

Helping Every Postcode Sell

Marketplaces, AI and the state of
Britain's eCommerce sector

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STARTUP
C*ALITION

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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, former 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 and regulation.

Methodology

This report draws on surveys conducted by PF Global for Startup Coalition in September 2026: a nationally representative survey of 1,906 UK adults, and a survey of 501 UK business decision makers, predominantly from businesses with online sales. Business results are weighted by region to the number of UK businesses in each region according to DBT Business Population Estimates 2025, and by business size to the survey's quota targets. Full results are published alongside this report.¹ Comparisons to 2022 refer to Public First polling for Startup Coalition published by the Centre for Policy Studies in No Way to Help the High Street.²

The report leverages data from Beauhurst to estimate the value of the eCommerce startup sector. All data is correct up to 8th October 2026.

¹ Source

² Source

Executive Summary

Britain's eCommerce sector is one of the clearest examples of tech-led growth reaching every part of the country. More than 1,800 startups are active in the online economy. Together they turn over £81.1bn, employ more than 396,000 people and have raised £24bn in investment.

Online shopping is now part of everyday life. 59% of consumers bought something online in the past week, and only 1% have never done so. People shop online because it works, not just because it's cheaper: they rank lower prices seventh of the reasons they buy online, behind stock availability, convenience and choice. The UK has also become a nation of digital shopkeepers. 51% of adults sold something online in the past year, and 9% of those sellers describe their selling as a business or the start of one.

Three trends are reshaping the sector since our last report on eCommerce in 2024:

- **Marketplaces have gone mainstream.** They now account for just under a third of UK online retail spending, and seven in ten consumers view them positively. The fastest growth comes from high street names opening marketplaces of their own: B&Q's marketplace makes up around 40% of its online sales. "Online retail" and "the high street" are no longer separate kinds of business. Increasingly, they're the same business.
- **AI is changing how people find products.** Three in ten consumers have used an AI assistant to buy something online. But only 34% of small and medium sized businesses know whether AI assistants can see their products, compared with 71% of large ones. The rules agentic commerce will run on are being written almost entirely in the US.
- **Live commerce has arrived.** 13% of consumers have bought during a live video stream, and as many adults now sell through live video as through their own website. Sellers are bringing jobs, commercial lettings and, in some cases, footfall to market towns.

The policy picture has changed just as fast. In two years the Government has set out to rewrite product safety law, rebuild the customs treatment of low value imports, give HMRC sight of seller income, and consulted on making marketplaces liable for VAT on UK sellers' sales. The direction is right, and it's what the public wants: given a choice, 59% of consumers said trust was the one thing to improve about online shopping. A market where buyers can tell a careful seller from a careless one is a market where British businesses do well.

The risk lies in the design. Our polling gives the Government two tests:

1. Who really pays? Businesses expect the cost of most of these measures to fall on small sellers and shoppers, not on the platforms the rules name. 55% say they would pass product safety costs on to customers.
2. Does it really help the high street? Only 16% of consumers would switch to a local shop for a 5% discount. Measures that make online selling a little more expensive will raise prices well before they bring back footfall.

Measures that build verifiable trust, such as a verified identity of the seller behind every listing, pass both tests. Measures that simply raise the cost of selling online pass neither. Meanwhile, nobody in Government owns the combined burden of what is now landing on online sellers.

Our Blueprint sets out five steps to ensure that the Government's work to increase trust and confidence in the booming online economy does not undermine the opportunity it presents to Brits and UK PLC:

1. **Get product safety reform right in a way that works with new business models.** One safety standard for every marketplace, met in ways proportionate to size, risk, control and format. Protections should accommodate innovation and embrace new models like live commerce and agentic commerce. An accountable UK party for every consumer product, reached through more than one route, with a named responsible person kept for the highest-risk goods. Digital product information that follows the EU and works for every retail format.
2. **Make the UK a leader in agentic commerce.** Speed up the payments timetable, deliver the agentic payments trust framework, and get the UK a seat where the standards are being set.
3. **Bring high streets into the 21st century.** Rule out an online sales tax for this Parliament, and reform business rates for the businesses that want to move into high street units, not only those already there. A third (33%) of businesses without premises say they would be likely to take a unit if rates were waived for the first year, or are already planning to.
4. **Deliver G7-leading digital and AI adoption.** Name an accountable minister, count machine readability as part of being "digitally capable", and build BizPass.
5. **Make the compliance stack survivable.** Publish a cumulative impact assessment, design the import and VAT regimes around the small seller, and match UK customs timing to the EU's.

Introduction

In December 2024 we published our report *Next Generation Retail*, written while an online sales tax was being actively discussed as a way to level the playing field between the high street and online retail.³ We made the case that the UK's eCommerce startups were something to celebrate rather than tax. Any plausible version of an online sales tax would be difficult to design, costly to implement, and, if targeted at large online sellers, would push the burden overwhelmingly back onto consumers and small businesses. Almost two years on, the Government has twice rejected an online sales tax, on the grounds we set out. But the idea has not gone away, and the allure remains in think-tank proposals, so the case against it needs restating rather than retiring.

But the challenge the tax was meant to solve has not gone anywhere. High streets are still under pressure. The instinct that the growth of online retail is the cause of the decline of physical retail, and that making one more expensive will fix the other, is still lurking. It has simply migrated to different levers: business rates, VAT, customs and product safety.

Much else has changed too: our last report was published five months into a new Labour Government, and addressed itself to a party that had just returned to office after fourteen years. Since then the country has had another change of Prime Minister, and in July 2026 a machinery of government reorganisation abolished the Department for Science, Innovation and Technology (DSIT) and redistributed its functions across a new Department for Business, Innovation, Science and Trade (BIST), an enlarged Department for Digital, Culture, Media and Sport (DCMS), and the Cabinet Office. The personnel have changed, the departmental map has changed, but what has not changed is the underlying policy instinct to increase the burden on small online sellers, or the fact that nobody seems to have calculated or owns the cumulative effect of the measures now landing on their plate.

The central argument of this report is that the category of business these policy interventions are aimed at, whether it be increased product safety obligations, higher business rates, or a proposed extension of VAT liability to marketplaces for domestic sellers, no longer exists in the form policymakers imagine. "Online retail" and "the high street" have not merely blurred at the level of channel, as we argued in 2024. They have collapsed at the level of the business model. Any instrument that loads cost onto marketplaces in order to relieve the high street is, increasingly, loading cost onto the high street's own growth.

To enrich and illustrate this blurring of boundaries, Startup Coalition has refreshed its analysis of the eCommerce sector and commissioned new polling of Brits and British businesses. It is a deliberate refresh of questions we also put to consumers in 2022, at the height of the online sales tax debate, and it lets us test whether the answers that defeated that proposal still hold.⁴ It also gives us an opportunity to reflect on how recent changes to the regulatory backdrop to eCommerce are perceived.

³ <https://startupcoalition.io/u/2024/12/Startup-Coalition-Value-of-eCommerce-FINAL-FOR-RELEASE.pdf>

⁴ <https://coadec.com/news/e-commerce-what-businesses-and-the-public-think/>

ECommerce in 2026

The online economy continues to boom in the UK. After the Covid-19 Pandemic turbocharged the gradual shift towards eCommerce in 2020, volumes dipped slightly but hit an all time high in November 2025, when Brits spent more than £3.4bn per week on average in one month shopping online.⁵

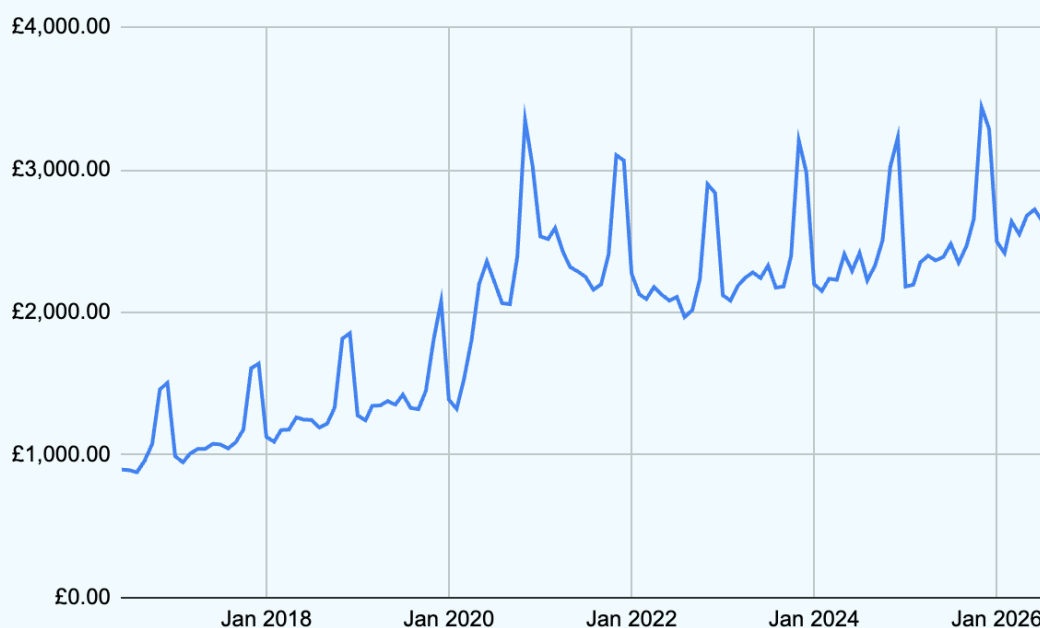


Figure 1, Weekly Avg Value of Internet Sales (ONS Data)

As in our 2024 report, Startup Coalition is most interested in the venture-funded startups behind this economic trend: the startups selling online, building tools to take high street independents nationwide, and developing the technology that makes the online economy function.

