As digital technologies transform the way we live and work, they also change the way that business is being done. There are massive opportunities for businesses that can get this right; companies who have effective cyber security in place can gain an advantage over their competitors because they are trusted by their customers. If people are aware their data and details are safe they are more likely to do business with you. This report shows that both consumer and business customers expect to interact with companies online with the same ease and confidence that they enjoy offline.

Yet along with huge opportunities for SMEs trading online, there are risks and more businesses need to ensure they are protecting themselves from cyber criminals. The financial losses associated with cyber crime are significant for small businesses as well as larger ones. Leaders of small businesses need to do more to protect themselves and their customers online. This is why we are launching ‘Cyber Streetwise’, a major behavioural change campaign and an extensive online resource designed to provide SMEs with impartial advice and tips about how to make some simple but effective changes to improve their online security. This in turn will enhance their reputation, improve consumer confidence and ultimately, boost sales.

What is clear from this report is that the busy entrepreneur, business owner or manager that makes time to prioritise cyber security will reap significant benefits in the long term. It is vital that we support UK businesses of all sizes to thrive and grow. Effective cyber security is good for business.

David Willetts, 
Minister of State for Universities and Science

James Brokenshire, 
Security Minister
According to a government report\(^1\) released last year, 87 per cent of small firms surveyed suffered an online security breach in the previous 12 months, including data corruption and loss as well as hacking and fraud.

The worst of these breaches on average cost these small firms £35-65k each. A sizeable sum, but what about the longer-term damage of cyber crime to a company’s reputation and sales? Conversely, is there an opportunity for those small firms that focus on cyber security to boost their reputations, gain competitive advantage and drive new business?

To find answers to these questions, the government has conducted further research among 1,000 small and medium sized enterprises\(^2\). We also sought the view of small firms’ customers, surveying 2,000 UK consumers as well as procurement managers at 150 large UK businesses (with more than 500 employees) which buy goods and services from smaller suppliers.

Here we reveal a digital divide among small firms with respect to their cyber security practices, and show how many companies are failing to live up to their offline reputations in the online world. We then qualify the reputational impact of cyber security breaches and the scale of the opportunity for those firms that are actively, but safely engaged in online business. Finally, we give some practical tips to small businesses on operating safely online, and introduce cyberstreetwise.com – a new online platform where firms can gain the essential advice needed to improve their cyber security.

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1 BIS Information Breaches Survey, 2013
2 Small and medium sized enterprises are defined as having less than 250 employees – for the purposes of simplicity we refer these as ‘small’ firms throughout this report
Small firms are confident in their ability to stay safe online – around four fifths say they understand the threats to their businesses (78 per cent) and have thought about what steps to take to be secure online (83 per cent).

But our research reveals a digital divide in the UK small business population. A closer look at businesses’ internet security habits shows that half of small firms could be described as ‘cyber streetwise’, while the remaining half are placing their hard earned reputations at risk by failing to protect themselves from cyber crime.

Just over half (55 per cent) of firms regularly review and update what needs to be done to keep the business safe online. Only around half of companies control access to their IT networks (48 per cent), regularly use complex access passwords (58 per cent), regularly monitor their IT systems for breaches (46 per cent) or restrict the use of USB storage devices (46 per cent).

A slightly more encouraging two thirds (66 per cent) of small companies regularly download the latest software updates and patches, but just a quarter (26 per cent) regularly encrypt confidential information.

Clearly, there is a gap between these firms’ confidence in their ability to stay safe online, and their capacity to do so in practice. While half of business leaders are getting it right, the other half are not only exposing their firms to significant risk, but also closing the door on a potential growth opportunity.
Digital divide

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Expert view:

James Lyne, Sophos

It is easy to get hung up on speculation about high-end threats and nasty, supposedly unblockable attacks on national infrastructure. However, in reality the majority of cyber crime relies on both consumers and small businesses failing to do the basics well.

SophosLabs, a global network of cyber threat researchers and analysts, finds over 30,000 new infected websites distributing malware every day and, contrary to popular belief, the majority of these are not adult or gambling sites but rather legitimate small businesses whose websites have been hacked.

These statistics underline how basic practices are still not sufficiently widespread. While a large number of companies use antivirus, other basic security best practices like regular software updates, using complex passwords and general data protection are very much lacking. Small firms who don’t employ these basic security measures are making it easy for the attackers to silently install malicious code on their system without permission, meaning that high-end, clever attacks aren’t typically required to succeed.

The ‘Cyber Street’ initiative can play a vital role in helping to raise the profile of these kinds of attacks and of the importance of security to both businesses and consumers across the country. Everyone needs to do their part to help keep the internet secure. By not following these simple practices you could be aiding and abetting cyber criminals in attacking your colleagues, friends, customers or even family. Let’s make life harder for cyber criminals.
Business Behaving Badly

We’re urging businesses to take control of their online behaviours.

In the offline world, successful small companies have always competed on their reputation – renowned for their service quality, product knowledge, responsiveness and ‘human touch’. It’s what gives customers a sense of security that they are safely dealing with a professional company.

But what about online?

