



Small Business, Big Opportunity

Unlocking Growth in Every UK Postcode

October 2026



EXECUTIVE SUMMARY

Small and medium-sized enterprises (SMEs) are the backbone of the UK economy, accounting for over 99 percent of businesses and 60 percent of private sector employment.¹ Yet these firms consistently lag their larger counterparts on productivity, a gap that feeds directly into the UK's wider regional and national productivity puzzle.

Closing that gap is a defining test for the new government. Since taking office in July 2026, Prime Minister Andy Burnham has set out an agenda centred on devolution, reindustrialisation and delivering growth in every postcode. But that ambition comes at a time when household budgets remain under intense pressure and almost a million young people across the UK are not in employment, education or training. Small businesses can be central to tackling both challenges. They provide a direct, practical route to work and income that does not depend on a university degree or a traditional CV, while enabling people to earn, build skills and strengthen their financial resilience on their own terms.

Small businesses need the right infrastructure to fulfil that role, and eBay is a key practical delivery partner. The platform provides independent sellers with the funding, training and global reach to compete on equal footing with much larger firms, wherever they are based in the UK, turning local entrepreneurs into a driver of national and regional economic resilience.

This is particularly visible in the geography of digital commerce. To measure and understand that geography, this report introduces a Digital Density Index, which ranks UK regions by eBay small-business activity per capita and compares those rankings with regional GDP per capita. The results suggest that digital commerce can help rebalance economic opportunity across the UK, rather than simply reinforce concentrations of prosperity. Of the 40 UK International Territorial Level (ITL) 3 regions – the more local geographic areas within the UK's standardised system for collecting, analysing, and comparing regional statistics – with the largest eBay small business activity, 31 have a GDP per capita below the national average. Greater Manchester illustrates the pattern most clearly. It ranks the first among UK ITL 2 regions for eBay Digital Density, and is the leading eBay small business region across all of Europe, anchoring a wider “superhub” alongside West Yorkshire and Lancashire. London, by contrast, dominates conventional measures of prosperity but at the ITL 1 level – which covers the broadest regions – ranks only sixth nationally for eBay Digital Density. Digital marketplaces are creating economic opportunity in places where traditional growth has passed by.

Digital and AI adoption are powerful levers to close the underlying productivity gap, with evidence suggesting a firm-level productivity uplift of 7 to 18 percent.² Yet UK SMEs continue to lag their G7 peers in adopting these tools, held back by capital

constraints, skills gaps and uncertainty over return on investment.³ eBay's AI Activate programme – which provides up to 10,000 free ChatGPT Enterprise licences and dedicated training – offers a practical model for overcoming these barriers. The programme is generating replicable lessons on how to accelerate AI adoption among entrepreneurs and small businesses to close the gap between SMEs and large businesses at scale, with its next phase now in development.

Ecommerce and online marketplaces also demonstrate what small businesses can achieve when traditional barriers to trade are removed. 95 percent of UK eBay small businesses export internationally, compared with just 11.5 percent of UK businesses overall, and collectively reach 215 countries and territories. At the same time, the circular economy has become a mainstream commercial force, with recommerce now accounting for 39 percent of eBay's UK Gross Merchandise Volume, demonstrating the growing economic significance of more sustainable models of consumption.

Creating the conditions for entrepreneurship to thrive at a national scale will require deliberate, coordinated action from the government. This report proposes a targeted and mutually reinforcing set of policy recommendations, focusing on:

- **Making it easier to start and grow a business** by reducing compliance burdens on micro-businesses and creating a one-stop start-up hub.
- **Powering digital and artificial intelligence (AI) adoption** through a revamped “Help to Grow” digital offer and sector-specific Digital Frontier Hubs.
- **Unlocking international trade** by removing customs and value added tax (VAT) friction for small exporters, starting with a UK/EU low-value trade corridor.
- **Growing the circular economy** through a higher tax-free Trading Allowance, fairer VAT and customs treatment for used goods, and a stronger Right to Repair framework.

Together, these recommendations offer a practical blueprint for the government to remove the barriers holding small businesses back, and to unlock sustainable, economic growth in every postcode of the UK.



INTRODUCTION

The UK faces a difficult economic backdrop. Fragile global growth, trade disruptions, and persistent uncertainty are increasing the importance of generating stronger growth at home. At the same time, continued pressure on household finances and consumer spending raises the need for practical, pro-growth policies that can raise productivity, expand economic opportunity and strengthen resilience across the country.

Small businesses, which are a pillar of employment, innovation, and community resilience across the country, must be at the heart of this effort. However, many of these businesses continue to face significant barriers to growth such as rising operational costs, persistent productivity challenges, and the administrative complexities of modern commerce. For the UK to achieve sustainable, nationwide, and inclusive growth, independent entrepreneurs need to be equipped with the tools necessary to overcome these challenges, modernise their operations, and expand their market reach.

Digital adoption is a critical driver of small business modernisation, with ecommerce marketplaces like eBay playing a pivotal role in providing essential economic infrastructure that lowers many of the traditional barriers to starting a business. eBay enables small UK businesses to start, trade, and grow without the levels of upfront capital and infrastructure traditionally required to reach customers at scale.

Importantly, the benefits of this model are not confined to the UK's established centres of economic activity. Digital commerce can broaden the geography of opportunity, enabling entrepreneurs to build successful businesses from communities across every nation and region of the UK. As this report demonstrates, some of the country's strongest concentrations of eBay small business activity are found well beyond London and the South East. This makes digitally-enabled entrepreneurship a natural complement to the government's ambition to deliver growth across the country.

Furthermore, eBay's platform democratises international trade, allowing small businesses in the UK to engage in cross-border commerce from day one, while simultaneously accelerating the UK's transition to a more sustainable economy through the growth of recommerce, a source of relief for cost-conscious consumers seeking value without compromise.

This report examines how digitally-enabled small businesses are helping to drive economic growth, boost productivity, and expand employment across the country. Drawing on eBay data, economic evidence and real-world case studies, it explores the role of digital and AI adoption, international trade and the circular economy, as well as how digital commerce can serve as a successful small business enabler and a supportive partner to the government's national and regional growth agendas. Finally, the paper outlines practical, targeted policy recommendations to help unlock the full economic potential of small businesses in the UK.

Alongside this report, eBay has partnered with Small Business Britain on "The Side Hustle Economy: Unlocking the UK's Next Generation of Entrepreneurs", a complementary piece of research examining how more people can turn early entrepreneurial activity into sustainable businesses. Drawing on survey evidence and first-hand insights from entrepreneurs, it examines the financial, regulatory, digital and trading barriers that can cause promising businesses to stall before they have the opportunity to scale.

