Next Generation Retail

Tech Firms Driving the Future of UK Commerce

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STARTUP COALITION

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About Startup Coalition

Startup Coalition, formerly the Coalition for a Digital Economy (Coadec), is an independent advocacy group that serves as the policy voice for Britain's technology-led startups and scaleups.

Startup Coalition was founded in 2010 by Mike Butcher, Editor-at-Large of technology news publisher TechCrunch, and Jeff Lynn, Chairman and Co-Founder of online investment platform Seedrs. Startup Coalition works across a broad range of policy areas that matter the most to startups and scaleups: access to talent, access to finance & regulation. We have over 4,000 startups on our mailing list. Startup Coalition is also represented on the Department for Business and Trade's Smart Data Council and on the Government's Digital Economy Council.

Acknowledgements

Many thanks to Beauhurst for the underlying dataset supporting the quantitative analysis in this research. Thanks also to the startups and founders that fed into this report, and particular thanks to those profiled.

Executive Summary

This report explores the transformative role of eCommerce in the UK's retail landscape, highlighting the sector's exponential growth, its economic contributions, and the opportunities it presents for innovation.

The UK has established itself as a hub for eCommerce innovation, supported by a rich history of tech-enabled consumer marketplaces. Startups and scaleups engaged in the online economy have raised £13.6 billion to date, employ over 464,000 people, and generated £95.7 billion in turnover in 2023 alone. The sector is geographically diverse, with over 6,500 eCommerce startups operating nationwide, across every corner of the country.

The eCommerce sector includes a range of businesses. First-Party Sellers sell directly to businesses and consumers and form the lion's share of firms in the sample, meanwhile Third-Party Marketplaces offer the ability for sellers to access demand from buyers via an aggregated platform. Powering both of these is the eCommerce engine - a diverse ecosystem of software and service providers equipping retailers with the tools to sell online to reach a greater number of national and international customers.

The UK is home to all of these types of eCommerce firms, with its own eCommerce engine startup ecosystem valued at £4.4 billion.

These startups and scaleups are accelerating the digitalisation of the UK economy, enabling bricks and mortar retailers to diversify their revenue streams and opening up the global market for small businesses. Supporting this sector must be a priority for the Government - it is a critical source of growth across the entire country.

To meaningfully support the sector, therefore, this report calls on the Government to learn from well-intentioned, but poorly executed measures of the past, and also to use its focus on reforming business rates to radically rethink the high street. In the first place, this means emulating Australia's "Small Business Technology Investment Boost," to promote eCommerce adoption among small businesses across the UK. Secondly, the Government should reform business rates to support flexible and innovative retail spaces, with measures like rate relief for pop-up stores and dynamic evaluations for tech-integrated properties. This also means piloting initiatives like Singapore's "Build for Good" hackathons to crowdsource solutions for urban challenges and support startups addressing future high-street needs. Finally, there is an opportunity to address inefficiencies in taxation for gig economy workers and online sellers to reduce compliance burdens and foster economic participation.

This report is a celebration of the power of the online economy, powered by UK Startups; it is also a rallying cry for Labour to grasp the nettle and ask the hard questions about the future of the 21st century high street.

To achieve economic growth, we must double down on the firms at the forefront of the future of retail.

Introduction

For the last two decades, the UK has been at the vanguard of next generation retail technologies, with successive waves of tech entrepreneurs creating new ways for consumers to buy.

In 1998, as the dot com surge kicked off in earnest, Martha Lane Fox and Brent Hoberman founded Lastminute.com, transforming travel and leisure for millions of consumers through an internet enabled marketplace. A few years later, Just Eat relocated to London from Denmark, part of a wave of food eCommerce players that opened up a world of cuisines to living rooms around the UK. Next, with the rise of mobile phones and the platform economy, apps like Deliveroo and Depop arrived in our pockets. Whilst delighting consumers with convenience, customisation and unprecedented choice, these innovations also opened up new revenue streams to bricks and mortar retail, and unlocked routes to market for independent retailers and side hustlers across the country. They also offer a second life to pre-loved goods, supercharging the circular economy.

Today, this spirit of eCommerce entrepreneurship is as vibrant as ever, with a whole new generation of startups and scaleups building on the foundations of the giants that have come before, and harnessing the latest technological innovations, including social media, DLT, and artificial intelligence to further cement the UK as a home of next generation retail.

The success of these technologies is down to the value they bring to end consumers. In 2022, Startup Coalition commissioned polling to understand consumer retailing habits, finding that nearly 6 in 10 said they would find it hard to buy the products they need without online shopping.[1] We also found that, on average, consumers reported buying clothes online more than in person, were twice as likely to buy electronic goods online as in person, and were three times more likely to buy books online than in a bookshop. Consumers also reported often combining both in person and online shopping. More than half of those we polled said that they had bought from a small business in person that they had discovered online, with 45% saying they liked to view products online before visiting in person. 42% reported that they had bought more from small businesses because of the ability to purchase online.

Online shopping is a core part of the economy today, and it is built on the back of tech.

Startup Coalition exists to celebrate entrepreneurship in the UK and ensure that the UK Government hears the voice of founders at the policymaking table. For the first time in 14 years, the Labour Party formed a Government in July 2024. The last Labour Government successfully nurtured the first wave of UK startups, expanding the Enterprise Investment Scheme through successive terms in the early 2000s, and introducing the Seed Enterprise Investment Scheme in 2006. Over a decade later, they now have the opportunity to cultivate the next wave of entrepreneurs.

This report celebrates this next generation, from marketplaces packed with gifts, gadgets and goodies, to software firms providing the engine behind eCommerce, the UK is home to an eCommerce startup sector that has raised over £13.6bn, employing over 460,000 people.

Let’s dive in.

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[1] https://coadec.com/news/ecommerce-what-businesses-and-the-public-think/

Methodology

This report uses data from the [Beauhurst] database, a leading source of private company data for the UK. The data for the first section of the report is based on all privately owned firms in the Beauhurst database that are engaged in online retailing and currently active, with their headquarters in the UK. The data for the latter sections of the report is a sample of this overarching population, but specifically engaged in elements of the eCommerce supply chain. This sample is based on Startup Coalition's assessment of the activities of firms, specifically those providing third party marketplace services, and software and services to enable the functioning of the eCommerce economy.

All data is accurate as of 27th November 2024.

The Big Numbers

Selling online is big business. Over the last fifteen years, the value of internet sales has boomed, with the sales volume in October 2024, 16 times that in November 2006. The Covid-19 pandemic accelerated the trend, online sales have now remained over £2bn per month since August 2022, peaking at over £3.3bn in November 2020.