Today, there are more than 1,800 active startups engaged in the online economy. Collectively, these firms return an annual turnover of £81.1bn in latest financials, employ more than 396,000 people, and have raised £24bn in investment.⁶

Quarterly fundraising peaked at £2.7bn in Q2 2021, during the height of the Covid-19 Pandemic, further illustrating its impact on accelerating the shift in shopping habits. Over the three most recent quarters, investment in the sector has increased by an average of 25% each quarter.

Within this sector, the single most populous type of startup is those selling goods solely through an online channel (31% of all firms), followed by online marketplaces (27%), data provision and analysis firms (27%), and supply chain management (20%). Across the startup base, more than 200 types of sub-sector are represented.

⁵ <https://www.ons.gov.uk/businessindustryandtrade/retailindustry/timeseries/je2j>

⁶ Beauhurst data, correct as of 8th October 2026.

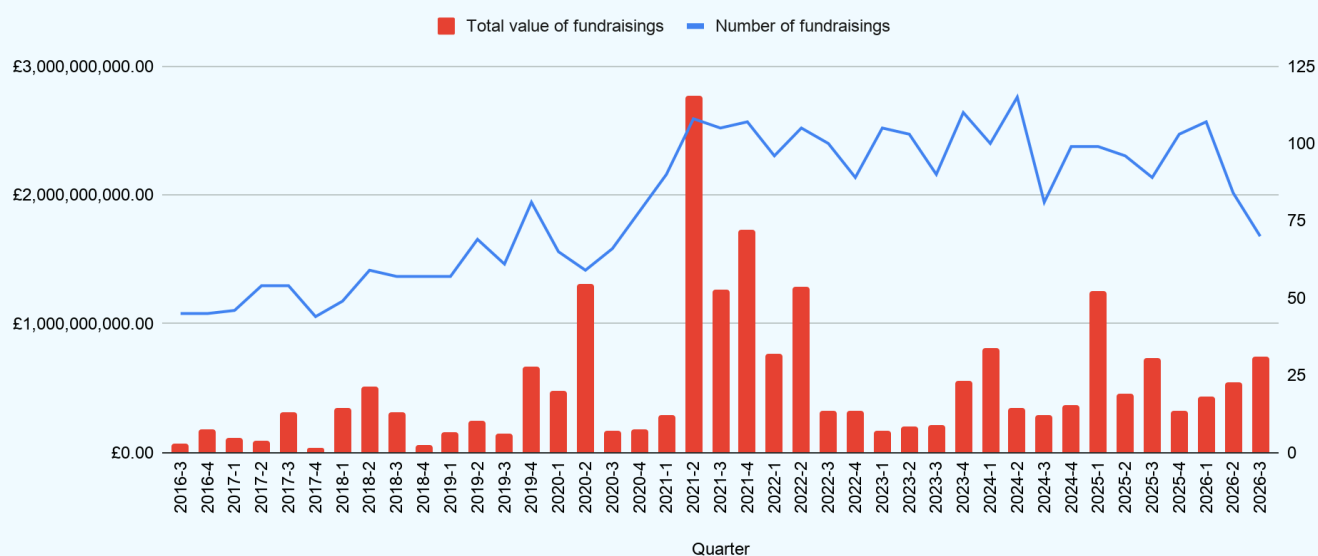


Figure 2, eCommerce startup sector, quarterly inbound investment by £ value and number of fundraising events

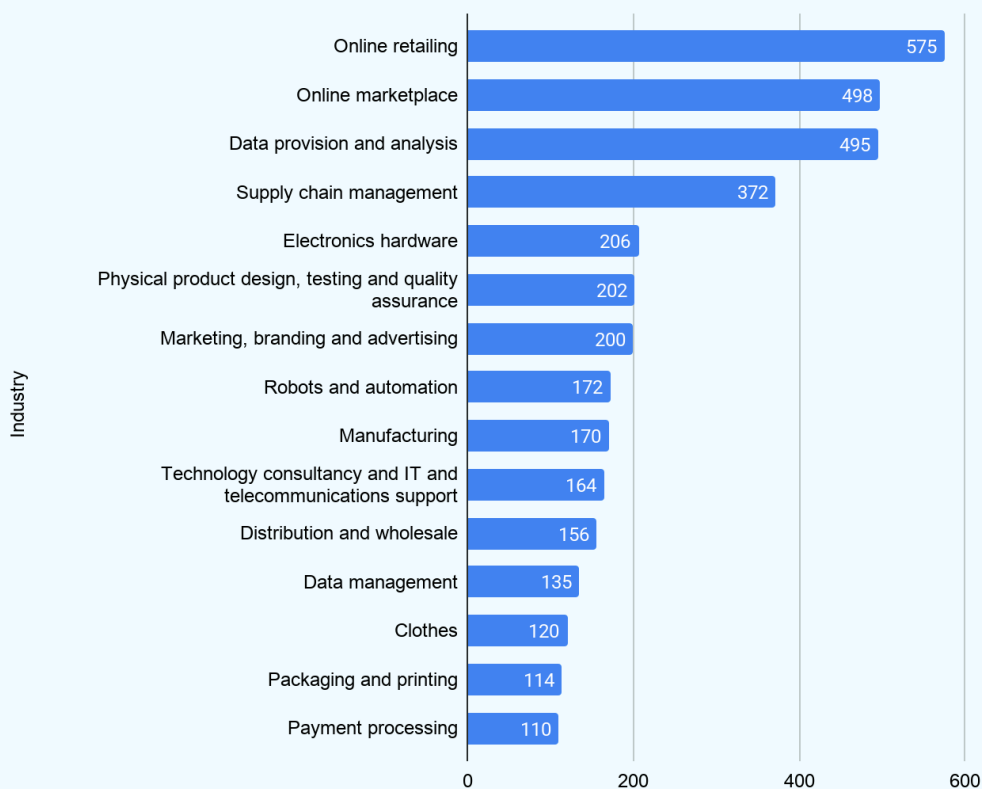


Figure 3, eCommerce startups by subsector frequency (top 15)

This is an economic powerhouse, turbocharging commerce across the country, in person, online, and across the two.

Brits' views on eCommerce

Consumers

Our polling reinforces the popularity of the online economy, but also shows that it is so much more than just a source of “cheap stuff”.

The online retail economy has now become core to people's everyday lives. 59% of consumers had bought something online within the previous week, and 15% within the previous day. Only 1% have never bought anything online. 55% say they would find it hard to buy the products they need without online shopping, and 72% say it gives them much more choice. Over the next five years, 37% expect to spend a greater share of their money online and just 10% expect to spend less.

British consumers report more regularly buying books, computer games, takeaway food, holidays, movies or TV shows, music, electronics or gadgets, and home appliances online than in person.