The UK Economic Productivity Puzzle: Stagnation and Shocks

The UK faces a productivity puzzle: growth stagnant for over a decade, a widening gap between a small number of “frontier firms” and a long tail of lower-productivity businesses, as well as regional disparities that leave London’s economy far outperforming the rest of the country. Together, these trends show that the UK’s productivity challenge is as much regional and firm-level as it is national – which is exactly where small businesses, and the digital infrastructure supporting them, can make the greatest difference.

The UK economy is navigating a complex mix of long-term structural stagnation and short-term shocks. The UK labour market weakened in 2025, as below-trend economic growth and operational cost pressures on businesses weighed on employment, with the national unemployment rate projected to remain in the neighborhood of 5% in early 2026, while inflation was elevated in 2025, particularly for services.⁴

With growth in 2024 and 2025 averaging 1.2 percent, and projections for 2026 around 1 percent with inflation trending back toward 3.5 percent, the conflict in the Middle East has emerged as a risk, in particular by threatening to pressure inflation and borrowing costs.⁵ However, for more than a decade, the defining challenge of the UK economy has been its persistently sluggish productivity growth, often referred to as the UK’s “productivity puzzle”.⁶

The annual average growth in UK GDP per hour worked was just 0.5 percent from 2010 to 2022, well below prior decades. This prolonged period of weak productivity growth has affected the resilience of the UK economy at multiple levels: nationally; across many underperforming regions; at the firm level, where lagging enterprises are less capable of adapting; and individually, where lower-skilled people are either unemployed or working in relatively unproductive jobs and struggling to get by.⁷ This productivity slowdown appears to reflect a widening gap between a few large, highly efficient “frontier firms” and a growing “long tail” of low-productivity firms, many of which are SMEs. In several traditional sectors, including retail and transport, the mean output per worker among low productivity firms has declined in real terms since 2010.⁸

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Rising Friction in the Goods Economy

Compounding these domestic economic challenges is a deteriorating global trade environment. The country’s historical reliance on a predictable, “rules-based” international trade system is being undermined, and the trade regime is struggling to adapt to policy challenges such as sustainability, technological transformation, and concerns that globalisation drives inequality. Policies of key trading partners have also departed from the longstanding principles and institutions that underpin the system.⁹

The shift towards protectionism by major UK trading partners has had a greater negative impact on trade in physical goods than trade in services.¹⁰ During the first three months of 2026, the UK’s trade in goods deficit widened by £7.6 billion, reaching £62.5 billion, while the national services trade surplus declined slightly but remained over £52 billion.¹¹ This widening deficit in trade in physical goods reflects supply chain shocks, regulatory hurdles, and border complexities that continue to impede trade in physical goods. For the thousands of independent UK small businesses that rely on manufacturing and physical product retail, navigating this high-cost, high-friction environment independently is becoming increasingly difficult.¹²

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Regional Economic Disparities Remain a Top Challenge

Finally, the challenges created by the UK's sluggish productivity growth must be seen in the context of the country's major regional economic disparities, which are large by international standards and span multiple dimensions, including pay and productivity, education and skills, and health and life expectancy.¹³ These disparities have long been a public policy concern, and addressing them has become a central priority for the UK Government.¹⁴ London, a world-class, hyper-productive economic hub, sits at the centre of this issue. During the 1980s, London's productivity averaged 125–128 percent of the UK level, but its advantage has since widened dramatically, with some estimates placing it at around 170 percent of the national average.¹⁵

While the concentration of capital and talent in London reflects healthy market agglomeration and supports globally competitive service-sector businesses, it has also contributed to an unbalanced national economy in which secondary cities and rural regions underperform, in many cases relative to their European peers.¹⁶ Although there is no broad consensus on how best to balance London's global success with the need to revitalise other regions,¹⁷ the UK's vast and geographically dispersed network of small businesses represents an important, yet underutilised, opportunity to spread economic prosperity more widely.

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The UK Small Business Landscape

The UK has a large and dynamic small business base, but its full economic potential is constrained by persistent productivity gaps and stark regional imbalances. Together, these findings show why small business growth must be a central plank of the government's economic strategy, and why removing the barriers identified in this report is critical to delivering growth in every postcode.

Micro-businesses and SMEs play an enormous role in the UK economy. They account for over 99 percent of its businesses, 60 percent of private sector employment, and 51 percent of turnover.¹⁸ **Firms with fewer than 10 workers, including the owner (micro-businesses), comprised over 95 percent of all UK business enterprises in 2025.**¹⁹ As one of the UK's largest

industries, the wholesale and retail sector plays an outsized role in the small business economy, accounting for the largest share of SME turnover (32 percent) and SME employment (14 percent).²⁰ However, in line with international trends, small firm productivity in the UK is lower than that of its larger corporations, a phenomenon that includes the SME-intensive retail sector. This disparity in firm-level productivity directly feeds into the nation's broader productivity challenges.²¹

SMEs account for over 99 percent of its businesses, 60 percent of private sector employment, and 51 percent of turnover. Firms with fewer than 10 workers, including the owner (micro-businesses), comprise over 95 percent of all UK business enterprises in 2025.

This SME base is also highly dynamic. The number of private sector businesses in the UK stood at 5.7 million at the start of 2025,²² and 2024 alone saw 317,000 business births against 280,000 closures – a level of churn that reflects both the ease of starting a small enterprise in the UK and the pressures many face in staying open.²³ Construction, professional and technical services, and wholesale and retail remain the largest sectors by number of businesses, together accounting for around four in ten of all UK enterprises. Yet this business base is not evenly spread: just over a third of UK businesses are based in London and the South East, underlining the regional imbalance this report returns to throughout.²⁴

Policymakers are aware of the scale of this churn, and closing the regional gaps it exposes has become a key aim of government policy. In July 2025, the Department for Business and Trade (now the Department for Business, Innovation, Science and Trade) published its flagship Small Business Strategy, describing growth as the government's number one mission and SMEs as its engine room, and estimating that a one-percentage-point increase in SME growth could add £320 billion to the UK economy by 2030. The plan committed to a £4 billion package to widen access to finance, the strongest legal framework on late payments in the G7, and a commitment to make SMEs a national procurement priority.²⁵

Realising this potential depends on small businesses overcoming a specific set of barriers. Digital and AI adoption offers the most direct route to closing the productivity gap outlined above; international trade allows businesses to grow beyond a single, often regionally concentrated domestic market; and the fast-growing circular economy gives small businesses a new route to revenue while offering cost-conscious consumers better value. The remainder of this report examines each of these three factors, together with the practical role eBay plays in helping UK small businesses realise the opportunity each presents.

eBay Serves as a Partner to Small Businesses

Digital commerce can help unlock small business growth, raise productivity and spread economic opportunity beyond London and the South East. eBay provides a practical proof point. Its business model succeeds when independent sellers succeed, and it invests in targeted support at every stage of a business's growth. The scale of the opportunity is visible in eBay's data, with small business activity distributed across the UK, and Greater Manchester emerging as the country's leading hub and the strongest eBay small business region anywhere in Europe.