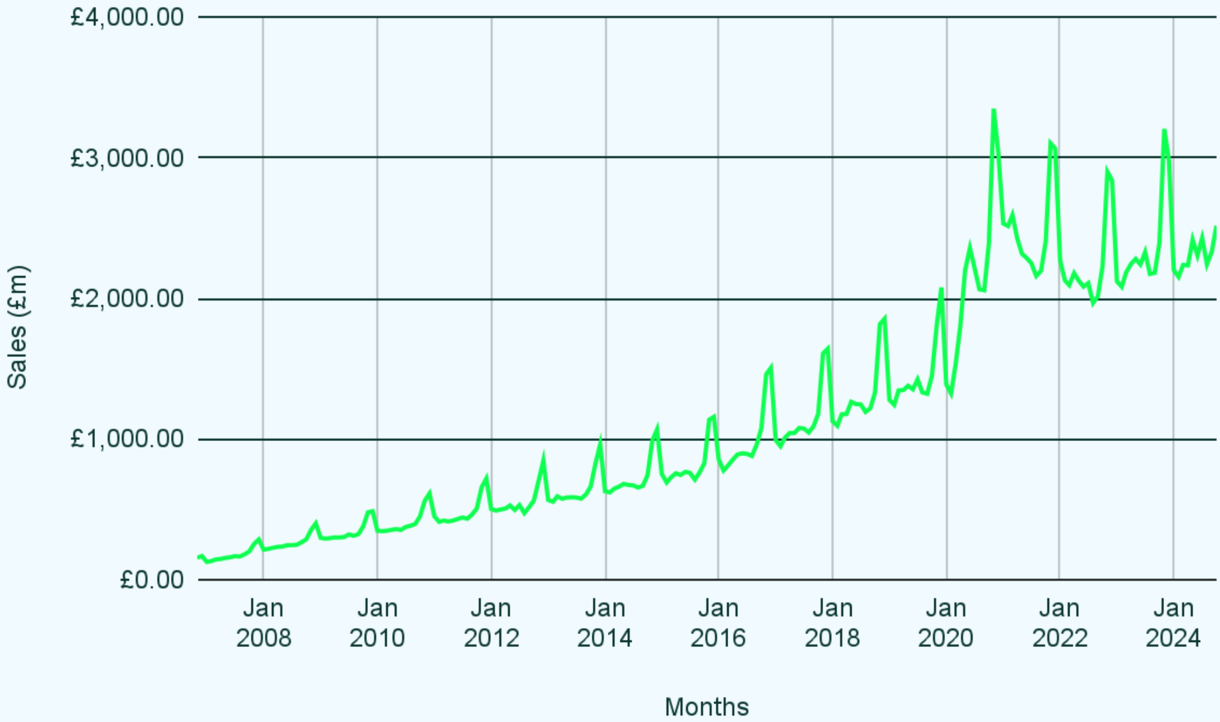


Figure 1, Monthly Value of Internet Sales ([ONS Data])

Beneath this headline trend sit thousands of businesses, including many startups and scaleups that have shifted to sell most, or all, of their products through eCommerce channels. Today, there are over 6,500 startups and scaleups active in the eCommerce sector. This includes firms providing software to enable online retail, startups providing fulfilment services to get packages from warehouses to people's doorsteps, and AI-enabled platforms transforming customer experiences online. But most, indeed over two thirds, of these firms are selling directly to customers in the UK, and all over the world, through the internet.

Combined, these 6,500 startups and scaleups had a collective turnover of £95.7bn in 2023, employing over 464,000 people in the process. They have raised a combined £13.6bn to date.

If we look at fundraising over time in Figure 2, the increasing attractiveness of the eCommerce startup sector to venture capital investors correlates with the rise of internet shopping tracked in Figure 1, with more than half of funds being raised after the pandemic started in 2020.

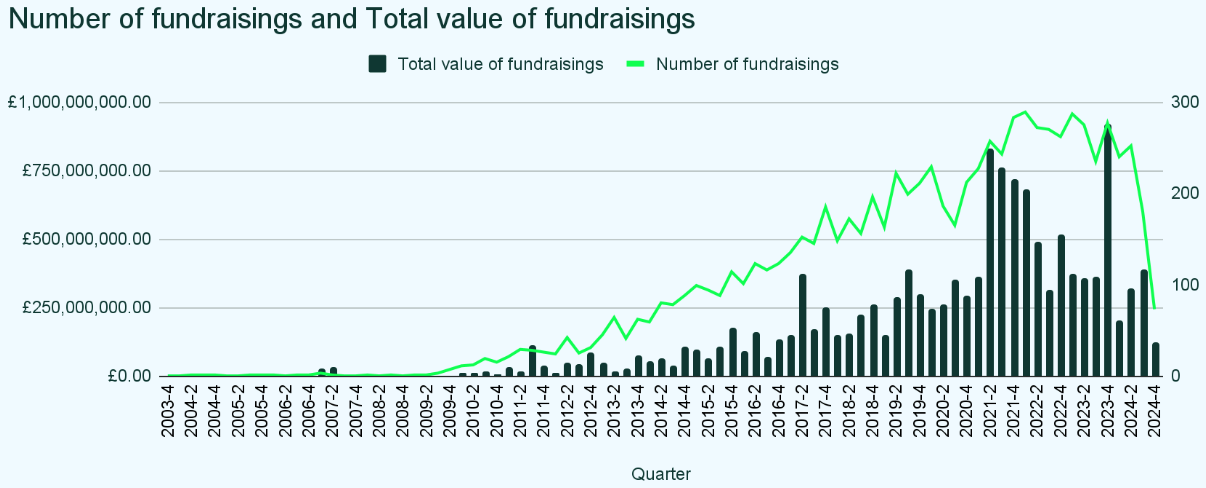


Figure 2, Total Value of eCommerce Firm Fundraising

What's more, these firms are based up and down the country, bringing jobs to every corner of the UK, all you need access to are goods to sell, a laptop, and WiFi. London is the hub of eCommerce tech, like it is for the startup sector in general, but the majority of the businesses in our sample were based outside of London and the South East of England, with every region of the UK boasting more than 130 firms. The spread of firms is less in terms of funds raised, however, with eCommerce startups and scaleups in London having raised £8.3bn, or 61% of the total raised by the sample.