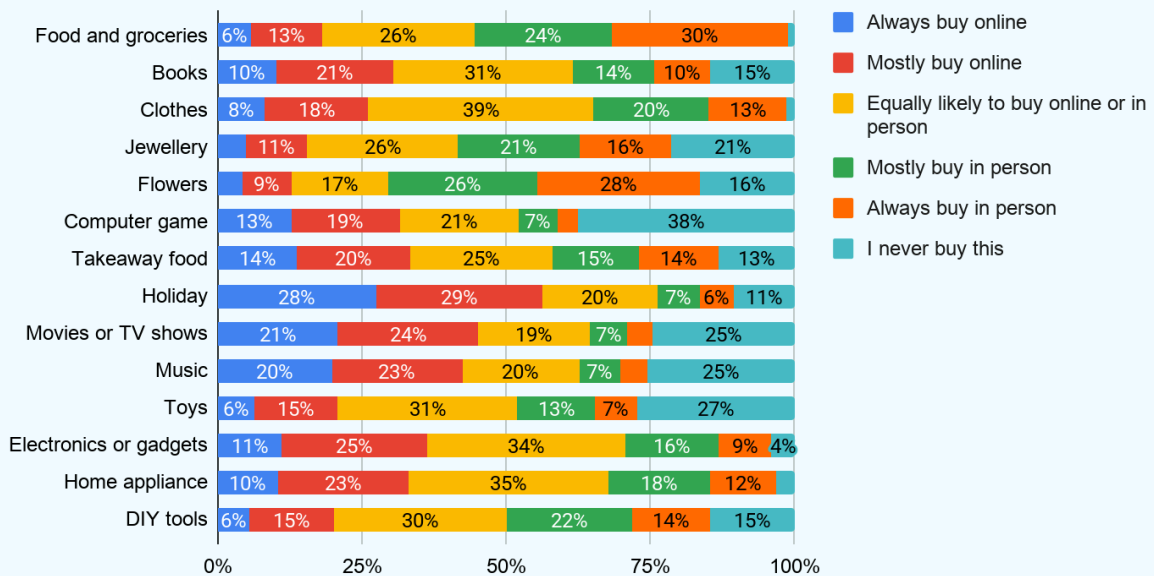


Figure 4, From the below, in general are you more likely to buy that type of good online or in person?

Asked what matters in deciding to buy something online rather than in person, consumers rank availability of stock first (79% important), then convenience, ease of comparison and delivery (78% each), then greater choice (77%) and being able to buy goods you cannot find in a shop (76%). Lower prices come seventh, at 76%. Three quarters of Brits we asked said being able to buy goods you cannot find in a shop matters and 72% agreed with the statement that “online shopping gives me much more choice”. This replicates what we found in 2022: people shop online because it works, not (just) because it is cheaper.

This appetite for discovery is what this report is all about, and it benefits the high street too. 56% of Brits say they would like to be able to support their neighbourhood shops by buying from them online. 48% say they are more likely to shop with retailers that have an online shopping option than with retailers that only have a physical store. 58% would find it acceptable to buy from a small seller with few reviews rather than a large well-known one, if it made online shopping better.

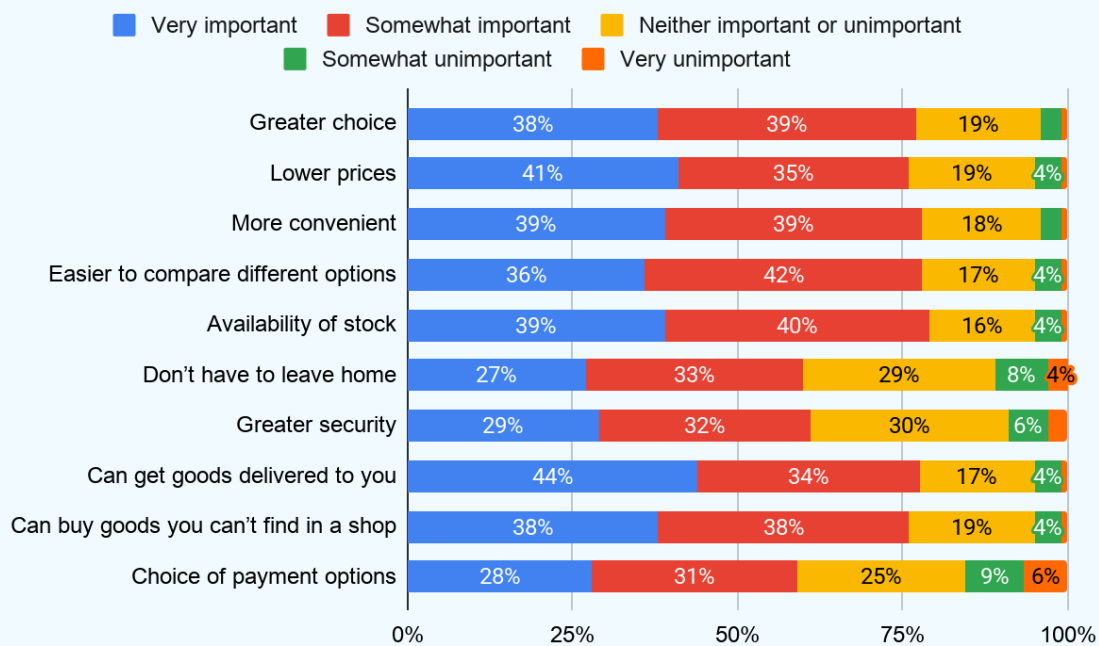


Figure 5, How important or unimportant are the following reasons in deciding whether to buy something online rather than in person?

When asked about where they've shopped in the last year, British consumer habits are laid bare. Seven in ten have bought from a large online marketplace like Amazon or eBay. Large high street shops are the second most visited type of shop, but it's not insignificant that one in four Brits has bought through social media marketplaces in the last year, the same number that have bought from an independent retailer that solely sells through online channels.

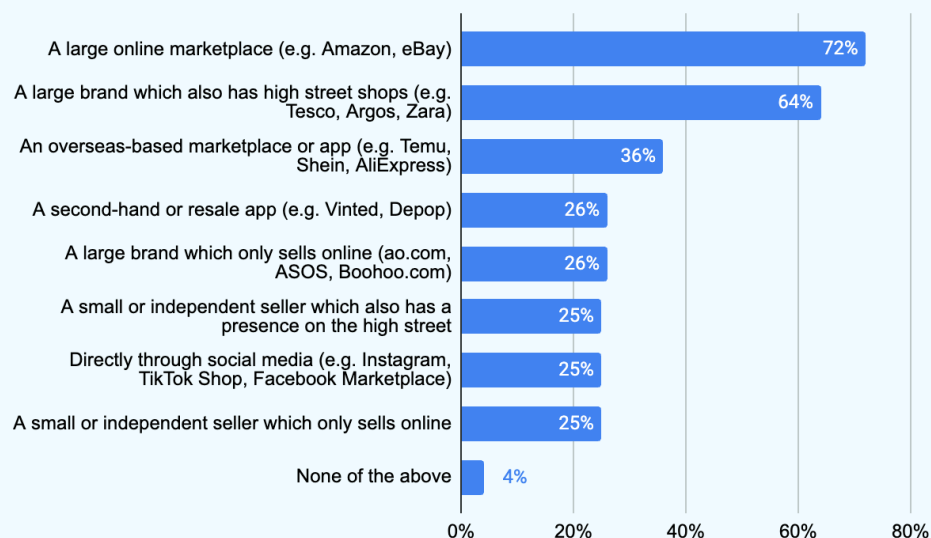


Figure 6, In the last year which, if any, of the following types of business have you bought from?

Perhaps most significantly, eCommerce has also made the UK a nation of digital shopkeepers, with 51% of consumers having sold something online in the previous twelve months: instead of the shop window they're curating, however, it's their "featured product list".

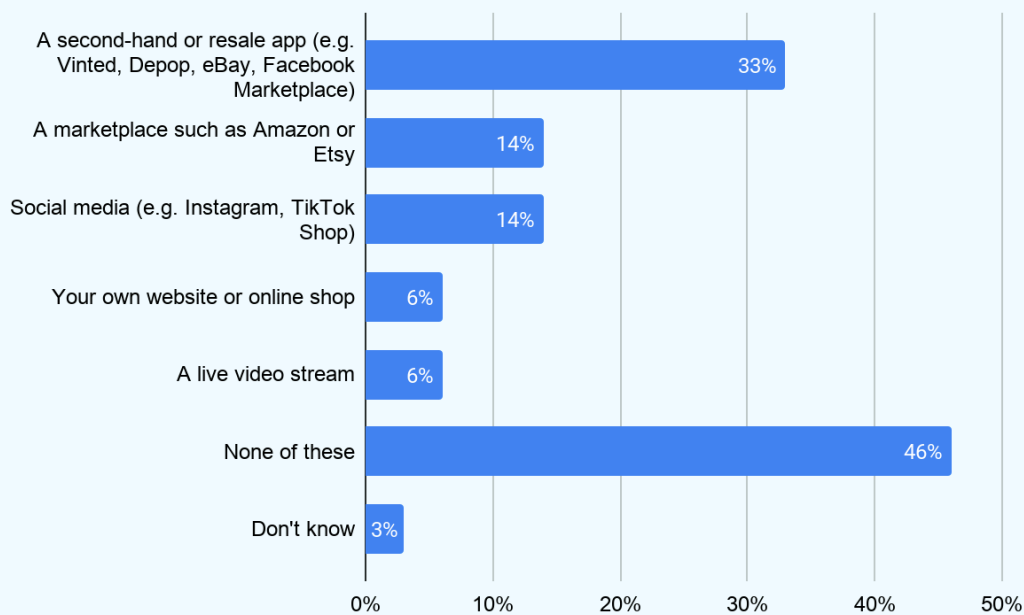


Figure 7, In the last twelve months, have you sold anything through any of the following?

