterprise for a local, traditional ladies and gents outfitters—a retail business—for the very reason that there was a growth opportunity, the issue of displacement did not apply, it supported local supply chain providers of products, and it was internationalising. Where the circumstances allow, there is support for retail businesses.

Colin Beattie: Neil Francis, as the finger has been pointed at you, you might perhaps like to comment. Are we disjointed in our approach to developing digital services?

Neil Francis: That is a great question. I support what Hugh Lightbody has said. Through Find Business Support, we have done a lot to ensure that customers can easily and comprehensively find out the business support and services that are available, not just in the digital arena but across all those services. On whether we can do more to make it even easier and better joined up, the

answer is, definitely; there is always room for improvement. That feedback is of long standing. Over many years, businesses have fed back to us collectively about getting that joined-upness to be as good as possible.

On your question about the role that universities and colleges can play, as a country we know that we need to improve digital skills in many areas. The universities, colleges and schools have a critical role to embed that in all that they deliver, so that all our young people, as they move through the education system, are building foundational digital skills to a much higher level than we currently have.

When it comes to specific technical, e-commerce or commercial digital skills, there is a role to be played by the private sector and the agencies in delivering those skills into the marketplace. Their focus, given what they are trying to achieve, is slightly different from the focus of universities and colleges, which are there to provide skills for everyone.

Michelle Thomson: I will pick up on some of the general themes. You will appreciate that the inquiry is wide ranging, and I know that you listened to the earlier panel. One of our challenges is to produce recommendations that add real resonance and meaning. So, based on the earlier session, which I know that you listened to, and this one, what two top areas can you pick out in which we should recommend that something be done? That is rather generic, but the area is so wide ranging that it would help us pull it all together if we could get a couple of thoughts from off the top of your head. If we did one or two things, what should they be?

I would like everyone to answer that. Neil Francis, you are smiling, so I will come to you first.

Neil Francis: Thank you. It is the first time that I have been asked what would be at the top of my list. It is great to have that opportunity.

Part of the reason that Scottish Development International is here is because of that international dimension. Continuing to internationalise our economy is probably even more important than ever. We have seen with the pandemic, Brexit, geopolitical energy security and everything else that the international landscape is complex and fast moving. However, ultimately, what happens out there has an impact for us, and the way that we navigate that landscape will be incredibly important for our future economic prosperity and wellbeing. At the top of my list is how we support even more of our growth businesses to internationalise and use e-commerce as a mechanism for penetrating new markets further afield.

Hugh Lightbody: We did an impact analysis of the various programmes that reported last summer. In terms of what I personally would like to see, I would turn to the recommendations that have emerged from that. Some of those things were touched on in the earlier session.

The first thing is strengthening the co-ordination and strategic guidance forum. I talked earlier about the digital Scotland business excellence partnership—as I said, that is a bit of a mouthful; it was also known as DSBEP—which has disappeared. It would be valuable to bring something of that nature back together again. It has been a few years since we did that—in fact, it has been 10 years since that happened. So, let us get all the players back around the table to talk about DSBEP again.

As was touched on earlier, there is also a need to raise awareness of the benefits of investing in digital technologies and services and of the support that is available. We are raising awareness through the Business Gateway website and through the social media work that we do. We have various very good case studies, which we find very useful in promoting things. Findra Clothing was talked about earlier, which is one of ours. Case studies are important, as is raising awareness generally of the benefit of investing in digital, such as the return on investment.

There is a continued need for digital support programme funding. A three or five-year funding cycle would be more helpful than annual funding rounds in that regard.

We also need to expand the offer to meet need. The demand is there, but one of the challenges more widely within Business Gateway is that the money has not increased in the 14 years that local government has had the service. We are therefore about 40 per cent below where we ought to be if we were keeping up with what is needed. That is a key point.

There is also a need to focus more resources on encouraging businesses to progress from entry-level digital technologies and services to more advanced systems. That is the digital maturity curve that I talked about earlier. We have to remember that we have a business base that is made up of businesses that are not necessarily doing the things that we might want them to do. They might not have the ambition to do so and be quite happy where they are. We need to encourage them to think about taking on more opportunity.

It is also recommended that greater investment is made in an up-front audit and advice package. That is why we have the digital health check under the digital boost scheme, to get businesses to have a think about what they need. That is also

why the Government introduced a digital implementation plan within the last round of the digital boost grant, in order to get the businesses to think about what they would do with the resource.

Michelle Thomson: I think I might just ask you to stop there, as—

Hugh Lightbody: It is also recommended that greater investment is made in aftercare, that the future grant distribution process is modified, and that internal systems are invested in.