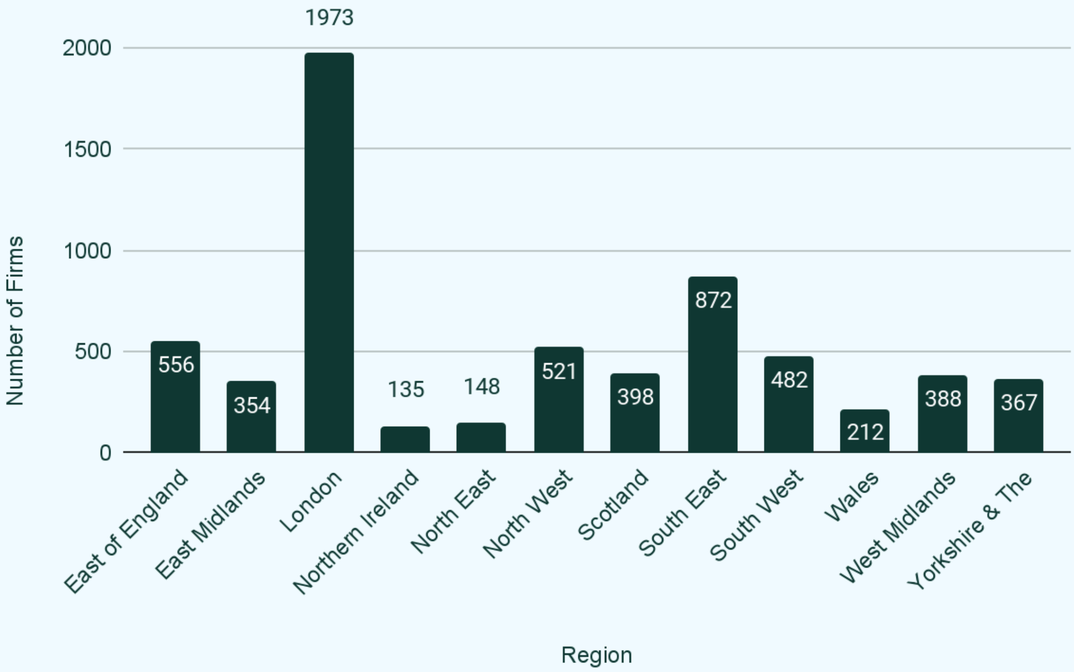


Figure 3, Number of Firms by UK Location

The Trailblazers

The path of eCommerce innovation is well-trodden in the UK, with some of the world's best known online brands having started, scaled, and ultimately exited in the UK. Over the course of the last two decades, there has been a succession of world-leading UK eCommerce enabled brands which have launched, scaled, and ultimately exited.

May 2005

Lastminute.com acquired by Sabre Holdings

Lastminute.com was an online marketplace of experiences and holidays.

December 2005

Asos listed on the London Stock Exchange

Asos is an online fashion retailer.

July 2010

Ocado Group listed on the London Stock Exchange

Ocado Group licenses retail fulfilment technology, and owns 50% of online food retailer Ocado.com.

March 2014

Ao.com listed on the London Stock Exchange

Ao.com is an online electronics retailer.

March 2014

Boohoo.com listed on the Alternaitve Investment Market

Boohoo is an online fashion retailer.

April 2014

Just Eat listed on the London Stock Exchange

Just Eat supports restaurants to sell their food online through a food delivery marketplace.

June 2014

Zoopla listed on the London Stock Exchange as ZPG

Zoopla was an online property marketplace.

December 2014

Gocompare.com acquired by esure Group

Gocompare was one of the first online consumer services comparison websites.

April 2018

Tails.com acquired by Nestle Purina Petcare

Tails.com sells bespoke dog food online after a consultation.

September 2018
Farfetch listed on the New York Stock Exchange

Farfetch runs an online marketplace for independent fashion boutiques.

September 2020
The Hut Group listed on the London Stock Exchange

The Hut Group operates a number of eCommerce and fulfilment businesses

December 2020
Mindful Chef acquired by Nestle

Mindful Chef provides an ingredient delivery service focused on healthy eating.

February 2021
Notonthehighstreet acquired by Great Hill Partners

Notonthehighstreet is an online marketplace for quirky and personalised gifts.

March 2021
Deliveroo listed on the London Stock Exchange

Deliveroo provides a food delivery marketplace.

June 2021
MADE listed on the London Stock Exchange

Made is an online-only retailer of furniture.

July 2021
Depop acquired by Etsy

Depop was an online marketplace for second-hand fashion.

August 2021
Cazoo listed on the New York Stock Exchange via SPAC

Cazoo is an online marketplace selling second hand cars.

Over the last ten years alone, there have been 77 exits of UK-based eCommerce startups. As shown in Figure 4, this has been a steadily rising trend, with the exception of the pandemic year, and 2024 is already the record year, with two months of data yet to register.

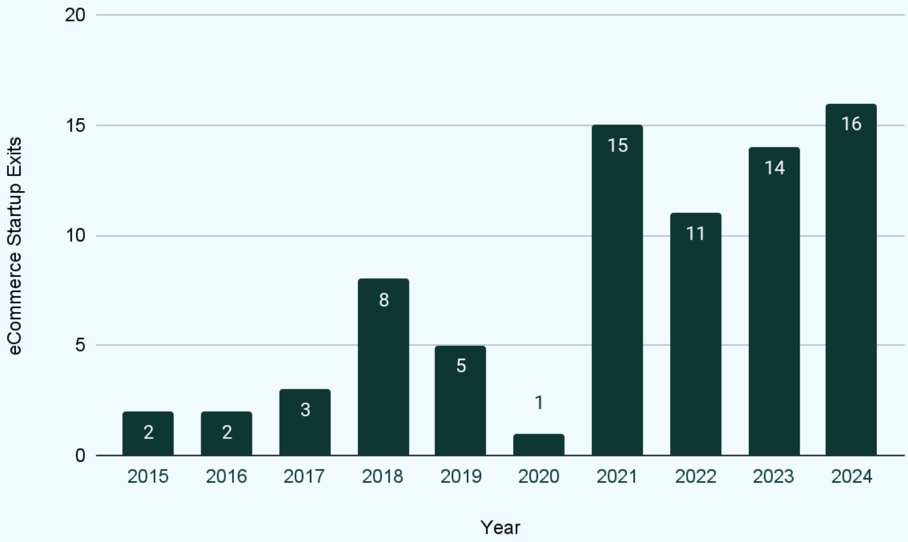


Figure 4, eCommerce Startup Exits over the last 10 Years

Marketplaces

The most common type of eCommerce startup in the UK, are first party sellers. These are startups that are using the internet as their main or only sales channel, and form part of a bigger eCommerce ecosystem across the UK: in 2022 there were 580,000 eCommerce enabled websites in the UK.[2] Half of the top ten most valuable eCommerce scaleups in our sample were first party sellers, having raised over £1.5bn in VC investment between them.

Beyond startups and scaleups using the internet as a first party sales channel, the last twenty years has seen eCommerce innovation unlock a new type of retail experience online, trailblazed by Amazon and eBay: third party marketplaces. These marketplaces differ from first party sellers in that they function as a platform for buyers and sellers to interact, often directly. Some marketplaces actively curate or filter the available buyers, while others purely provide the interface for direct interaction, with very little curation.