For most of these sellers, selling is incidental: 42% describe it as clearing out things they no longer need and 32% as an occasional way to make extra money. But 15% describe it as a regular source of side income and 9% as a business, or the start of one. Projected to the population at large, that last group alone is over two million people.

This is a huge population of Brits who have benefited from eCommerce breaking down barriers to enterprise. The advent of online retail has democratised access to starting a business.

It is also notable how spread out the entry points are: no single channel accounts for a majority. Marketplaces and social media are level at 14% each. Live video, a format that barely existed in the UK four years ago, is already level with running your own website at 6%. There is no single gatekeeper to online selling in Britain, and that is a large part of why participation is so high.

Businesses

Unsurprisingly, British businesses have evolved to meet the demand for eCommerce. Seven in ten sell physical products online and three quarters have a website, a stat that holds up for small and medium sized businesses. 84% of all businesses have a social media profile. 79% said that their online presence was important to the success of their business, and half of those selling online reported that 60% or more of their revenue comes from that channel. 69% of businesses said that their sales had increased since they started selling online, with three quarters saying that eCommerce was a key part of their business strategy.

Importantly, six in ten businesses that we surveyed have physical premises, such as a shop or an office, though this inevitably skews towards bigger businesses (nearly nine in ten have one). Half of those businesses we surveyed said that physical premises will continue to be important to their business in the future and 13% of businesses without premises said they were actively looking for a physical site.

However, the trend towards eCommerce is clear: 71% of businesses agreed that “in five years’ time most businesses will be selling more of their goods/services online than they do today”.

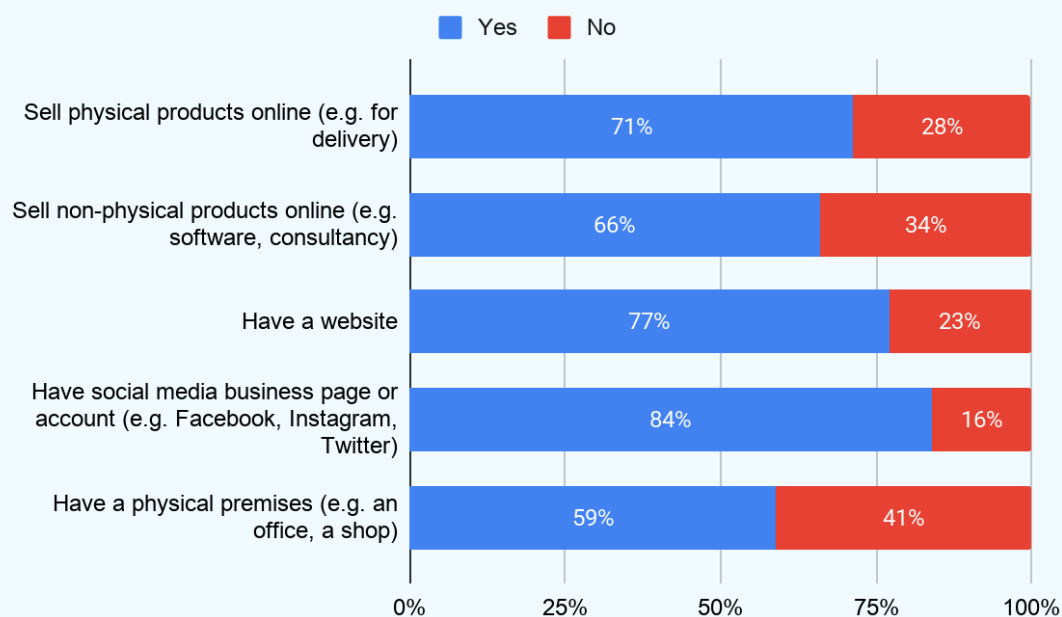


Figure 8, Does your business do/have any of the following?

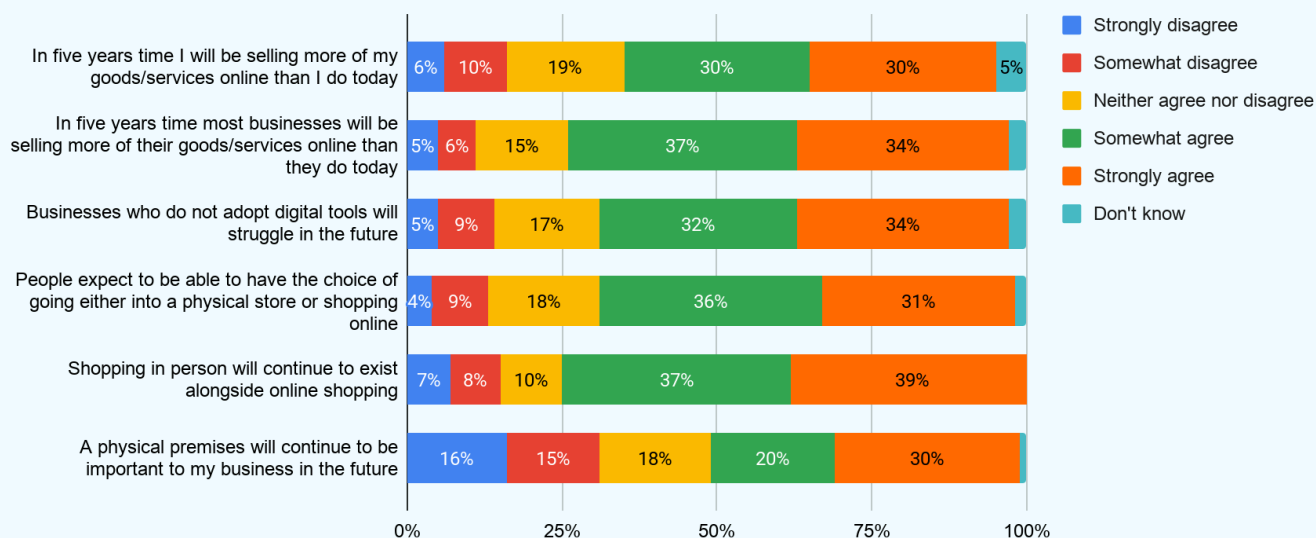


Figure 9, Do you agree or disagree with the following statements?

Market Trends Since 2024

Beyond the headlines, there are three eCommerce trends that stick out to Startup Coalition, informed by our analysis of the sector, our polling results, and through our regular engagement with the startup sector that we represent.

Trend 1: Marketplaces go mainstream

A marketplace is a platform where buyers and sellers meet to trade, rather than a single shop selling its own stock. The operator provides the infrastructure that sits behind each seller's own shopfront: the payment rails, the trust signals, buyer protection and seller oversight, and in some cases, the fulfilment, and takes a commission on what moves through it. That description used to identify a specific kind of company. It now describes a growing share of British retail, regardless of what the company calls itself, as small businesses that once only marketed to their physical customers look to a broader audience across the country, and in some cases, around the world.

Marketplaces are not a single business model. Some host listings and hold nothing. Some run warehousing and delivery for their sellers. Some are high street retailers extending their range. Others are resale, peer-to-peer or live-video platforms. Government policy that treats them as one thing will fit none of them well.

Online marketplaces and peer-to-peer platforms account for just under a third of UK online retail spending, reaching £34.1 billion in gross merchandise value excluding VAT in 2025.⁷ Against online retail's roughly 28% share of all UK retail sales, that puts marketplace transactions at just under a tenth of all retail sales in Britain.⁸ Our polling found marketplaces among the most positively regarded ways of buying anything. 72% of consumers have bought from a large online marketplace in the previous year, more than any other channel. 71% of consumers felt positively about large online marketplaces like Amazon and eBay. Of the businesses we surveyed that sell online, one in five said that 60% or more of their revenue came through third party marketplaces.

Marketplaces are the second most populous sub-sector of startups in our dataset. These firms are worth at least £3.2bn and have raised £1.3bn. The most common type of marketplace is fashion and clothing, followed by miscellaneous, and food and drink.