Stronger local economies depend on independent businesses having the support to start, grow and become more productive. eBay provides a practical example of how an ecommerce marketplace can help deliver that outcome. Unlike traditional ecommerce models that often disrupt local economies, eBay does not compete with its sellers, hold inventory, or launch competing in-house brands. Its business model is dependent on the growth of the independent businesses that use the platform; eBay only succeeds when the small businesses that rely on it do. This alignment of interests shapes everything the company invests in, translating the macroeconomic resilience highlighted in our regional indexes into daily, targeted support.

eBay delivers support tailored to every stage of a business's growth. For early-stage startups, this means pairing new sellers with expert mentors to help guide them through initial marketing and inventory setup. For established sellers ready to scale, the platform provides direct grants and capital to fuel their next operational step.

A safe and trusted marketplace is essential to consumer confidence and sustainable small business growth. eBay's Global Regulatory Portal enables regulators, including Ofcom and the Office for Product Safety and Standards, to directly flag unsafe or non-compliant products for rapid review and removal. Combined with eBay's proactive monitoring, this strengthens consumer protection without adding unnecessary burdens for responsible small businesses.

Strong business networks can also raise productivity and spread growth across the UK. eBay actively invests in networks and peer learning, recognising that operating in silos is a common barrier to small business growth. By hosting and supporting seller-led events across every region of the UK, the platform builds community-led networks that back independent traders with a national ecosystem of peers and professionals – helping them share insights, solve problems, and grow together.

Case Study 1: Accelerating Local Enterprise Growth Through eBay's Targeted Seller Support

Small businesses need different types of help at different stages of their growth. To meet these distinct needs, eBay runs dedicated programmes across the UK that offer direct funding, expert mentoring, and local community support.

- **"Start Up Scale Up" Programme:** This initiative provides immediate support for new businesses during their critical first six months on the platform. Sellers are matched one-on-one with Marketplace Advisors who guide them through account setup, inventory management, and marketing strategies to help them attract buyers quickly.
- **Up & Running Grants:** To help businesses take the next step, this programme awards up to 25 UK sellers a £10,000 cash grant, £1,000 in advertising credits, and direct account management support. Winners are chosen through a competitive process that looks at how they plan to grow using AI, create a positive local community impact, and support sustainable trade.
- **Seller Meet-Ups:** These local, seller-led events bring business owners together to share practical tips and learn from each other. The impact is clear: 74 percent of attendees surveyed to date in 2026 said they felt significantly more confident growing their business after attending a meet-up.
- **National Roadshows:** eBay delivers hands-on training and targeted support – led by sellers and eBay experts – in every corner of the UK. These free regional events bring platform expertise directly to local communities. In 2026, events in Belfast, Cardiff, Glasgow, London, and Newcastle helped small businesses network with peers and explore practical ways to use AI to simplify their daily operations.
- **The eBay Open Forum:** As the flagship annual event, this summit brings thousands of sellers together to analyse market trends, look at upcoming platform tools, and map out long-term growth strategies.

Case Study 2: De-risking Small Business Growth Through eBay's Start Up Scale Up Grant



Emily Benton

Fluffy Cow



[Visit Emily's store](#)

Fluffy Cow, a second-hand fashion ecommerce brand founded by Emily Benton, moved onto eBay in 2020. In 2025, the business received a Start Up Scale Up grant from eBay, which Emily says changed the scale of decisions she was willing to make. Rather than the smaller, lower-risk stock purchases self-funding would have demanded, the grant gave her the confidence to invest bigger and pursue a growth opportunity she might not otherwise have explored.

She invested in stock to start selling on eBay Live, testing whether she could sell full orders through live shopping rather than relying on the more time-intensive process of building traditional listings. When the model worked, she repeated it. In 2026, Fluffy Cow moved fully into live selling, and Emily has not created a traditional listing in months.

This shift has also changed where Emily spends her time. Freed from the hours traditional listing demands, she has redirected her focus to the channel delivering the strongest return, turning a single funding boost into a lasting operational shift.

Emily's story is a clear example of how eBay's targeted funding can unlock growth for small businesses.

eBay Digital Density Reveals Small Business Activity is Not Tied to Economic Prosperity

In this section we calculate and use two indexes to rank regions at International Territorial Levels (ITL) 1, 2 and 3,²⁶ demonstrating how eBay is fostering small business activity across the UK. One index, "eBay Digital Density", is a measurement of eBay small business activity on a per capita basis.²⁷ The second, the "Regional Prosperity Index" (RPI), measures a region's per capita GDP.²⁸ In both cases, the figures are based on per capita activity, allowing for more helpful comparisons between larger and smaller population regions. The indexes also normalise their values by presenting a region's performance, whether for eBay small business activity or per capita GDP, as a percentage of the national average, so that 25 percent above the national average results in an index value of 125, and 25 percent below the national average results in a value of 75. This allows for a greater sense of divergence from the norm, whether the underlying baseline of GDP or eBay activity is higher or lower.

The findings are striking. **The ITL 2 region of Greater Manchester is not just #1 in eBay Digital Density in the UK, it is the top eBay small business region in terms of activity across all European markets.** And it sits at the center of a true "superhub" of eBay

small business success, with the neighboring ITL 2 regions of West Yorkshire and Lancashire holding 2nd and 4th in eBay Digital Density in the UK. And pulling out to look at the UK's twelve ITL 1 regions, the fact that eBay is helping regionally balance the economy is clear, with the top four regions in eBay Digital Density being North West, West Midlands, Yorkshire and the Humber, and East Midlands. They sit 5th, 9th, 8th, and 10th, respectively, in per capita GDP. London, dominant in GDP per capita, sits at a decidedly mid-table 6th in eBay Digital Density.



Comparing the Top 40 of the UK's 182 ITL 3 Regions Based on Each Index

The GDP differences are equally stark when we compare the Top 40 regions with the highest RPI scores and the Top 40 regions with the highest eBay Digital Density scores.²⁹

The average score of the top regions in the UK based on the RPI is 142, meaning they enjoy, on average, a per capita GDP more than 40 percent higher than the UK as a whole. The comparable RPI score for the top eBay Digital Density Districts is 92, meaning roughly 10 percent below the national average.

A region-by-region look reveals that 31 of the Top 40 regions with the most eBay small business activity in the UK have a GDP per capita below the national average. The per capita intensity of eBay small business activity is effectively reversed between the two sets, with the top eBay Digital Density regions having an average score of 165, while the leaders in the RPI have an average eBay Digital Density score of 95.