Across the UK today, there are 248 startups offering third party marketplaces. These startups employ over 6,800 people, have raised £1.3bn in VC funds to date, and in November 2024, the third party eCommerce startup ecosystem was worth £3.3bn.

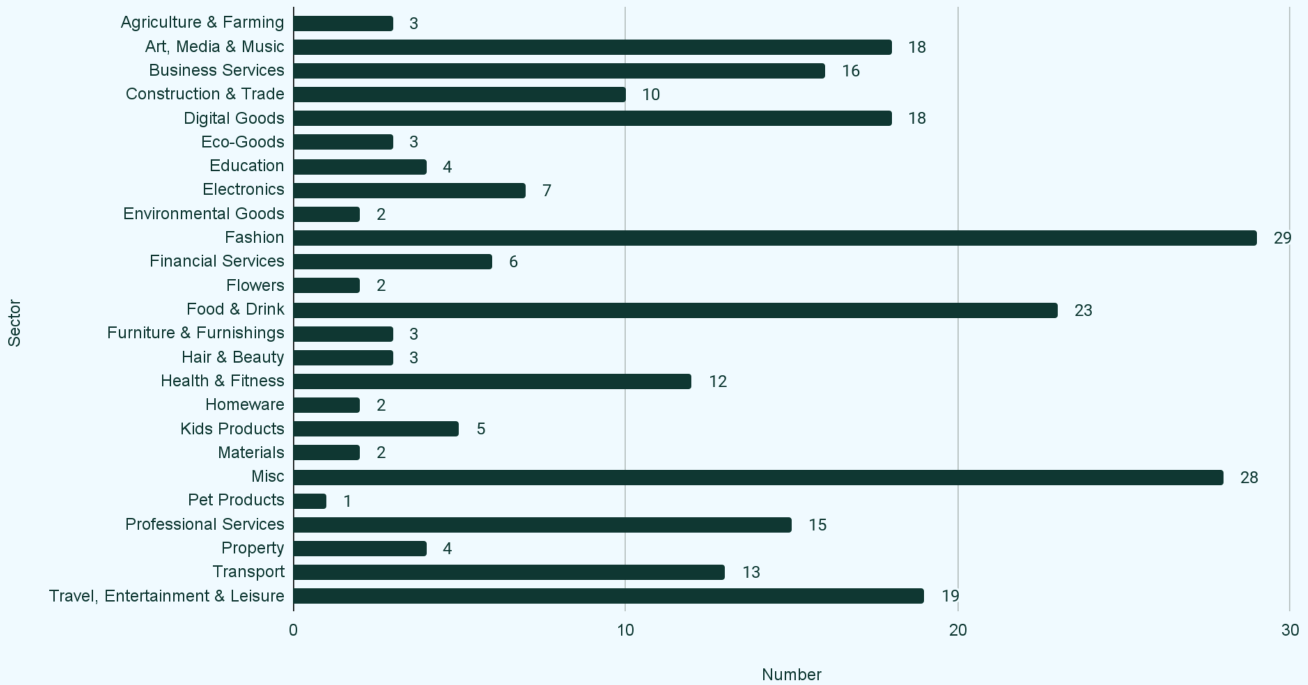


Figure 5, Types of Third Party Marketplaces

These marketplaces are varied, with some aggregating sellers of specific products, like art, electronics, or homeware. Others are not sector-specific, but targeted at a specific type of consumer. For instance, 22 of the marketplaces in this sample specifically facilitated the sale of second-hand goods, supporting the growth of the circular economy. Finally, some marketplaces are even broader, emulating the success

[2] https://www.caspiaconsultancy.co.uk/uk-ecommerce-market-report-2022/

of Amazon and eBay in providing best in class customer experience to purchase goods of all kinds. Figure 5 shows a breakdown of the types of third party marketplaces in our sample.

The most common type of third party marketplace in the sample was “fashion”, with 29 startups facilitating the sale of clothes, jewelry and accessories. The second most common type was 28 “miscellaneous” marketplaces, selling a variety of products and services. The third most common type of marketplace was “food and drink”, which included 23 marketplaces of groceries, wholesale food items, and takeaway food. There were only 13 “transport” marketplaces in the dataset, but this sector was the most valuable by VC valuation, as shown in Figure 6. “Transport” marketplaces were worth a combined £944m, more than twice as much as the second most valuable marketplace sector “Miscellaneous” at £399m. It’s important to note that this was influenced by the success of one firm in particular, Motorway, which was worth £702m on its own.

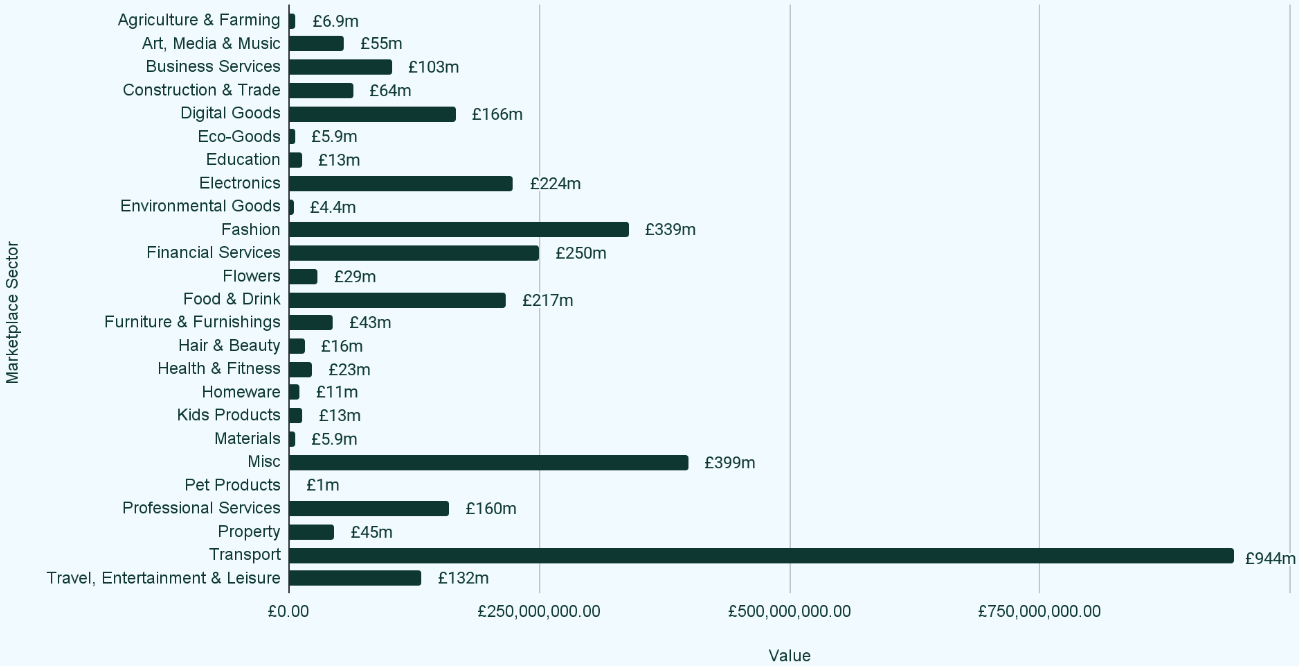


Figure 6, Value of Third Party Marketplaces by Product Type

The eCommerce Engine Room

Behind every eCommerce seller are software and services. This is the eCommerce engine room. The UK is home to a bustling ecosystem of startups and scaleups providing technology to support sellers access markets across the world.

