

Small Business, Big Opportunity

Unlocking Growth in Every UK Postcode



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. 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. 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. 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.