A closer look at the RPI scores of the top 40 eBay Digital Density regions provides further evidence that eBay is an inclusive platform that is levelling the playing field for small businesses. These regions span the full range of GDP per capita, with strong eBay small business activity found in more and less prosperous parts of the country alike. Ranking all regions by GDP per capita and dividing them into four similarly sized quartiles reinforces

this point: of the top 40 eBay Digital Density regions, 9 are in the highest RPI quartile, 7 in the second, 12 in the third, and 12 in the lowest.³⁰ Furthermore, the list of regions with the ten highest eBay Digital Density scores in the UK includes three regions that rank 1st, 2nd, and 7th in GDP per capita, and three regions that rank near the bottom at 153rd, 162nd, and 167th.

Finally, the comparison of Top eBay regions with the Top RPI regions also reveals the more advantaged regions collectively having higher population densities than the group leading in per capita eBay small business activity. The average population density of the Top 40 for the RPI was 3,326 people per sq km, compared to 2,433 people per sq km in the Top 40 for eBay Digital Density. While higher population density and greater urbanisation are not always a mark of stronger economic growth, the phenomenon of urban hotspots pulling in growing numbers of people, especially younger, more highly educated, more productive workers, is well understood. Similarly, areas facing economic development challenges often include more areas with low population densities and minimal urbanisation. Unlike with many traditional indicators of entrepreneurship and technology-led economic activity, higher population density and greater urbanisation have not traditionally been tied to eBay seller success. **We see this in the UK where 13 of the Top 40 regions with the most eBay small business activity are in the bottom half of all regions nationwide when ranked by population density.**

The Greater Manchester Area Sits at the Centre of eBay's Strongest Regional Cluster of eBay Small Businesses

Digital small business activity is thriving beyond the UK's traditional centres of economic strength. eBay's Digital Density data shows a dense collection of ITL 3 regions around the Greater Manchester area and extending across the wider North West. This contrasts with traditional measures of economic activity, with the regions ranking highest for GDP per capita and population density concentrated largely in London and the South East.

9 of the top 20 regions sit in the North West, and Yorkshire and the Humber corridor, and **17 of the top 20** are outside of London.

North West

7 ●●●●●●●

West Midlands

4 ●●●●

London

3 ●●●

East of England

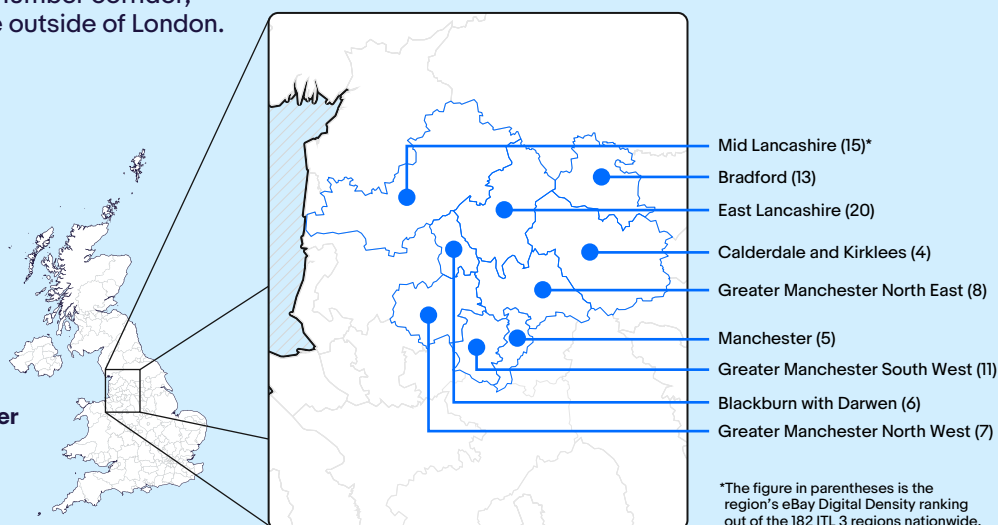
3 ●●●

Yorkshire and The Humber

2 ●●

East Midlands

1 ●



Closing the Digital Divide to Drive Small Business Growth and Resilience

The UK faces a persistent technology adoption gap – between large firms and small businesses, and across regions and sectors – that risks leaving significant productivity gains unrealised. Closing the gap will require support from private sector partners, such as eBay, playing a critical role in helping small businesses adopt the digital and AI tools to increase their productivity at scale.

Digital and AI adoption represent the clearest levers available to raise small business productivity and drive aggregate UK growth. Digital adoption alone delivers a proven firm-level productivity boost of between 7 and 18 percent,³¹ while expanding SME ecommerce capabilities could add up to £7 billion to UK exports over the next decade.³² Yet, UK small business's digital progress continues to lag behind their G7 counterparts, routinely held back by capital constraints, digital skills shortages, and acute uncertainty about return on investment.³³ This adoption curve is steep, and larger companies have proved much more agile at navigating it. Closing the digital divide is one of the most direct routes available to boost small business resilience at scale.

This tech gap is starkest in the adoption of AI. The Office for National Statistics reports that 49 percent of firms with 250 or more employees have adopted some form of AI – a rate roughly 70 percent higher than the wider business community.³⁴ Advanced capabilities such as data analytics, automation, and digital logistics remain concentrated among larger firms, creating a distinct gap between these organisations and the broader small

business community. As generative AI and emerging commerce formats like live shopping alter how consumers discover and buy, the competitive advantage held by early adopters is expected to grow.

A 2026 OECD study reports that technology adoption among UK small businesses varies significantly by region and sector.³⁵ London and the South East lead adoption across most technologies, reflecting stronger incomes, industry composition, and innovation ecosystems, while the North East lags behind. Scotland outperforms the other devolved nations, whereas Wales and Northern Ireland show lower uptake, particularly of enterprise resource planning (ERP) and business software. Since 2021, adoption of AI and augmented reality and virtual reality has increased nationwide, while use of more established technologies has stabilized or declined, suggesting market saturation. The manufacturing sector leads in AI, robotics, and ERP adoption, while business services are the strongest overall adopters and the transport, retail, and accommodation sectors trail behind.

Small businesses are held back by acute time constraints, data privacy concerns, and lacking clarity regarding how these technologies apply to their operations. According to research carried out by the Federation of Small Businesses, nearly half of small firms report lacking the baseline knowledge to use AI effectively.³⁶ Meanwhile a YouGov poll, found that almost 50 percent of people cite their top barrier to AI adoption as apprehensions regarding security and data governance.³⁷



eBay is Providing Innovative AI Tools to Small Businesses Across the UK

Wider adoption of digital and AI tools by small businesses can raise productivity, strengthen resilience and spread the benefits of technology across the UK economy. The private sector plays a vital role in unlocking access to some of these tools. eBay is supporting businesses across the UK to adopt technology in ways that improve productivity and build more resilient operations. Across the platform, AI is embedded to remove friction and lift performance at scale, anticipating the needs of buyers and sellers, inspiring shoppers and optimising listings. These built-in capabilities empower entrepreneurs looking to grow their businesses while making the marketplace inherently more accessible to every seller.

eBay is also equipping small businesses to directly adopt AI. Through a national programme, AI Activate, the platform is providing small businesses with access to advanced generative tools, alongside tailored virtual and in-person training designed to meet owners where they are. Early data shows significant self-reported gains in productivity, time saved, revenue, and increased confidence using AI. The real-world transformation is best demonstrated by the lived experiences of the sellers.