There are 381 startups and scaleups in the eCommerce engine room. These firms employ nearly 11,700 people across the country, have raised £3.5bn and the sector was worth £4.4bn in November 2024 based on VC Valuations.

This sector includes a variety of firms, from technology to manage inventory, supply chains, or auditing, to customer analytics and marketing software to convert clicks to cash. From fulfilment services to get products from warehouses to frontdoors, to firms offering the whole eCommerce package end to end. The UK's eCommerce engine room has it all.

The startup eCommerce engine room is employing folks up and down the country, and though London is home to the most jobs, 44% of those employed in the sector are outside the capital.

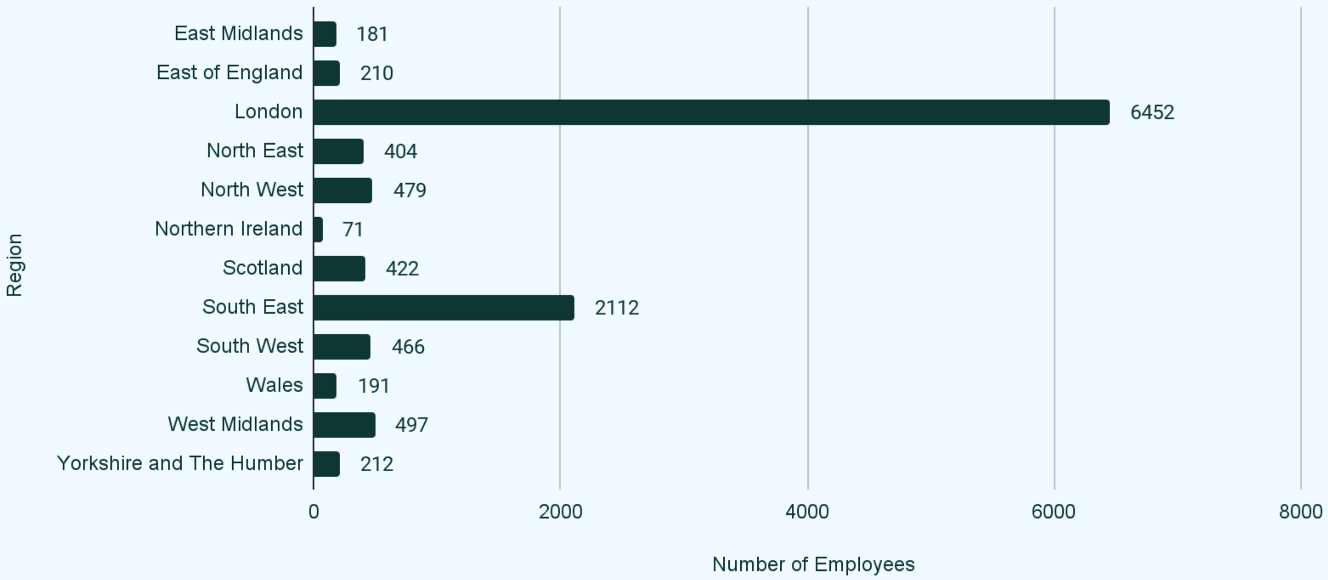
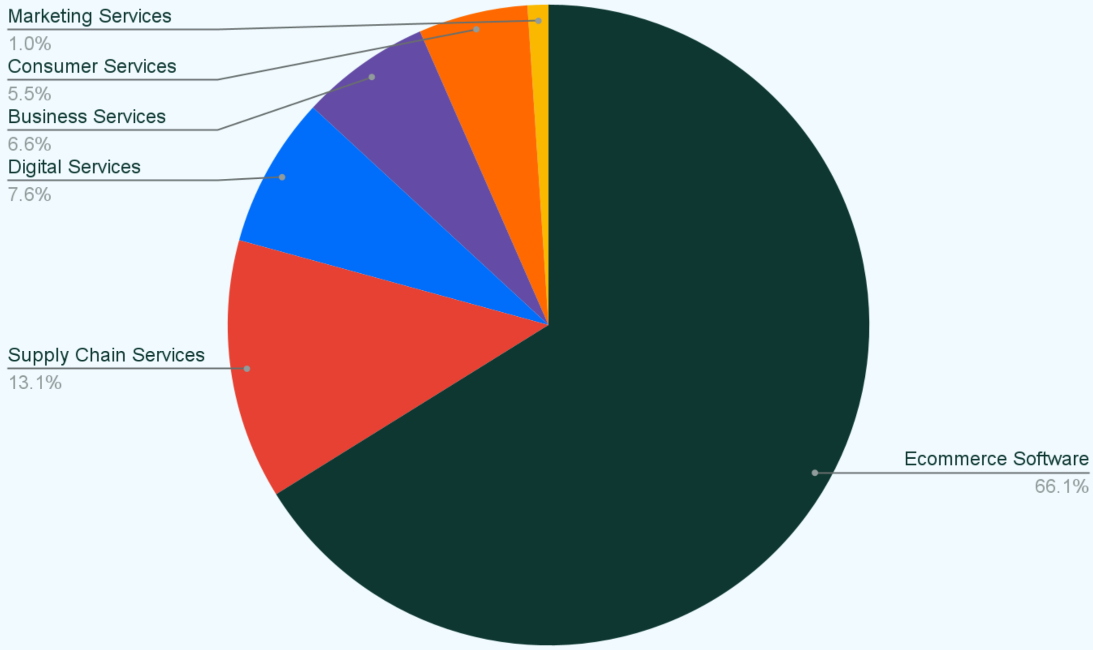


Figure 7, Employees of the Startup eCommerce Engine Room by Region

Figure 8 shows a breakdown of the firms in the sample, and while a third of firms in this sector offered a range of services to support eCommerce, we will now focus on the two thirds of firms in the Engine Room that are offering eCommerce software.

Figure 8, Breakdown of eCommerce Engine Room Startups by Primary Activity



eCommerce Enabled: Startups Offering eCommerce Software

Software is key to unlocking online sales, and also the critical bridge between bricks and mortar and the online economy. The 253 UK-based startups in this sample providing eCommerce Software employ 5,400 people, have raised £2.3bn and were valued at £3bn in November 2024.