⁷ <https://store.mintel.com/report/uk-online-retailing-marketplaces-market-report>

⁸ <https://www.ons.gov.uk/businessindustryandtrade/retailindustry/timeseries/j4mc/drsi>

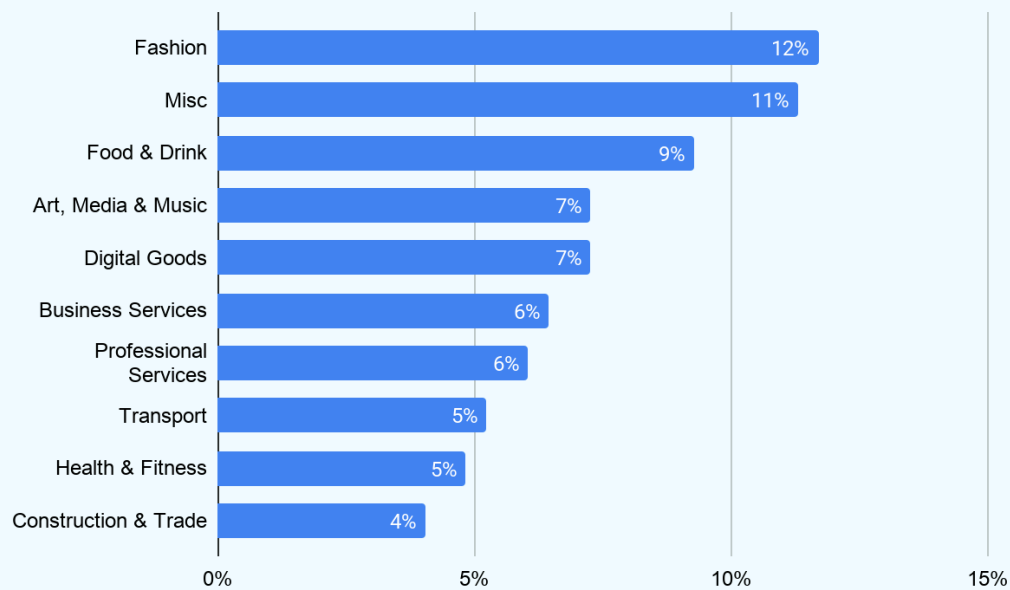


Figure 10, Marketplace startup category breakdown (top 10)

The fastest-moving development in UK marketplaces is not Amazon, eBay or the cross-border discount platforms but established retailers, including high street names converting their own websites into marketplaces. For instance, B&Q's diy.com marketplace now carries more than two million products from around 2,000 third-party sellers, and the company has reported it accounting for roughly 40% of online sales. It has extended click-and-collect to marketplace orders across its store estate, and accepts marketplace returns in store. Tesco, Boots, Superdrug and The Range all run marketplaces. Mountain Warehouse launched one in 2022 which now contributes close to a third of total revenue through more than 320 third-party brands. Argos soft-launched a marketplace in 2026 with around 80 brands live and Nectar integration. Specialist retailers are following: Sigma Sports opened a curated marketplace to specialist sellers in the summer of 2026. IKEA is preparing a UK resale marketplace for pre-owned furniture.

This is a good news story for the high street. A marketplace lets a physical retailer offer a range it could never hold in stock, use its store estate as a fulfilment and returns advantage that pure online players cannot match, and earn commission on sales it would otherwise lose. B&Q's marketplace click-and-collect does something no online-only competitor can do, but it has a consequence for policy design: when a high street retailer opens a marketplace, it acquires the obligations, the liabilities and the economics of a marketplace. The distinction between "online retail" and "the high street" has not merely blurred at the level of channel, as we argued in 2024. It has collapsed at the level of the business model. B&Q is a high street retailer, an omnichannel retailer and an online marketplace simultaneously. Any policy instrument that loads cost onto marketplaces in order to relieve the high street is, increasingly, loading cost onto the high street's own growth strategy.

The marketplace pattern has also propagated well outside the category that produced it. Resale and peer-to-peer platforms have made it the default architecture for secondhand goods, which is now a mainstream rather than marginal category, and a route through which individual sellers have built substantial businesses.

The common thread is what the marketplace absorbs: for a seller, the marketplace operator supplies payment processing, fraud handling, buyer protection and dispute resolution, customer acquisition,

search placement and sometimes warehousing and delivery. Each of those is a fixed cost that would otherwise have to be built or bought before the first sale. The marketplace converts them into a variable commission. That is why a person can begin selling in an afternoon, and it is the single most important reason new company formation in UK eCommerce concentrates where it does.

If new UK commerce businesses are disproportionately forming on marketplaces, the design of marketplace obligations matters for new business formation. That is not an argument against regulating platforms: well-designed obligations can help small sellers, by raising trust and squeezing out non-compliant competitors who undercut them, and larger platforms can absorb much of the cost. The risk lies in requirements that are poorly designed, duplicated across regimes or calibrated to the largest players. Those turn a variable commission back into a fixed cost, and fixed costs fall hardest on the smallest seller.

Case Study: An online marketplace for vintage furniture

This company runs an online marketplace for vintage and antique furniture, lighting and homeware. The marketplace started with a handful of London dealers. Within a few years it had dozens of sellers and seven-figure sales, and by the early 2020s it had grown to thousands of sellers and a leading position in the UK market. Today independent dealers across the UK and Europe sell through it. The company is venture-backed, having raised a Series A among other rounds.

The marketplace shows how much work a platform takes off a small seller. Furniture is bulky, costly to ship and hard to sell to a stranger. Professional dealers, who are established antique and vintage businesses, go through a detailed application and a one-to-one assessment before they can list. More recently, private individuals have been allowed to sell too. Sellers pay no upfront or monthly fees, and the platform takes a commission only when an item sells. A curation team checks every listing before it goes live. A delivery partner collects larger items and delivers them within days, and payments run through a third-party provider. Delivery, payments, trust, returns and finding customers would each be a fixed cost for a single dealer. On the marketplace they become a share of the sale.

These are traders who have always depended on footfall, and they now reach buyers across the country and abroad. The model has also come back to the high street: the company has run a collection of pre-owned pieces inside a major department store chain.

The marketplace also touches several questions the product safety framework leaves open. Professional dealers and private individuals sell side by side, sellers are vetted, and every item is second-hand.

Case Study: Spinning up business from live marketplace to high street.

Frankie Johns, who runs a record shop in Henley-in-Arden. He has been growing his online audience by hosting live shopping streams on Whatnot, which in turn has helped drive his business on the high street.

Frankie spent twelve years in the music industry and has sold online for 24 years, but only through traditional marketplaces with static listings. In January 2026 he began hosting live shows on Whatnot from his head office. He soon moved the shows to his shop in Henley-in-Arden, a market town between Stratford-upon-Avon and Birmingham, because “the demand was there.”

He now runs two to three shows every week, averaging around £800 a show, and reinvests every pound back into stock. That demand has transformed his sourcing: he now acquires 500 to 1,000 records a week.

The audience Frankie has built online has also become footfall. He now draws customers from across the country. Buyers who discovered the shop on Whatnot have travelled from Norwich, Liverpool and Manchester to visit in person.

“It’s opened up the shop to people who could never have walked through the door,” Frankie says. “And the amazing thing is those people then... walk through the door. I’m in a small market town and I’m getting people travelling from across the country because they found me on Whatnot.”

Frankie is now reinvesting in the high street. He is expanding into the shop next door, which he also owns. The new space will include a permanent live-selling area, a bar, and room for guest DJ sets and album launches, all of it streamed. Selling live, he says, “has made me think bigger about what the shop can be.”

Live commerce works alongside physical retail rather than replacing it. Online reach brings customers to the shop, and online revenue pays for more stock, more space and more in-person events, leaving a market town high street with a bigger physical presence than before.

Trend 2: Agentic AI

Agentic AI is redefining the underlying purchasing mechanics of digital trade. By agentic AI we mean autonomous systems that plan, decide and execute transactions on behalf of consumers. In this model the primary target for consumer marketing is no longer a human eye scrolling through a feed but an autonomous software agent acting as a digital proxy, one that reads a listing in an entirely different language. The distinction that matters right now is between influence and execution. AI is already shaping what British consumers *see*, but is not yet deciding *what they buy*.

Around 20% of UK customers now begin product discovery with AI.⁹ McKinsey's survey of consumers across the UK, France and Germany found the overwhelming majority using AI tools in daily life, with roughly a third applying them directly to purchase decisions and close to half using them for product discovery or inspiration.¹⁰ AI is becoming the primary interface for discovery, comparison and recommendation. It's the point in the journey where preferences form and winners emerge.

Our own polling data found that three in ten consumers have used an AI assistant to purchase something online, though this skews towards younger consumers so we can assume that this trend will embed over time.