Case Study 3: Transforming Small Business Productivity Through eBay's AI Activate Programme



Sam Walker

Florence
Nightingale
Hospice Charity



[Visit the Charity](#)



Shakeel Haq

Source Nest



[Visit Source Nest](#)

Micro-businesses are the engine of local economies, but severe resource constraints often prevent them from using emerging technologies. eBay launched the **AI Activate** initiative in October 2025 to bridge this digital divide. The programme provides 10,000 fully funded ChatGPT Enterprise licences to small businesses, alongside targeted in-person and online training. By pairing advanced tools with practical guidance, AI Activate empowers independent sellers to confidently adopt AI, streamline their operations, and fulfill their long-term growth ambitions.

The initiative has delivered measurable gains in capability, productivity, and regional employment across many types of small businesses:

- **Florence Nightingale Hospice Charity** uses AI to optimise its listings and strategise scaling logistics. The resulting efficiencies drove a 50 percent increase in online listing output, accelerating the conversion of donated goods into vital income and helping raise more funds to support local hospice care.
- **Source Nest** – a UK ecommerce and life-style brand that brings brands, products and trends from international markets to the UK – uses early-stage AI tools, marketplace data and predictive consumer insights to identify emerging trends, understand changing consumer behaviour and anticipate demand. This insight-led approach has enabled the business to respond quickly to new opportunities and contributed to Source Nest generating more than £300,000 in revenue during its first year of trading.

The success of AI Activate proves that when small businesses receive targeted, practical support alongside direct tool access, they can rapidly scale. The initiative offers a proven, scalable blueprint for the Government to drive national digital upskilling and regional economic resilience, and the next phase of the programme is under development.

Case Study 4: PreLoved Tech: the Blueprint for AI-Driven Scaling and Job Creation



Matt Giles

PreLoved Tech



Visit Matt's store

Since launching on eBay in 2019, **PreLoved Tech**, a technology recycling and recommerce business has generated £3.5 million in total revenue. This year, the business is projected to hit £1.2 million on its eBay store, effectively doubling its previous annual total. This rapid scaling follows its selection as a priority refurbished electronics seller on eBay Live as well as the founder, Matt Giles, embedding AI tools through eBay's AI Activate programme at the core of its business.

Over the past 12 months, AI has allowed the business to handle more activity without increasing administrative staff and it has freed up time to focus on customers and the business. Matt now leverages AI to analyse performance data, refine his live-selling strategy, and focus on high-impact decisions - treating the technology as a collaborative growth partner.

Crucially, these efficiency gains have unlocked human capital. During this same period of automation, the business has expanded its physical headcount by two.

This example illustrates the exact blueprint for modern small business success: utilising eBay's marketplace infrastructure alongside advanced AI tools to scale faster, operate smarter, and create sustainable local jobs. It represents precisely the high-yield, tech-driven entrepreneurial growth that policymakers should champion.

Initiatives such as AI Activate demonstrate the impact of pairing practical tools with the confidence to deploy them. Replicating this success nationwide requires a coordinated framework tailored to the daily operational realities of small firms. Support must be built around low-barrier training, trusted guidance on data privacy, and targeted outreach to lagging regions and sectors. Crucially, providing clear evidence of commercial return will ensure cost and uncertainty stop being barriers to entry. While the Government can scale these initiatives nationally through the Business Growth Service, platform partnerships prove that support is most effective when delivered through the channels small businesses already trust. Capitalising on this model will allow policymakers to deliver on the ambitious goal set by the Government's own SME Digital Adoption Taskforce: making UK small businesses the most digitally capable in the G7 by 2035, and ensuring no small business is left behind.



Connecting Small Businesses to the Global Marketplace and Delivering Export Success

Digital marketplaces are dismantling the size and geographic barriers that have traditionally kept small businesses out of global markets, letting UK eBay sellers export at rates, and to a breadth of markets, that far exceed those of traditional exporters. Digitally-enabled exporting is central to unlocking small business growth beyond the constraints of the domestic market.

Expanding international trade is also a strategic priority for the UK Government, which provides a wide range of free support services to help small businesses choose and execute their export strategies.³⁸ Trade and business data consistently show that UK firms engaged in international trade achieve higher sales and productivity by expanding the number and scale of the markets they serve.³⁹ By looking beyond domestic borders, enterprises in the UK can unlock access to billions of consumers across both established European markets and fast-growing global economies.

Traditionally, cross-border trade was highly complex and dominated by large corporations with dedicated compliance teams. However, exporting through ecommerce – particularly via digital marketplace platforms – has made international trade substantially more accessible and viable for smaller businesses.⁴⁰ The dual strategies of digitalisation and digitally-enabled exporting promise significant benefits to the UK economy, with digital adoption delivering a firm-level productivity boost of between 7 and 18 percent⁴¹ and expanding SME ecommerce potentially adding up to £7 billion to UK exports over the next decade.⁴²

Since its inception, eBay has been at the forefront of a revolutionary change in international trade, breaking the link between enterprise size and global trade opportunities by reducing the cost of doing business over large distances enough to enable very small businesses to export at rates never before possible.⁴³ The eBay marketplace data in this section demonstrates how this leveling of the playing field is proving its value for small businesses in the UK, empowering them to export at rates that dramatically exceed that of traditional businesses and reach valuable consumer markets worldwide. This export success benefits the individual companies, their local communities, and national economies by promoting growth and resilience.

Share of eBay Small Businesses Exporting

One of the clearest differences between digital commerce and traditional models of trade is the share of enterprises that participate in exporting. In 2024, 95 percent of UK eBay small businesses sold to international customers.⁴⁴ By comparison, approximately 11.5 percent of all UK businesses exported, illustrating how ecommerce platforms empower small businesses to access customers worldwide.⁴⁵

Average Number of International Destination Markets

The average number of international markets reached by small businesses provides another useful measure of the scale of their export activity. Traditionally, expanding into additional export markets has been associated with increasing costs, leading to the expectation that smaller firms would serve fewer international markets than their larger counterparts.⁴⁶ The experience of eBay small businesses suggests otherwise. In 2024, UK eBay small business exporters sold to an average of 18 international markets⁴⁷ – three times the average of six markets reached by traditional UK exporters.⁴⁸ This further demonstrates how digital commerce can enable small businesses to establish a broad international presence that has historically been associated with much larger firms.