Michelle Thomson: You have given us so many points. All that you have done is prompt further questions in me, but I will resist asking them as I am aware that other people want to comment. Siobhan, what are your top two things, if you can limit it to that?

Siobhan McDermit (Scottish Development International): I think that Hugh Lightbody did very well to rhyme off a massive list there.

I would look more towards the practical side. In the previous session, WES spoke about agency engagement and curating the communities. I would like to see more of that. We would be very happy to work with WES again if it has a pipeline of companies that are keen to learn more. We have our international e-commerce programme, and we could create specific cohorts for those communities. I would like to see more of that.

12:00

In addition, we previously had e-commerce clubs—we ran quite a number of those in Glasgow and Edinburgh in 2018-19, but the Covid pandemic resulted in that being given short shrift. We would like to reignite those e-commerce clubs, because they involve practitioners and people who are leading in e-commerce and business talking about the benefits of e-commerce, sharing their stories and their war wounds, and describing how they have recovered from some of those issues. I would like to see more of that.

I would also like businesses to give more priority to designating e-commerce roles in their organisations. In many of the companies that we have worked with, the e-commerce role has been an add-on to the marketing or business development team, or sometimes even to the financial specialist, who has also been tasked with looking at how the business can develop e-commerce. That comes back to the point about skills development. It is absolutely the case that we need to do more in that area, but we also need to support businesses and raise their awareness of the importance of having such designated roles to drive forward that part of the business.

Michelle Thomson: Thank you.

Colin Smyth: This question is for the team from SDI. Which sectors and areas offer the best international opportunities when it comes to Scottish retailers? How can the support that you provide directly benefit our high streets by ensuring that some of those retailers are not in out-of-town developments, but are based in our town centres?

The Convener: Is that question for Siobhan McDermid or Neil Francis?

Colin Smyth: I do not mind. We will kick off with Siobhan, as that will make things easier for the camera operator.

Siobhan McDermid: On e-commerce in the round, in speaking to a business in the retail sector that approaches us with an inquiry about e-commerce, we would look, for example, at its digital footprint. A business needs to have a digital footprint; it needs to have a Google knowledge panel—that is the panel that comes up on the right-hand side of the Google search results when you search for a particular business. We would recommend that the business have financial solutions in place to help with VAT and tax returns, and we would ensure that it was using free software, such as FreeAgent.

We would also deal with such a business in the same way that we would deal with any other company. We would look at the benefits of e-commerce, but we would also encourage it to develop a more robust digital marketing and e-commerce strategy. That would include the development of an e-commerce website with the associated software tools to manage customers' orders and finance. There are examples of businesses in the retail sector that are applying e-commerce good practice in their businesses today, and we would encourage them to overlay that good practice in the high street.

Colin Smyth: Is there a gap there at the moment? Retailers have been so used to their footfall coming from people walking up the high street that they might not be aware of such opportunities. Do you detect that there is a gap—an untapped resource, if you like, of businesses on our high streets that could benefit more from having that digital reach?

Siobhan McDermid: As Gillian Crawford mentioned, most retail sales take place on the high street. She talked about “bricks and clicks”, and how it is not a case of e-commerce versus the high street. We should not go down that road.

The fact that digital is such a fast-moving area is front of mind for all of us, particularly since the Covid pandemic. The businesses that are staying ahead of the curve are those that are adopting new digital technologies and adapting their business models. We very much encourage

businesses to do that through our international e-commerce programmes.

However, as far as retail goes, we also signpost those businesses to Business Gateway, in the first instance, for that support. Hugh Lightbody talked about the wealth of support and fundamental skills that are being delivered through Business Gateway. All those things, including digital marketing and understanding social media, can be adapted for retail in the high street. Retailers have to tap into the tools and support that are freely available.

Colin Smyth: Neil, is it realistic to think that we will have a team of businesses on our high streets that will reach out to international markets from the back of the shop to make up for the fact that they are not getting as many people coming in through the front door?

Neil Francis: Stuart Mackinnon and Gillian Crawford, who were on the previous panel, gave examples of where that can work and where it might not work because of access issues and space. The starting point for that, as it is for all businesses, is to understand the business's overall growth strategy. It is really important that businesses take the time to think clearly about their future strategy, rather than simply jumping on what might seem to be an easy solution. The situation that Siobhan McDermid highlighted is quite complex and fast moving and it requires capability, commitment and a level of investment.