9

<https://www.techradar.com/pro/new-study-reveals-how-ai-is-reshaping-how-people-shop-online-but-they-still-dont-really-trust-it-enough>

¹⁰ <https://www.mckinsey.com/featured-insights/charts/ai-to-browse-but-not-to-buy>

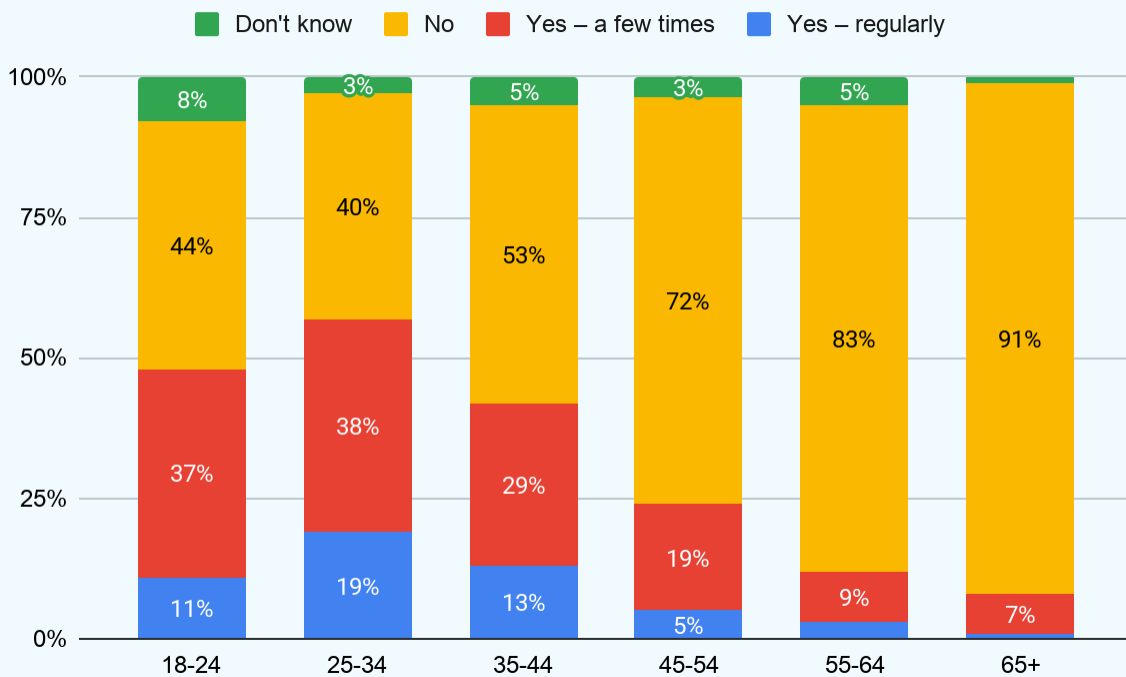


Figure 11, Have you used an AI assistant to purchase something online?

The traffic data points the same way. Adobe found that AI-referred traffic to online retail sites grew 138% year-on-year in May 2026, and 1,324% since tracking began in October 2024.¹¹ More significantly, those AI-directed shoppers converted at a rate 54% higher than non-AI traffic, a reversal of the pattern in earlier years, when AI referrals converted worse than organic.

Delegation Delay: The Transition to Agentic Commerce

Delegation of the transaction itself is a different story, however. Adobe's research found that while 73% of consumers use AI somewhere in their shopping journey, including evaluating product ideas, summarising reviews, comparing prices, only 13% had completed a purchase after an AI assistant referred them.

UK consumers are drawing that line more firmly than the global picture suggests. Research published in July 2026 found 78% of UK consumers using AI chat tools, 52% saying those tools make it easier to discover new brands, and 48% willing to consider buying from a brand they had never heard of on an AI recommendation.¹² But 79% double-check what they are told, and only 4% would buy from an unfamiliar recommended brand without doing their own research first, most often a search engine query, a review site, or a visit to the brand's own website. Separate polling found 64% of UK consumers interested in trying agentic shopping tools, alongside persistent discomfort with handing an agent full autonomy.¹³

¹¹ <https://business.adobe.com/resources/sdk/.q3-ai-traffic-trends-report/q3-2026-ai-sourced-traffic-insights.pdf>

¹² <https://www.esmmagazine.com/technology/ai-drives-product-discovery-among-uk-shoppers-but-79-double-check-r-ecommendations-315531>

¹³ <https://finance.yahoo.com/technology/ai/articles/64-uk-consumers-want-agentic-120000671.html>

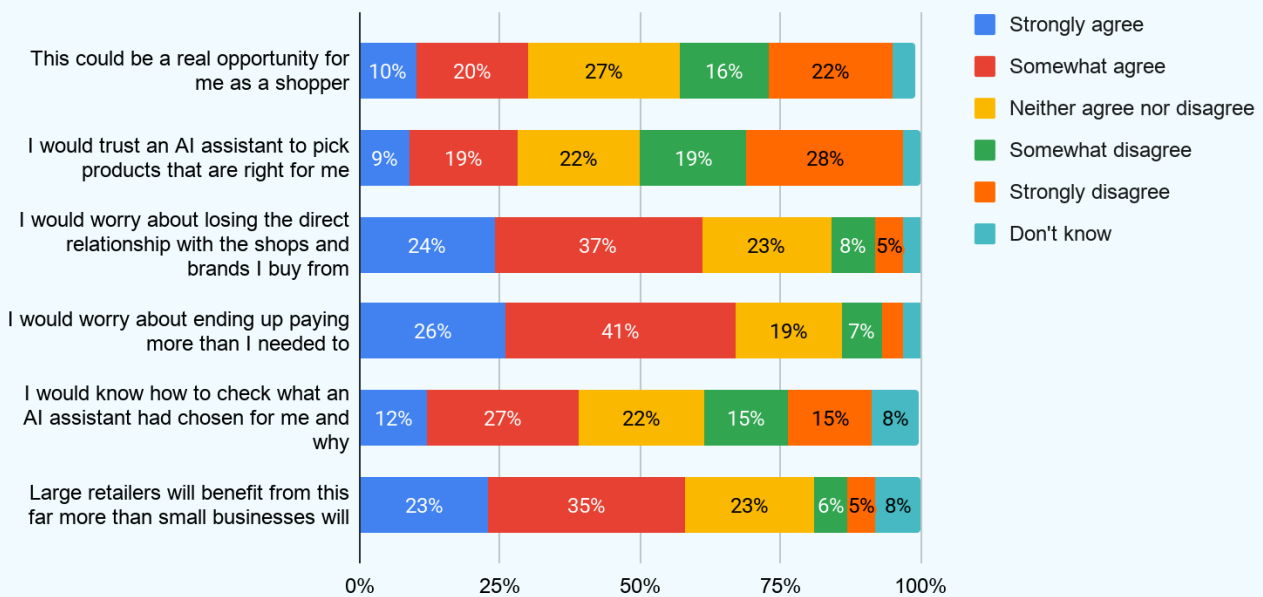


Figure 12, How do you feel about AI assistants that search for and buy products on your behalf? Please give your view on each of the following.

Our own polling validated this: fewer than three in ten Brits would trust an AI assistant to pick products that are right for them, and a majority of respondents expressed concern at losing the direct relationship they have with the shops and brands that they buy from. For businesses, there are similarly mixed views. Whilst half view AI assistants that search for and buy products on a customer's behalf as an opportunity for them, 63% are concerned about losing their relationship with the customer, and a majority are concerned about being squeezed on price.