These firms are the secret sauce that help supercharge selling online and support every step of the eCommerce journey. This includes startups that provide an all in one eCommerce enablement platform, as well as a diverse collection of specialist software firms supporting activities from accounting and audit, to fulfilment and financial services; from customer analytics and ERP software, to booking and payments and UX.

As Figure 9 shows, the most common type of eCommerce software in the dataset is Supply Chain Analytics, Visibility and Traceability, representing 24% of all firms in this selection. Startups providing Supply Chain Analytics, Visibility and Traceability software were also valued at a combined £950m, over 30% of the value of the all eCommerce software firms. The second most populous type of eCommerce software startup in the sample were firms providing an all-in-one eCommerce Enablement Platform, as well as firms Lead Generation, Marketing and Sales software, with 33 of each.

19 of the eCommerce software startups in this sample specialised in omnichannel enablement, demonstrating the power of eCommerce in providing a complimentary revenue stream for bricks and mortar high street retailers.

Indeed, it's often not *either/or* the high street and eCommerce for modern day retailers, but *how soon can I do both?*

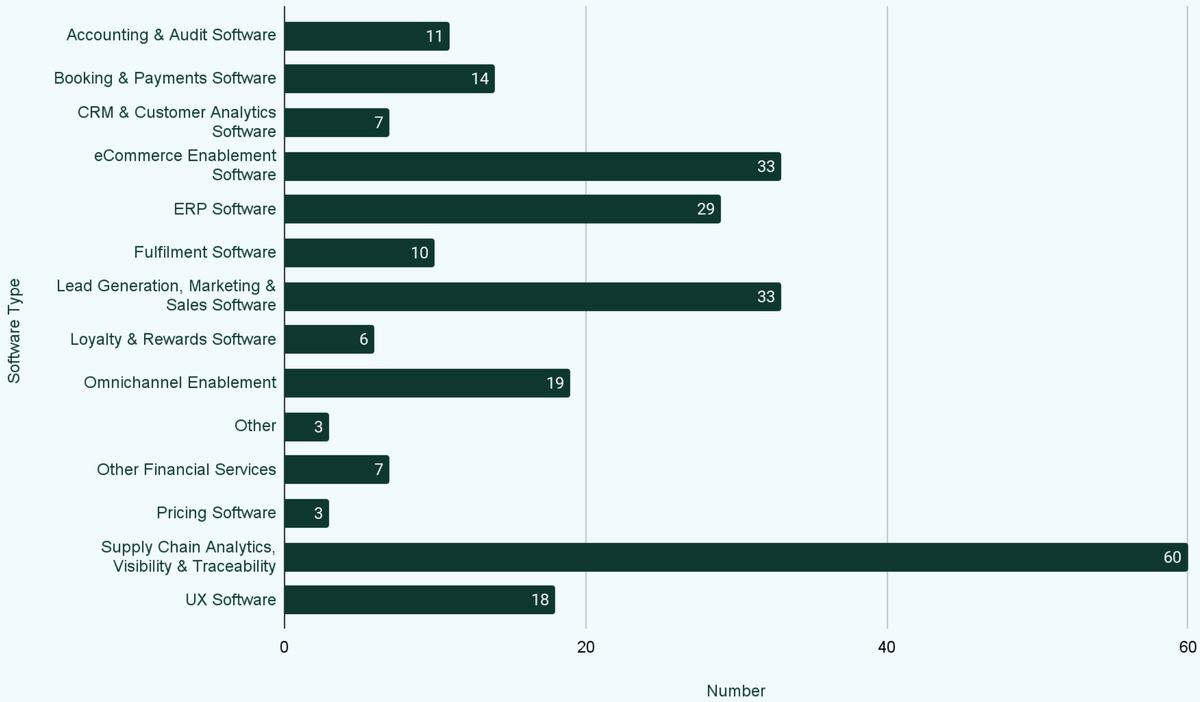


Figure 9, Breakdown of eCommerce Software Startups by Type of Software

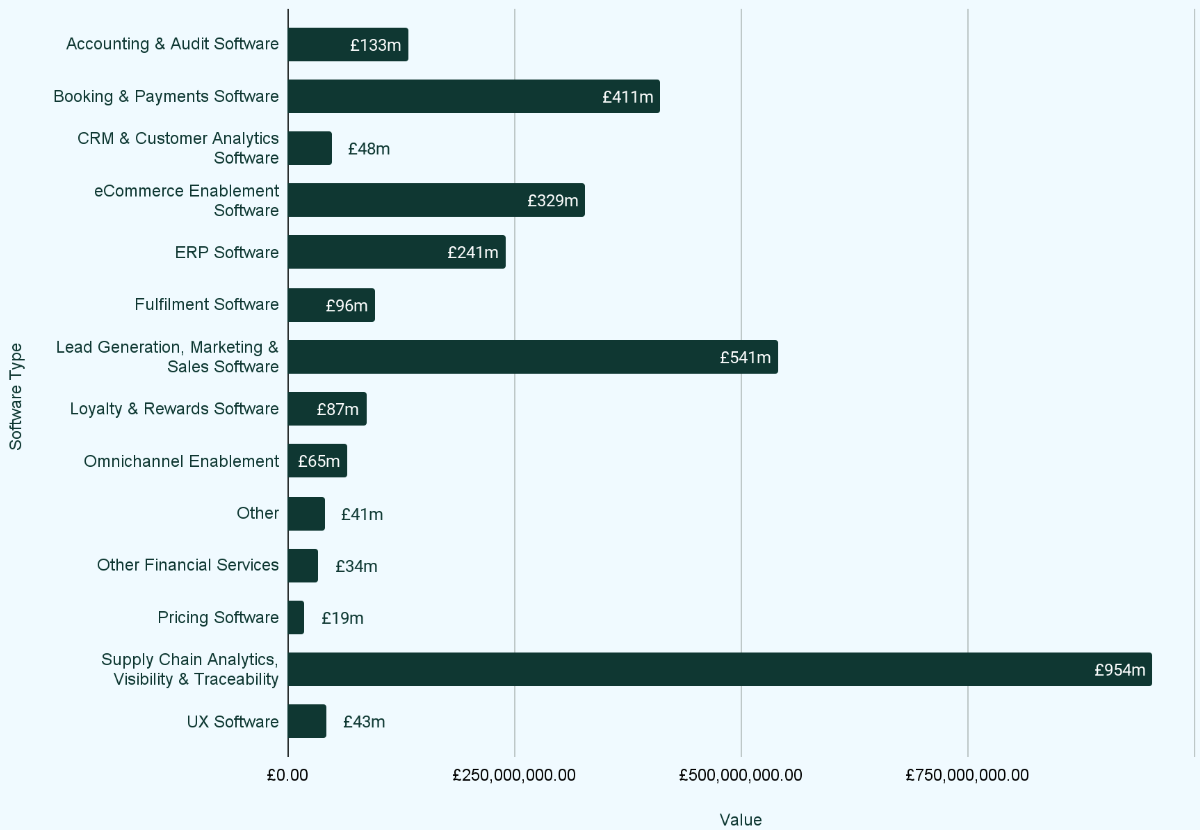


Figure 10, Breakdown of eCommerce Software Startups Category by Value

In the Engine Room - Profiles of Startups Powering eCommerce across the UK

Case Study: Quickfire Digital

Quickfire Digital was founded in 2017 with a central mission: whether a fast paced startup or established heritage brand, all businesses reach points in their journey where they need to change things up. Quickfire have built proprietary tools and processes in order to maximise the effectiveness of everything they build for their clients.