Share of eBay Small Businesses That Reach Ten or More Different International Markets

The OECD reports that companies exporting to more than ten countries account for a disproportionate share of international trade.⁴⁹ Traditionally, these have been larger businesses. However, the experience of small businesses on eBay presents a different picture. Our findings suggest that they challenge the widely held view that the costs of entering export markets are a significant barrier to reaching additional international markets. Reflecting the lower barriers to reaching customers abroad through digital commerce, 61 percent of UK eBay small businesses exported to ten or more international markets in 2024.⁵⁰

UK Small Businesses are “Global Sellers” on eBay

The international reach of small businesses on eBay can also be illustrated by the number of continents to which they export, providing a different perspective on the scale and diversity of their global sales. For this analysis, export sales are grouped across six continents - North America, South America, Europe, Asia, Africa, and Australia - based on the location of the buyer. Sales within the seller’s own continent are also counted as exports to that continent (for example, a sale from a UK-based eBay small business to a buyer in Italy is counted as an export to Europe). Small businesses on eBay that sell to buyers in four or more continents during the year are classified as “Global Sellers”. In 2024, 62 percent of UK eBay small businesses met this benchmark, highlighting the broad international reach of many small businesses using the platform.⁵¹ By comparison, 30 percent of eBay small businesses based in the EU reached the Global Seller threshold. Additionally, if one looks at the collective exporting of eBay small businesses in the UK, the total number of

markets reached is a staggering 215 countries and territories.⁵² To put this in perspective, this global export reach is comparable to some of the world’s largest consumer brands.

Top Product Categories Exported by eBay Small Businesses in the UK⁵³

- 1. Auto Parts
- 2. Clothes, Shoes and Accessories
- 3. Collectibles
- 4. Home and Garden
- 5. Toys and Games
- 6. Jewellery and Watches
- 7. Books, Comics and Magazines
- 8. Computing
- 9. Business, Office and Industrial
- 10. Sporting Goods

More Top Export Markets Promote Growth and Resilience

Facilitating sales into more markets expands export diversification, and brings multiple benefits including reducing vulnerability to external economic downturns and adverse terms of trade shocks.⁵⁴ Nationally, increasing the diversity of exports has been positively correlated to greater economic growth and reduced export volatility.⁵⁵ Additionally, when enterprises expand their export reach by adding ecommerce platform channels that open new markets, there are additional diversification benefits by reducing dependence on any single digital service provider.⁵⁶

The export activity of UK small businesses on eBay demonstrates how digital commerce can help broaden market reach beyond traditional trading partners. Comparing the UK’s top export markets for traditional businesses⁵⁷ with the top export markets for eBay small businesses⁵⁸ reveals that two of the top eBay export markets are not included in the UK’s traditional top export markets. The platform also supported export growth to other markets beyond the UK’s traditional European export base, including Mexico, Turkey, Argentina, and Pakistan.⁵⁹

Top 10 Export Markets for UK Traditional Businesses

- 1. United States
- 2. Germany
- 3. Switzerland
- 4. Netherlands
- 5. Ireland
- 6. France
- 7. China
- 8. Belgium
- 9. Italy
- 10. Spain

Top 10 Export Markets for UK eBay Small Businesses

- 1. United States
- 2. Germany
- 3. **Australia**
- 4. Italy
- 5. France
- 6. Ireland
- 7. **Canada**
- 8. Spain
- 9. Switzerland
- 10. China

Note: The export markets for eBay small businesses in **bold** are those not in the Top 10 for traditional businesses.

Case Study 5: Unlocking Global Markets Through eBay's International Shipping Programme

International expansion is one of the primary drivers of UK small business growth, yet complex regulations and volatile logistics often keep global markets out of reach for smaller sellers.

In July 2026, eBay launched eBay International Shipping, connecting UK entrepreneurs, micro-businesses and side hustlers to a global network of 136 million active buyers across more than 195 countries and territories. It removes the traditional barriers to cross-border trade in the following ways:

- Sellers no longer manage international carriers directly; they send sold items to a single, designated UK shipping hub.
- eBay takes full operational responsibility for customs documentation, international carrier routing, and duty and tax calculations.
- For the first time, when an international buyer requests a return, eBay manages the entire process and refunds the customer directly, so the seller's payout is fully protected and the burden of international reverse logistics is removed entirely.

Case Study 6: Opening International Markets for UK Small Businesses



Hanli Sinclair

Sahm Parts Ltd



Visit Hanli's store

Hanli Sinclair founded **Sahm Parts Ltd** in 2021 to sell car parts to buyers across the UK and beyond. As the business looked to grow its international sales, it ran into a familiar barrier for UK exporters: EU VAT rules require non-EU sellers registering in a member state to appoint a local fiscal representative - in effect, meaning businesses need a physical presence in every country with which they trade. For a small parts business, the cost of setting up and maintaining representation across multiple EU markets was more than the trade itself could justify, and Hanli was forced to scale back her ambitions for EU trade.

The recent launch of eBay International Shipping has already changed the calculation. By routing parcels through eBay's UK hub and letting eBay handle customs, duties and international delivery, Sahm Parts Ltd could generate overseas turnover without carrying the regulatory burden that had held back its EU trade before. Since adopting the programme, the business has seen a 17 percent increase in trade, with Australia, Italy and the US now its largest overseas markets. For Hanli, the ambition now is to keep growing beyond her current markets: with a limited pool of domestic buyers, reaching customers internationally, quickly and cost-effectively, is what will let a small UK car parts business keep expanding.