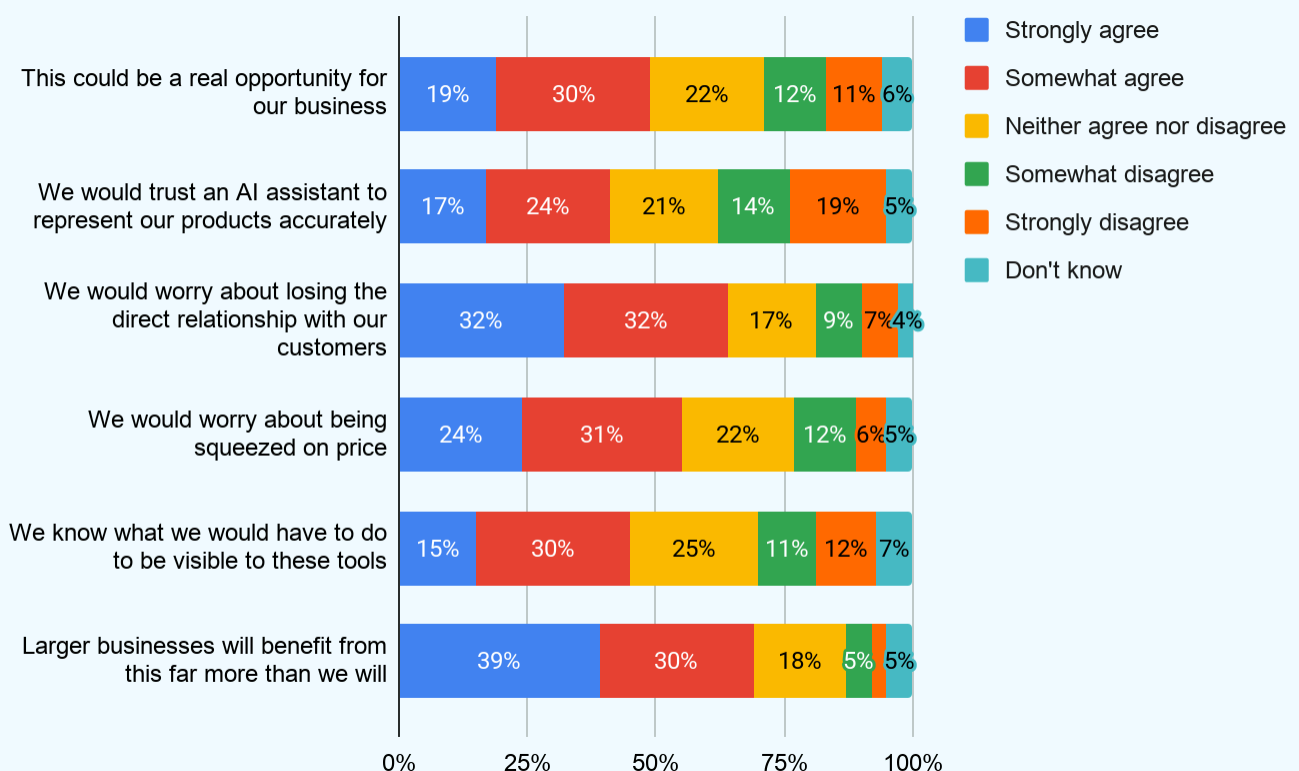


Figure 13, How do you feel about AI assistants that search for and buy products on a customer's behalf?

Figure 12 also demonstrates an additional concern that consumers have: that large retailers will benefit from AI in eCommerce, rather than small businesses. Our business poll also reflected this divide.

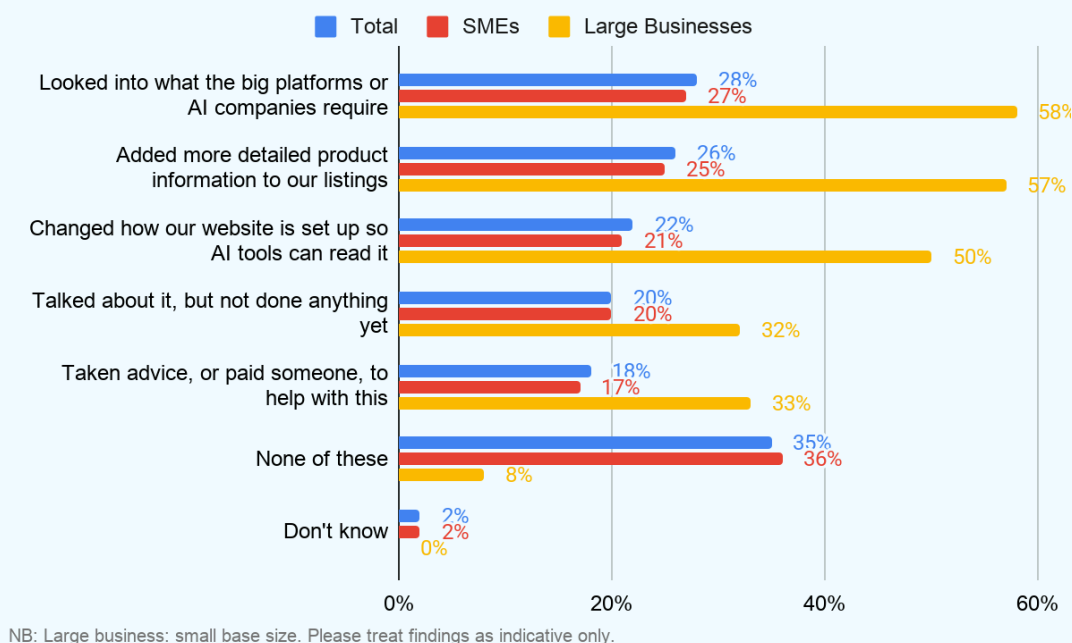


Figure 14, Has your business done any of the following to make sure AI assistants can find its products?

Small and medium sized businesses have consistently engaged with AI less than large businesses, and less than half as many have actively changed their website to ensure that it will be picked up by AI. We can see how this divide may be exacerbated through work already underway by industry to make agentic commerce work. An entire infrastructure layer has appeared in under a year: Stripe and OpenAI's Agentic Commerce Protocol, Google's Universal Commerce Protocol developed with Shopify and other retail partners, the Agent Payments Protocol and Agent2Agent all arrived between April 2025 and early 2026, with the Linux Foundation convening an Agentic AI Foundation to work on interoperability, identity and payments.¹⁴ These are the rails on which agentic commerce will run. They are being specified almost entirely by US platforms, and the UK is currently a rule-taker in a standards process that will determine which British sellers are visible in an AI-mediated market.

A large retailer has a product information management function and, increasingly, someone whose job is agent visibility. A sole trader selling handmade goods from a spare room does not, and is unlikely to have been told that any of this matters. The gap is less about capital than about awareness and default settings. Over a million Shopify merchants were enrolled into ChatGPT Shopping and Google AI Mode through the platform itself, without individually opting in.¹⁵ For many small sellers, marketplace and platform infrastructure is the only realistic route to being legible to an agent at all, which is a further reason new company formation in UK eCommerce is concentrating there, and a further reason the obligations we place on marketplaces need to be designed with care.

To be transacted by an agent, a seller needs to be identifiable to it and only around a third (35%) of businesses responding to our poll said that they know whether their products appear when a shopper

¹⁴ <https://developers.googleblog.com/under-the-hood-universal-commerce-protocol-ucp/>

¹⁵ <https://www.shopify.com/news/agentic-commerce-momentum>

asks an AI assistant for a recommendation. The stat diverged by business size dramatically: 34% of SMEs said they knew, compared with around seven in ten large businesses.

The emerging protocols all assume some way of establishing that a counterparty is a real, accountable business, the Financial Services AI Adoption Plan calls this a "Know Your Agent" standard on the agent side. There is no equivalent on the seller side, and the UK has no reusable, verifiable credential a small business can present. Today the answer is that the marketplace vouches for the seller, which further concentrates new sellers onto platforms and further raises the stakes of the obligations we place on them.

A decade of digital adoption policy has been built around getting small businesses online, and that framing is now out of date. Being online is no longer the same as being findable. If the ambition is for UK SMEs to be the most digitally capable in the G7 by 2035, the measure has to include whether their products can be read, compared and bought by a machine, not just whether they have a website. The discovery layer has moved considerably faster than the transaction layer. That mismatch is where policy now has work to do.

Case Study: Vortex IQ

Vortex IQ is a startup based in Brentford, London, that calls itself "the AI workforce for ecommerce". It was founded in 2023 by a team that had spent more than a decade running Shopify, BigCommerce and Adobe Commerce stores for agencies. Co-founder Susant Patro is CEO. Sure Valley Ventures and Techstars back the company. It was one of twelve startups picked for Microsoft's UK GenAI Accelerator and ranked 16th in the 2026 RetailTech 50. It is a BigCommerce Elite Technology Partner and an Adobe Silver Partner.

Instead of a single chatbot, Vortex IQ runs six specialist teams of AI agents across a retailer's store. They cover store health, search and AI visibility, advertising, the shopping experience, code changes and migrations. The agents find problems, work out the cause and prepare a fix, then carry it out once a person approves it. Its customers include UK retailers White Stuff, Cass Art and Richer Sounds.

Its health checks answer the question most small sellers in this report cannot: can an AI shopping assistant read the store at all? One fix the company documents is a change to a store's robots.txt file, a few lines of settings that had been blocking AI crawlers. A store with that setting is online but invisible to an agent, and nothing on the shopfront would tell the owner. Its store health team (Pulse) found the problem and its development team (CodeCraft) applied the change after approval. A separate visibility team (Beacon) then makes product pages easier for search engines and AI shopping assistants to understand.

How it is built matters for policy too. By default, nothing changes on a live store without a person's sign-off. Where a merchant pre-authorises a routine task, the limits are set in advance and every action is recorded. The agents never hold the store's login details, every change goes through one control point, and an undo point is kept where the platform allows it. That is a working commercial example of what the Mills Review says is missing: a way to check an agent's authority and to revoke its access. It also shows how wide the gap is. A large retailer can buy an AI workforce to keep itself visible to agents, while a sole trader relies on whatever settings their platform chose. Making machine-readability spending eligible for a tax-based adoption incentive would help close that gap.

Trend 3: Live Commerce

Live commerce is the sale of goods through real-time video, where a seller presents products on camera while viewers can ask questions and buy. The format of live selling is not new, and has its roots in the market square. Technological innovation migrated this interaction to television shopping channels, which have sold this way for forty years. What has changed in recent years is that you no longer need a TV channel to go live and the audience can now engage in real time and complete the purchase in seconds within one platform. Independent high-street shopkeepers, collectors turning a passion into a business, and direct-to-consumer brands broadcast directly to audiences using platforms like Whatnot, Tilt, and eBay Live.