Quickfire has a team of 35 based at their HQ in Norwich and has three co-founders, all very different characters with complimentary skill sets. Martin runs systems, process, and finance; Fred owns eCommerce strategy, and Nathan leads on agency growth and new business. They work with clients across the globe and have most recently really started to niche down further primarily focusing on supporting mid-market brands generating roughly £1-30m in revenue.

Quickfire is involved more and more with brands looking to sell on the high street. Bricks and Mortar continues to play a hugely important part in many of the retail businesses they work with and whether that be pop-ups or physical stores, Quickfire believes the future is “omnichannel” without doubt. Many brands they work with appreciate that online and offline are simply different sales channels: they should compliment rather than fight against each other. One of Quickfire’s agency friends Miya Knights summed this up perfectly in a recent content piece they shared: “It’s easy to understand why so little progress has been made when you consider some of the biggest brands and retailers continue to run online as a separate business from their stores”.

Case Study: Sparkbox

Sparkbox was founded in 2018 by a team of former retailers who experienced first-hand a lack of appropriate software tools for buying and merchandising teams, especially in highly seasonal or trend-based businesses.

Sparkbox leverages machine learning to help retailers forecast demand and optimise pricing and inventory across e-commerce and physical retail channels. Most retailers still rely on guesswork and Excel spreadsheets for critical decisions– like how to price their products, when and how much to reorder from suppliers, and how best to allocate stock to their online channels and stores. These manual processes lead to overstocks, excessive discounting, missed sales opportunities, and cash flow challenges.

Today, Sparkbox works with brands across clothing, accessories, footwear, and beauty, including partners like River Island and New Balance. The company focuses on delivering best-in-class forecasting and optimisation tools that are easy to implement, test, and adopt—empowering retailers to make smarter, faster decisions that improve profitability and efficiency.

Sparkbox partners with pureplay and omnichannel retailers to address a variety of challenges in pricing, inventory, and stock allocation. Recent success stories include optimising promotional pricing in a digital department store to increase in-season promotion margins by 4%–11%; optimising markdown price for an omnichannel clothing retailer to reduce discounting, boost sell-through, and improve margin rates by 5%; and optimising stock purchasing for a beauty retailer, reducing stockouts and cutting overstocks by 20%.

Sparkbox's solutions improve profitability, cash flow, and full-price sales while reducing waste and saving valuable time for merchandising teams.

The Policy Agenda

As has been evidenced above, commerce continues to be driven by technological innovation. Policymakers have a choice - either harness this innovation to create the requisite environment for the next wave of billion pound eCommerce companies to be birthed in the UK, or be slow to act and see commerce innovations take place, but reap limited economic benefits.

It's therefore vital that the Government uses its levers to incentivise the adoption of new technologies by businesses across the economy, updates and improves regulation to reflect modern practices, and encourages changes to physical infrastructure that goes with the grain of change in a way that the public will support. If thought about cohesively, these policy interventions would have wider benefits than the creation of tech startups, including the restoration and modernisation of high streets, increased productivity, and supporting the everyday economy.

Firm Foundations

The first wave of eCommerce startups thrived in the UK due to British consumers being early adopters of technology, alongside successive governments supporting early stage investment. This process started with the creation of world-leading and long-lasting tax incentives such as EIS and SEIS, introduced by a Conservative Government in 1994. SEIS was added in 2006 under New Labour, further finessed by the Coalition Government, and then recently extended by the Chancellor Rachel Reeves. Due to the low capital intensity of these businesses, these tax incentives have created sufficient pools of capital to support ideas to become startups.

In July 2024, the Labour Party came into power for the first time in 14 years, with an economy markedly different from when it left office, and with sectors, like eCommerce, that require different kinds of support to thrive in a period of rapidly changing technological developments. It's essential the Government goes with the grain of change and seeks to foster the next wave of innovation in commerce, ensuring that the next wave of global eCommerce success stories are British.

Tech adoption and diffusion

The key to driving forward domestic eCommerce is increasing the rate at which new technologies are adopted across the economy. A large number of companies being developed, especially those we have listed in the eCommerce engineroom, are at their core productivity enhancing products.

The UK's productivity puzzle has been widely reported for decades, with economists highlighting the disparity between the top-performing 20% of companies driving innovation and productivity, with the long tail of average and low-productivity firms, extending to the bottom 20% with the poorest outcomes.[3] A key component of these disparities is technological adoption.

[3] Haldane, A. G. (2017). "Productivity Puzzles." A speech delivered at the London School of Economics on March 20, 2017.

Improving technological adoption across the economy the Government will not only tackle the long-tail of productivity, but in doing so catalyse British software startups - including eCommerce - through an increased domestic customer base.

Case study: Government & Industry Initiatives to Accelerate eCommerce Adoption

Improving tech adoption requires government intervention due to clear market failures and disincentives that are preventing the major economic benefits of the eCommerce sector from being realised in the UK. This was precisely the aim of the failed Help to Grow: Digital, a £296m digital adoption scheme which was the flagship of the then Chancellor, Rishi Sunak. After launching in January 2022, the scheme was intended to ramp up technology adoption and SME productivity by offering free advice and discount vouchers of up to £5,000 for small businesses looking to adopt digital accounting or CRM tools for the first time.

In the absence of an effective Government led scheme to incentivise eCommerce adoption, industry has stepped up. Around 100,000 UK-based small businesses sell their products across the world through Amazon, and to support more to join, it launched Amazon Innovation Accelerator pilot in 2023, an exclusive programme that invited small businesses into the company's cutting-edge facilities and shares its successful approaches to innovation and digitalisation in a way that is transferable to small businesses. Following a successful pilot in 2023, Amazon ran eight Accelerator programmes across the UK in 2024, working closely with local business support provided to ensure success. Businesses that participated in the accelerator increased their digital readiness by an average of 19% and their organisational culture of innovation by 16%. Attendees also identified clear actions for implementation, such as supporting continuous improvement, refining leadership strategies, and exploring funding options. Many small businesses particularly valued the opportunity to learn from the experiences of other businesses. More broadly, the programme highlights how large businesses can effectively share knowledge and demonstrate business practices and technologies in ways that are accessible and relevant to smaller businesses.