As we have seen, around half of small business leaders are failing to protect themselves and their customers from cyber crime. But additionally, our research shows that a large proportion of these firms have no online presence at all. And of those that have websites, it is only those with sites that are well designed and up-to-date that are attracting customers.

Many small businesses appear to adopt conflicting behaviours in the digital and real worlds – in short, they’re not living up to their offline reputations online.

This is damaging these firms’ standing in both worlds and costing them valuable business. But those companies able to reconcile their online and offline behaviours are enjoying a major competitive advantage, attracting new customers and retaining existing business. There is a strong opportunity for more firms to follow the example set by the leaders of these businesses.
The Opportunity

The online reputation opportunity lies in three stages, according to our research:

1. Get online

Just being online gives businesses a fighting chance of forging a positive reputation in the digital world. This might sound obvious, and indeed the vast majority (87 per cent) of small firms tell us the business rewards of using the internet outweigh the risks, yet more than a quarter (27 per cent) don’t have a website.

The majority of both consumers (82 per cent) and industrial buyers at large companies (85 per cent) tell us they expect all businesses, no matter what size, to have a website these days, and that they tend to choose companies that have a website over those that do not (65 per cent of consumers, 62 per cent of procurement managers).

When asked why, consumers say they want to be able to visit a website for information about the business to inform their purchase decision (as cited by 75 per cent). Meanwhile, 91 per cent of business buyers visit company websites as part of their due diligence process when selecting new suppliers.

Get active online to avoid missing out on valuable new business opportunities.
2. Look sharp

Looks don’t count for everything, but in the digital world, small companies are losing valuable custom by not having easy to use, approachable websites.

Consumers say that a well-designed, informative site gives them a sense of security about the business’ reliability (88 per cent), but that a poorly designed site damages their trust in the company (89 per cent). The majority (91 per cent) of business buyers say likewise.

Yet many consumers often encounter small firms with badly designed websites, putting them off doing business with the company (53 per cent), and feel that most small firms’ sites don’t do justice to the quality of the companies behind them (67 per cent). At the same time, it is now easier and cheaper than ever before for companies of this size to obtain a quality website. Many businesses are creating sites themselves using simple self-build packages, which can be very effective when kept clean, informative and easily navigable for customers.

Ensure your online presence reflects the quality of your real life offering to propel your business forward in both worlds.

3. Get Cyber Streetwise

The most surprising finding to emerge from our research is the importance that both consumer and business customers place on cyber security when choosing smaller suppliers.

A sizeable proportion (59 per cent) of consumers say they avoid shopping online with SMEs because of fears over cyber security. Consumers would, however, buy more online from SMEs if these businesses were better at showing how well protected they are from cyber crime (82 per cent).

More than three quarters (77 per cent) of procurement managers at big businesses, meanwhile, require smaller suppliers to prove their cyber security credentials before selecting them.

When thinking about online crime, small business leaders are more fearful of the financial losses associated with individual crimes than the long-term reputational damage to their companies3. But the overwhelming majority of consumers (92 per cent) and business buyers (95 per cent) warn that they would avoid a small firm they knew had failed to protect itself from cyber crime. Cyber crime can irreparably damage a company’s reputation, limiting growth potential in the longer term.

Build and protect your reputation for safety and security online to drive new growth and retain existing business for your company.

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3. 82 per cent of SME leaders fear the financial loss to the business from a theft of money or bank details when going online, compared to 70 per cent who fear suffering reputational damage and 61 per cent who fear losing customers as a result of an online security issue.
Prioritising Cyber Security

Whether it’s a start-up business employing a handful of people to serve a local market, or an established exporter with a 50-strong workforce, running a small business is an all-consuming job. So it’s understandable that a majority (58 per cent) of leaders of these firms want to make online security a bigger priority, but say other things always seem more urgent.

Leaders of small businesses are also reluctant to seek expert help with online security, and are almost as likely to consult friends and family as they are to pay for professional IT support4.

**Improving cyber security is actually cheap, quick and easy for small companies, but business leaders must make it a priority and seek the advice and support they need to take control of their online lives.**

Which is why the government has created www.cyberstreetwise.com, a unique website offering a range of interactive resources for small business leaders and staff to gain the essential advice needed to make their businesses safe online.

But to get started, we have identified **five simple steps** every business should take today to immediately improve their online lives…

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4 Only 16 per cent of SMEs consult external IT professionals on internet security, while 9 per cent turn to friends or family members to handle cyber security in their organisation.
Take control of your company online today by:

1. Installing and always updating antivirus and firewall software to protect your business and customer information

2. Using complex passwords for IT systems, computers and devices

3. Ensuring you and your staff never download something if its origin is unknown

4. Ensuring staff delete suspicious emails before opening

5. Reviewing what important information your business holds and whether it is adequately protected

To join the conversation online follow @cyberstreetwise and use #becyberstreetwise
The GREAT Britain campaign is a partnership between private enterprise and Government to highlight support for businesses aspiring to succeed and to encourage entrepreneurial spirit. Visit www.greatbusiness.gov.uk to find links to support, advice, inspiration and guidance that will help take your business to the next level.