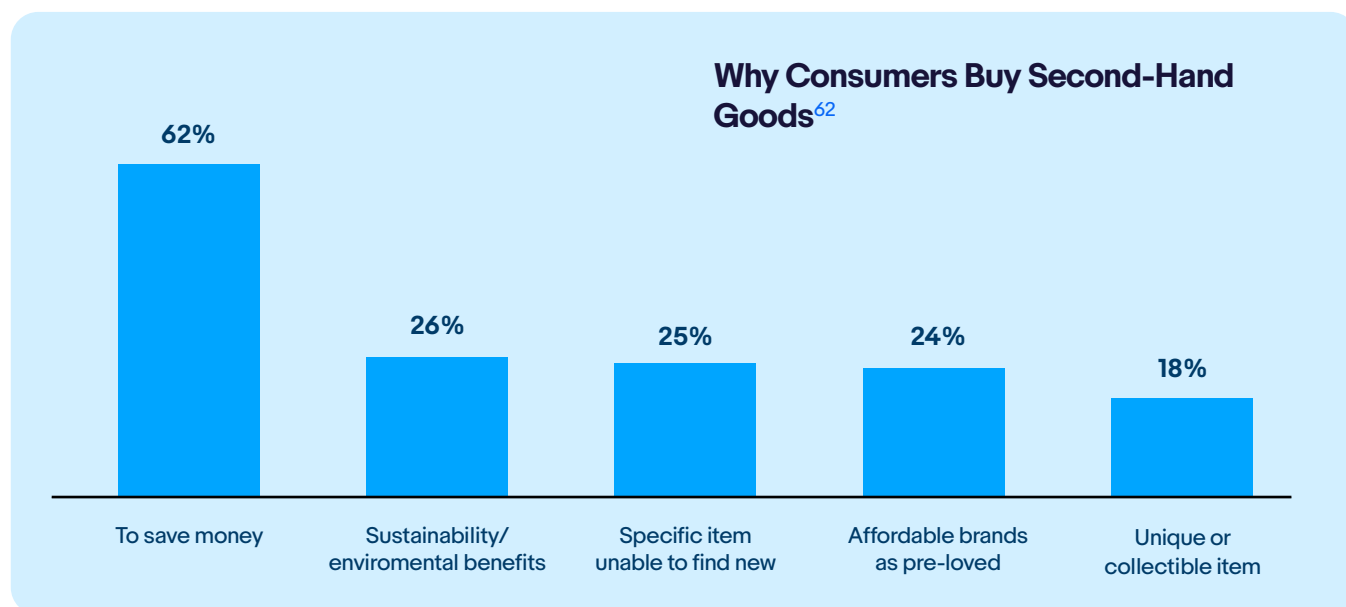
Expanding the Circular Economy

Recommerce has grown from a niche activity into a mainstream commercial force, driven by cost-conscious consumers and enabled by the trust infrastructure that platforms such as eBay provide, with small businesses sitting at the centre of that

growth. Supporting the circular economy is central to unlocking small business revenue while building a more resource-efficient UK economy.

The trade of second-hand goods has evolved into a cornerstone of modern commerce. “Recommerce” supports critical outcomes across the UK economy: household affordability, small business export promotion, resource efficiency, and carbon reduction. Small businesses sit at the absolute center of this transition. The UK second-hand retailing sector comprises over 80,000 businesses - the overwhelming majority of which are small and micro-enterprises. By 2025, the market size grew to an estimated £11.2 billion, expanding at a steady 3 percent year-on-year.⁶⁰

This growth is structurally anchored in consumer necessity. As cost of living pressures weigh on UK households, affordability remains the primary driver of second-hand purchasing. Analysis by the Centre for Economics and Business Research found that UK consumers saved £5.6 billion in 2024 by purchasing pre-owned goods, with average monthly spend more than doubling over five years from £58.40 to £124.80.⁶¹ Meanwhile, eBay’s annual Recommerce Report found that younger respondents in the UK, especially those aged 18-29, find purchasing second-hand goods crucial for managing their household budgets, with 80 percent considering it important.



This behaviour is becoming permanent. According to eBay research, 89 percent of surveyed consumers expect to maintain or increase their second-hand spending, led by Gen Z shoppers at 59 percent of their cohort. With 81 percent of consumers citing “reducing spending” as their primary motivator, recommerce has transitioned from a temporary budgeting tactic to a permanent strategy for building household financial resilience.⁶³

This shifting consumer demand is being met by a rapid evolution in supply, reinforced by expanding delivery networks and specialised refurbishment services. Beyond simple transactional sales, many small businesses are developing sophisticated models that actively enable a circular economy. These activities - spanning repair, refurbishment, remanufacturing, and spare-parts distribution - extend product lifecycles and maximise resource use. Online marketplaces are the vital infrastructure powering this circular ecosystem connecting these cost-conscious consumers with small businesses.

eBay’s platform demonstrates the scale of this digital ecosystem. In the UK, 52 percent of small businesses on eBay sell second-hand goods,⁶⁴ with recommerce accounting for a massive 39 percent of eBay’s total UK Gross Merchandise Volume.⁶⁵ This commercial scale yields immense environmental dividends:

globally, recommerce sales on eBay avoided 1.6 million metric tonnes of carbon emissions and diverted over 71,000 metric tonnes of waste from landfills.⁶⁶

eBay’s Proactive Investments in Trust Infrastructure is Growing Recommerce

This market leadership is driven by eBay’s proactive investments in the commercial infrastructure and startup pipeline required to scale the circular economy nationwide. eBay systematically absorbs the operational burden of quality assurance through trust-building programmes such as Refurbished on eBay – which grants qualified small businesses exclusive access to a standardised four-tiered grading framework backed by a mandatory 12-month seller guarantee – and the strict vetting protocols of the Authenticity Guarantee Programme. This infrastructure equips micro-retailers with an institutional level of buyer confidence they could never build independently.

This operational support is reinforced by long-term investments like the global Circular Fashion Fund, an annual initiative providing equity-free grants and corporate mentorship to agile startups accelerating textile recycling and repair solutions. By integrating these circular innovators directly into its massive trade network, eBay converts sustainable principles into a practical engine for local small business growth.

Case Study 7: Market Innovation to Drive Consumer Trust Through eBay's Authenticity Guarantee Programme

Consumer hesitation about product condition and history remains a major barrier to buying second-hand, especially for high-value items. Independent small businesses rarely have the capital to independently verify premium goods, secure warranties, or handle complex luxury returns.

To build consumer confidence and protect sellers in the event of a return, the eBay Authenticity Guarantee Programme provides key intermediary infrastructure. The programme provides an independent, end-to-end verification service that completely detaches the burden of authentication from the small business owner:

- When an eligible high-value item - such as luxury watches, fine jewellery, designer handbags, or rare sneakers - is purchased, the seller ships it directly to a state-of-the-art authentication facility. Here, independent industry experts inspect the item against multi-point brand criteria.
- Once passed, the item is packaged and fitted with a unique, tamper-evident credential (such as a digital NFC smart tag) before being dispatched via secure delivery directly to the customer.
- Crucially for small businesses, if a buyer requests a return, the item is routed back first to the authentication hub. Experts re-verify that the product is returned in its exact original condition before protecting the seller's payout, eliminating fraud and dispute friction.

Provided at no cost to the buyer or seller for qualifying items, this platform-led service effectively levels the playing field – allowing micro-entrepreneurs to compete seamlessly in the premium resale market on the strength of enterprise-level consumer trust.

Case Study 8: Building a Sustainable Business on eBay



Lindsay Hayman
Ojewellery



Visit Lindsay's store

Lindsay Hayman began her career as a mechanical design engineer, passionate about sustainability and second-hand treasures. As a single mum seeking a way to support her disabled child on her own terms, she turned to eBay as a way to generate additional income, initially selling household items before discovering jewellery bundles that sparked a new business opportunity. What started as a small, flexible side hustle gradually evolved into a thriving online business built around creativity, reuse, and craftsmanship, giving her both financial independence and the freedom she needed as a parent.