From an international perspective, on the one hand, retailers could potentially access billions of customers but, as on the high street, it might be that billions of people walk past their virtual shop and no one stops to go in. Time therefore needs to be taken to support businesses to think through their international strategies. Which markets will their products work best for? Are there issues of product localisation? Do they need to change their products in any shape or form in order to comply with demand, as well as regulations and legislative frameworks in that market? Are businesses going to look at horizontal or vertical platforms? In the niche for the thing that they are selling, the selection of platform is incredibly important, and they all have different features and cost structures.

The opportunity to grow businesses through international e-commerce is significant and available, but planning and good execution are needed in order to realise it. In answer to Mr Smyth's second question about how that will affect what happens on the high street, I note that it depends on who is doing it and whether the business growth strategy is bricks and mortar, e-commerce or something else.

Alexander Burnett: I will ask the question about digital sales tax that I put to the previous

panel. In previous sessions, we have discussed what such a tax might look like if it was introduced, and whether it might level up the playing field between online and bricks-and-mortar sales. What are your views on that? Neil, will you answer first? Given your international remit, what do you see happening elsewhere? What issues might arise?

Neil Francis: I am not overly familiar with the detail of what is proposed in relation to a digital sales tax. I listened carefully to the comments that Stuart Mackinnon made, and they seemed sensible. The principle of creating a level playing field is really good but, as we all know, the devil is always in the detail, and how the tax is framed will determine whether it has the desired policy outcomes or unintended consequences.

Internationally, the approach is completely different everywhere. When you sell and ship goods to other markets, you need to be aware of lots of taxation issues in your approach to the customs requirements for each market that you might target. Sometimes, small businesses might not fully understand that, thinking that they can just run up to the post office to ship the goods off and that will be the end of it. As we have seen through the changes in approach since we exited the European Union, businesses need to pay attention to some significant issues when they ship goods from the UK to overseas markets.

Hugh Lightbody: I agree with Neil Francis's comments on what Stuart Mackinnon said. Stuart made it clear that we need to think carefully about the scale of the tax. There is a when of difference between wanting to tax Amazon, which has billions of pounds of turnover, and a small retail business whose turnover might be in the thousands of pounds. Who can afford it? Let us not cripple the wee business before we have established its ability to do what it wants to do. I think that that is where Stuart Mackinnon was coming from, and I agree with that.

Alexander Burnett: Siobhan, do you want to say anything?

Siobhan McDermit: Neil Francis and Hugh Lightbody have said it all, really. I do not have anything to add.

The Convener: I have a final question for Neil Francis. Siobhan McDermit described what—I will get the acronym right—SDI does. Do you do proactive work as well? Do you promote the idea of online sales as well as supporting it? You described what you do when a business comes to you, but do you promote what you are able to do?

You also talked about the changes that came from exiting the EU. When we were in Dumfries, we visited a specialist shop that does online sales as well. The people there told me that they sell a lot down south, specifically to London, but they

said that their European sales have really dropped since we left the EU. There is a difference in taxation, and selling online is different from how it was before our exit from the EU. Is that a common experience? How do we rebuild confidence in those areas?

Neil Francis: Those are great questions. Yes—we promote the opportunities that e-commerce allows for businesses to grow internationally. We are being as proactive as possible.

Much of today's conversation has been about business-to-consumer selling—that is, retail—but it is important not to overlook the opportunity for international growth in business-to-business e-commerce. We are seeing a lot of that and are supporting and promoting that activity. For us, it is all about helping businesses that have the ambition to grow internationally. It is about selecting the right growth strategy and the right markets to target and seeing how e-commerce plays a role in delivering on that overall ambition.

On your comment about the EU, the feedback from Dumfries that you mentioned is not an isolated example. It can be very difficult now for small companies to sell into the European Union countries. There is a lack of consistency across the countries, so it is not as if we have one new set of relationships with the EU. We tend to have different interpretations of how the new framework works from country to country, which makes it even harder for small companies to navigate.

The Convener: Are you undertaking work to support businesses to understand the new trading environment?

Neil Francis: We are. We have done and will continue to do a huge amount of work in helping them to understand it. Ultimately, however, the environment is more complex than it used to be. We can support businesses, but it is not in our gift to take the complexity away.

To extend that point a little, I note that the UK is entering new free trade agreements around the globe and that international trading alliances or blocs are emerging in all parts of the world, so it is becoming a much more complex landscape for businesses to continue to trade in. Continuing to help and support them will be an important role.

The Convener: I thank the witnesses very much. That brings us to the end of the evidence session and concludes the public part of the meeting.

12:16

Meeting continued in private until 12:37.

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Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

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