Startup Coalition has consistently argued that a voucher scheme, like Help to Grow, does not work.

Whilst being easier to administer for HMT, with a closed spending envelope, it fails to raise organic awareness of the scheme which can only be achieved via a tax-based scheme. This is because for most businesses tax advisers are their main source of guidance, and act as an organic way to spread the benefits without needing a large marketing budget.

We instead recommend that the Government pursues a renewed digital adoption drive, and takes inspiration from the Australian Tax Office, which introduced the Small Business Technology Investment Boost in 2023 to increase the productivity and digital uptake of SMEs.

Help to Grow: Digital was chronically under-utilised and embedding the incentive into the tax system instead would meet small businesses where they are, maximising convenience and therefore uptake. We urge the Treasury to explore ways to emulate the success of the Australian scheme, as previously advocated for by Sage among others, with the goal to introduce a similar credit in 2025.[4]

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4 https://www.sage.com/en-gb/company/digital-newsroom/2023/06/20/sage-sets-out-blueprint-for-digital-led-growth-to-strengthen-uk-economy/

Keeping pace with the future of retail

The Labour Party rightly articulated their desire to ensure economic growth supports and benefits the foundational economy. It is clear from our analysis and case studies that eCommerce is central to this ambition. The eCommerce industry has transformed the everyday lived experiences of UK citizens. Ordering food to your home, completing your taxes online, using an online platform to source a plumber: all of these are now everyday occurrences and policy should support, not suppress these activities.

The Government must keep up-to-date and set out a positive vision on how reforms can benefit the way consumers and workers live today and into the future. This includes ensuring regulation, tax, its administration, and digital infrastructure keeps pace with the impact of rapidly changing technology on everyday practices.

A pertinent example where the Government has found itself behind the curve is on tax administration for individuals navigating eCommerce and gig economy platforms. Due to a lack of tailored guidance and support from HMRC, many individuals, particularly those unable to afford professional tax advice, have been left confused about their tax obligations, with concerns about whether reporting should be made to match the calendar year or financial year. These individuals rely on online platforms to sell their goods and services - whether as a primary income source or a side hustle - and they could be stung by HMRC as soon as January 2025 without urgent action.

The Government must ensure our physical and tax infrastructure enables the online economy to flourish.

eCommerce compliments traditional bricks and mortar, and is a key component to revitalise our flagging high streets, especially by taking an innovative approach to the antiquated business rates system. Therefore, we welcome the Government's discussion paper on "Transforming Business Rates", and view it as a superb opportunity to shape high streets that better support modern retail and business trends. It is positive to see the Government take this pro-innovation approach, by not pursuing an online sales tax which would be detrimental to our highly successful eCommerce industry, and instead going back to first principles on what a modern business rates system should look like.

We recommend using the review to encourage a more flexible and tech-enabled high street and ancillary service structures - this includes:

- **Considering short-term rate relief for businesses such as pop-up stores and seasonal ventures**, which could pay rates on a pro-rata basis, reflecting their temporary nature. Landlords leasing to short-term ventures like test stores or community initiatives could benefit from reduced rates, making it easier for them to attract tenants. Similarly, relief for properties hosting multiple uses, such as co-working by day and retail by night, would promote flexibility and adaptability.
- **Adjusting rates based on usage to further accommodate innovative operations** like cloud kitchens or click-and-collect hubs.
- **Providing technology adoption discounts and dynamic revaluations for properties integrating cutting-edge solutions**, such as drone ports or IoT-enabled logistics hubs, to reduce barriers for businesses embracing innovation.

- **Tackling the issue of vacant spaces**, targeted incentives could stimulate their utilization for experimental or temporary purposes.
- **Designating "innovation zones" in high streets** could further support unconventional business models by offering rate discounts for activities that revitalize local economies and align with sustainable, forward-thinking urban development.

Startup Coalition has conducted work on how the Government should also look to encourage startups that solve challenges centred around the future of high streets. This looks at how our physical infrastructure can go with the grain of technology and preferential changes, It is something that we think will be essential to address across this parliament

Alongside harder levers, such as those on business rates above, we recommend the Government pilots a programme similar to Singapore's *Build for Good (BFG)* to foster innovation via citizen engagement hackathons.

Case study: Singapore's Build for Good (BFG) programme

The programme was launched in 2023 by the Open Government Products (OGP) team in Singapore. It brought together partners from across Government, including partnerships offices, and sector-specific Government funds and departments.

The programme runs yearly, with a month-long hackathon where participants. The winning teams are selected and join an eight-week accelerator program to refine and scale their solutions with funding. Each year there is a theme, with 2024 being sustainability. This led to the creation of a company named RemediSG - an online platform developed by a nurse to redistribute excess unused medication to healthcare providers to minimize waste. It was successfully piloted with two healthcare organizations.

This programme could be called the “Future High Streets Hackathon” series and would empower local communities to identify pressing challenges, ideate solutions, and develop prototypes. This approach not only crowdsources creative ideas from diverse perspectives but also accelerates the development of solutions addressing real-world issues in areas like logistics, digital inclusion, and sustainability.

Summary of Recommendations

1. Accelerate Small Business Digital Adoption

The Government should pursue a renewed digital adoption drive, and take inspiration from the Australian Tax Office, which introduced the Small Business Technology Investment Boost in 2023 to increase the productivity and digital uptake of SMEs.

2. Transform Business Rates

The Government must ensure the business rates system enables the online economy to flourish and empower bricks and mortar shops by boosting omnichannel retail through:

a. Short-term rate relief for businesses such as pop-up stores and seasonal ventures.
b. Adjusting rates based on usage to further accommodate innovative operations like cloud kitchens or click-and-collect hubs.
c. Providing technology adoption discounts and dynamic revaluations for properties integrating cutting-edge solutions, such as drone ports or IoT-enabled logistics hubs, to reduce barriers for businesses embracing innovation.
d. Tackling the issue of vacant spaces, targeted incentives could stimulate their utilization for experimental or temporary purposes.
e. Designating "innovation zones" in high streets could further support unconventional business models by offering rate discounts for activities that revitalize local economies and align with sustainable, forward-thinking urban development.

3. Transform the High Street

The Government should pilot a community-led initiative in the style of Singapore's "Build for Good" hackathons to crowdsource creative solutions for urban challenges and empower startups to meet future high-street needs.

STARTUP
C*ALITION