More than two decades after starting her eBay journey, Lindsay is now the founder of **Ojewellery**, a successful British jewellery brand creating sustainable pieces from recycled precious metals and genuine gemstones that has made over £1 million in sales. Today, Lindsay remains deeply involved in the seller community; she co-hosts and organises local Manchester eBay Meetups, mentors other entrepreneurs, and helps new sellers grow their businesses through shared experience and support. A passionate advocate for using AI tools to work smarter, not harder, her experience offers both inspiration and practical insight into how women are reshaping their careers through digital entrepreneurship.

POLICY RECOMMENDATIONS

The evidence in this report points to a consistent conclusion: UK small businesses are fully capable of driving significant productivity, export, and sustainability gains. However, a specific set of regulatory, financial, and confidence-related barriers prevents them from doing so at scale.

The recommendations in this section are interlinked opportunities; no single measure will unlock the full potential of UK small businesses on its own. Together, they offer a practical, evidence-based blueprint for the Government to support small businesses to start, earn, and scale – building a more productive, resilient, and sustainable UK economy.

Simplify the Path to Entrepreneurship

- **Introduce a proportionate regulatory framework for micro-businesses.** Sole traders and micro-businesses face many of the same regulatory requirements as much larger firms, regardless of their turnover, headcount or risk profile. The government should establish a defined micro-business category with proportionate obligations, including simplified reporting, streamlined licensing and standard compliance templates, while maintaining core consumer protections. This would reduce unnecessary administrative costs and create a more supportive environment for entrepreneurship across the UK.
- **Create a one-stop small business hub to simplify start-up compliance.** Entrepreneurs face fragmented guidance across tax, registration, consumer protection, product requirements and intellectual property, creating unnecessary complexity and uncertainty. The government should create a dedicated GOV.UK hub bringing these obligations together in one place, with clear, tailored guidance for businesses at the point of formation. This would simplify compliance, reduce uncertainty and help new businesses to start and scale with confidence.
- **Recognise entrepreneurship as a route through the Youth Guarantee.** Young people starting businesses can fall between existing employment, education and training support. The Youth Guarantee should recognise entrepreneurship alongside jobs and apprenticeships, with practical enterprise support through Youth Hubs and structured entrepreneurship programmes treated as meaningful participation.



Power AI and Adoption

- **Launch a revamped “Help to Grow: Digital” scheme to accelerate SME technology adoption.** High upfront costs and uncertainty over return on investment continue to hold back investment in productivity and AI tools, particularly among smaller firms and sectors such as retail. The government should relaunch an updated scheme with discounted access to productivity and AI software, practical training, and delivery through trusted digital platforms, with eligibility extended to sole traders and micro-businesses. This would lower barriers to adoption, boost productivity and help more small firms grow.
- **Deploy sector-specific “Digital Frontier Hubs” through the Business Growth Service to close the regional digital divide.** Technology adoption remains concentrated in London and the South East, with smaller firms in other regions and sectors often lacking relevant support. The government should use the existing Business Growth Service and local Growth Hub network to deliver sector-specific peer mentoring, and practical case studies and tailored advice. This would make the benefits of AI and digital tools more tangible, accelerate adoption and support growth across the UK.

Unlock International Trade

- **Establish a UK/EU de minimis area to reduce barriers to low-value trade.** Customs and duty costs make low-value cross-border transactions uneconomic for small sellers, impacting the UK’s growth and international competitiveness. The government should establish a tariff-free threshold for low-value consignments moving between the UK and EU. This would reduce trade friction, improve access to the UK’s largest export market and help more small businesses grow through ecommerce.

- **Simplify customs and international compliance for small ecommerce exporters.** Complex customs declarations, product requirements and fragmented cross-border rules create significant barriers for small businesses selling internationally, particularly in higher-friction categories such as refurbished and second-hand goods. The government should streamline customs and compliance requirements for lower-value consignments. This would make international trade more accessible and help more small businesses reach and scale in global markets.
 - **Strengthen Right to Repair for consumer electronics.** Independent repair businesses can struggle to access the parts, tools and information needed to repair widely used devices, limiting growth and competitiveness of the repair market. The government should extend Right to Repair protections to smartphones, laptops and other consumer electronics, expanding product lifecycles, strengthening the supply of goods for resale, and creating jobs and growth in the repair, refurbishment and resale sector.
 - **Introduce a manufacturer-led Digital Product Passport.** Limited information on product condition, provenance and repair history can undermine consumer confidence in second-hand goods, particularly higher-value electronics. The government should require manufacturers to provide accessible Digital Product Passports containing verified product and repair data. This would give small sellers the information they need without creating new reporting burdens, and build trust in pre-owned goods.
- Driving Circular Commerce for Affordability, Small Business Growth and Resource Efficiency**
- **Raise the tax-free Trading Allowance to £3,000 to support entrepreneurship.** Set at £1,000 in 2017, the allowance has been eroded by inflation, making it harder for people to test small-scale trading before committing to a formal business. Increasing it would give people more scope to earn extra income by selling online, encourage the reuse of pre-loved goods, and help small sellers test ideas and grow into established businesses.
 - **Make VAT and customs rules work fairly for used goods.** Businesses selling second-hand goods face complex VAT margin-scheme rules and inconsistent customs treatment, adding cost and administrative burden. The government should ensure new marketplace VAT rules do not disadvantage margin-scheme businesses and review customs treatment to support fairer cross-border trade in used goods. This would enable growth, reduce friction, and improve choices for consumers, especially during the cost of living crisis.





CONCLUSION

Unlocking nationwide prosperity and solving the UK's long-term productivity puzzle depends fundamentally on the modernisation and scaling of the nation's small businesses. As this report demonstrates, traditional economic divides – whether regional disparities favouring London, or the operational gap between large corporations and the long tail of micro-enterprises – are not fixed. Through marketplace-enabled exporting and the targeted digital adoption, independent entrepreneurs are already defying macroeconomic headwinds and transforming their localised operations into resilient, global enterprises that trade across continents and anchor the domestic circular economy.

The private sector cannot bridge these structural divides alone. While platform infrastructure provides the critical digital tools, training, and global shipping networks needed to level the playing field, achieving nationwide economic resilience requires deliberate alignment between industry and government. Real success depends on public policy moving in tandem with private innovation to turn localised progress into national growth.

The policy recommendations outlined in this report offer a clear roadmap for this joint action. By dismantling these regulatory and financial barriers, the UK can scale up isolated pockets of innovation into a highly productive, hyper-connected national economy. Ultimately, backing small businesses is the most effective way to secure sustainable growth in every postcode.

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- ⁵⁰ The eBay data reflects the share of exporting 2024 eBay small businesses (those with £7,830 / \$10,000 or more in sales on eBay) in the UK, who exported to 10 or more international markets in that year.
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- ⁵² The eBay data reflects the total number of different international markets (countries and territories) collectively reached by 2024 eBay small businesses (those with £7,830 / \$10,000 or more in sales on eBay) in the UK, who exported in that year.
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