The growth in live commerce is attributable to a combination of commerce and community. Buyers and sellers are able to engage with one another, increasing trust, and more closely replicating the experience of walking into a high street shop. For sellers, an onslaught of engaged customers wanting to buy has meant big profits for businesses who either relied on someone walking into their shop or finding their item listing. With live commerce, the engagement is part of the sales experience.

Digital live commerce as we know it today emerged in China ten years ago in 2016, pioneered by the fashion platform Mogujie and popularised the same year by Alibaba, which built Taobao Live into its Singles' Day shopping festival. It took until 2019 to reach the mainstream there. By the end of 2020, live commerce accounted for 10.6% of China's online retail market and had 388 million users, close to 40% of the country's internet population.¹⁶

Today, the popularity of live commerce is global. Across the EU, live commerce is growing with a focus on high-touch customer service, brand authenticity, and localised integrations hosted on brand websites.

The UK has emerged as the principal European bridgehead for live shopping.¹⁷ Fuelled by high smartphone adoption and a strong mobile shopping culture, UK consumers are embracing platform-native live commerce faster than their continental neighbours.¹⁸ The market expanded from \$4.3 billion in 2025 toward a projected \$5.5 billion in 2026, holding a 2.5% global market share, driven by established segments like fashion alongside high-growth niches like health and wellness.¹⁹ By 2033, the market is set to hit \$41.2 billion, compounding at 33.5% annually to become Europe's top revenue generator.

Fashion and apparel served as the foundational entry point, generating the largest overall segment revenue in 2025 due to the natural alignment of visual styling, fit demonstrations, and limited-time product drops with live video formats. Additionally, live commerce lends itself naturally to sustain other trade verticals that traditional eCommerce has traditionally struggled with. Resale, antiques, collectibles and handmade goods turn on items that are unique, vintage or hand-finished, which are challenging to sell from a product page and well-suited to a seller explaining them on camera. This transition indicates

¹⁶

https://www.chinaeu.eu/wp-content/uploads/2021/11/2021-China-Livestreaming-Ecommerce-Industry-Report_Final.pdf

¹⁷ <https://www.grandviewresearch.com/horizon/outlook/live-commerce-market/uk>

¹⁸ <https://www.imarcgroup.com/uk-online-retail-market>

¹⁹ <https://www.grandviewresearch.com/horizon/outlook/live-commerce-market/uk>

that UK consumers are increasingly using live shows where they can ask questions directly and get answers in real-time to evaluate higher-consideration verticals, relying on the expertise of a seller they can directly interact with and visual reputation to build trust.

Our data suggests the format has travelled further into the mainstream than the sales figures alone imply. 13% of UK consumers have bought something during a live video stream. A further 27% have watched one without buying, and 29% have heard of the format without watching. Only 27% had never heard of it before being asked. That is a substantial base of awareness for a format that barely existed in the UK four years ago.

Intent is more cautious, but reflects different appetite across demographics: 29% of all consumers say they are likely to buy something through a live video in the next twelve months, against 63% who say they are unlikely. However, beneath the surface, there is significantly higher demand among young consumers.

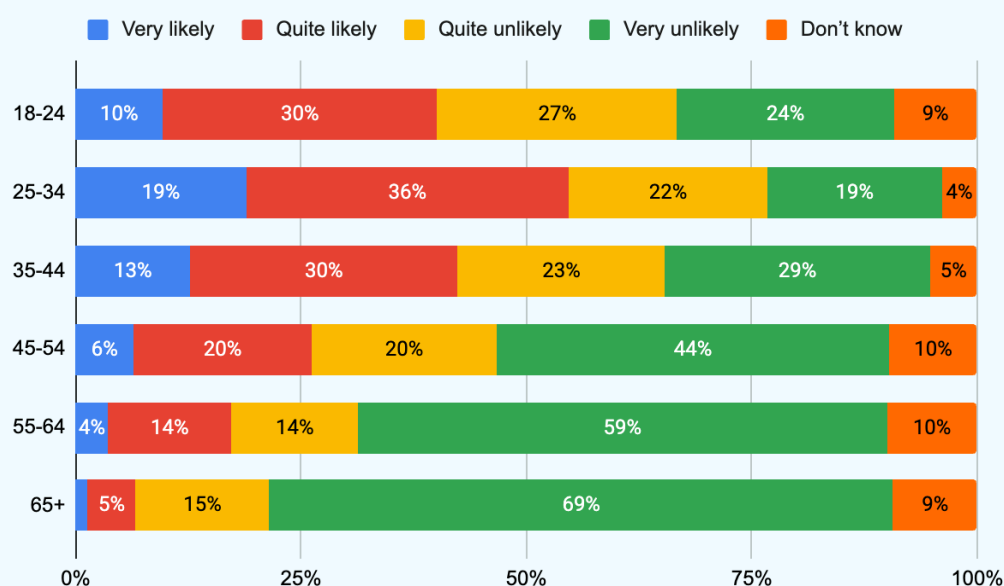


Figure 15, How likely are you to buy something through a live video in the next twelve months?

On the selling side, 6% of all UK adults have sold something through a live video stream in the last twelve months, the same proportion as sell through their own website. Given how much longer the latter has existed, that is a striking comparison, and it says something about how low the barrier to live selling has become.

Finally, while live commerce can take many forms, the impact on local communities and how the buyer engages with businesses varies based on business model. In some cases, the person on screen is the merchant of record: they own what they're selling, price it, answer questions as they go, pack it and post it, and carry the legal obligations of a seller, from consumer rights to product safety. That is what makes it feel like walking into a shop rather than watching an advert. Other models are closer to influencer marketing, where a creator promotes a brand's products for a fee, a cut of sales, or an affiliate link. There, the person on screen is an advertiser rather than a seller: they rarely hold the stock, set the price or ship the order, and the viewer's contract sits with a brand they may never speak to. The two models raise the same core policy question: who is accountable to the buyer, and is that clear and known to them at the point of purchase? In the first, accountability sits with the seller the viewer can see and hear.

In the second, it sits with a brand off screen, so the policy focus is on making sure viewers understand who they are buying from and who they can turn to if something goes wrong.

Case Study: Whatnot

Whatnot is the largest live shopping platform in the UK, Europe and North America. It was founded in the US in 2019, as a platform that originally centred on niche collectibles like Pokémon cards and Funko Pops. It launched in the UK in late 2022 as its first European expansion.

In the UK, Whatnot's rapid growth is driven by deep customer engagement. British shoppers routinely tune in for seller personalities, the community chat function and interactive auctions. Category growth has broadened well beyond collectibles into everyday retail; for example, UK streams for women's fashion alone now draw over 500,000 viewing hours every month.

This model is lowering the traditional barriers to scale for British small businesses and independent merchants. Unlike conventional e-commerce, which requires heavy customer acquisition costs and ad spending to drive traffic to static product pages, live selling enables sellers to build immediate trust on camera. Live selling now accounts for roughly two-thirds of total revenue for UK merchants on Whatnot, and 1 in 8 operate on the platform full-time. UK sellers who stream daily generate an average of £30,000 per month, turning side hustles into full-scale commercial operations.

Their model is generating real-world economic growth across local communities. It continues to play a direct role in boosting small business growth. Globally, nearly a quarter of live-commerce sellers report renting additional physical space, such as commercial warehouses, offices, or storefronts, to manage inventory and host broadcasts. Furthermore, 15% have hired new employees to operate packing stations, manage logistics, and support shows, turning virtual sales into regional jobs and business rates.

UK merchant Oliver's Bullion grew from streaming in a residential bedroom with a single bag of post into a company generating £800,000 monthly, scaling operations to handle hundreds of parcels per stream via formal courier collections. Similarly, resale merchant Wear Deadstock gave two former NHS workers the opportunity to become full-time employers operating out of a dedicated warehouse.

This is the clearest example in the report of the collapse we describe. A live commerce seller who takes commercial space and hires packing staff pays business rates and employs people locally, while potentially not appearing in retail statistics as a high street business. On the current framing they are "online". On the ground they are a small regional employer occupying commercial property. Policy that treats those as opposites will get both wrong.

The Policy Landscape since 2024

The above sections describe a thriving sector on the rise: driving forward economic growth, opportunity and consumer choice across the country. But over the last two years there has been a great deal of policy flux facing eCommerce startups and the broader sector. A pattern runs through it: in each case the Government has identified a real problem, reached for the layer of the market where collection or enforcement is easiest, the platform, and treated the resulting obligation as though it stops there. It does not.

What has changed?

Over the last few years, the Government has turned its attention to instilling more trust in the online economy:

1. The Product Regulation and Metrology Act 2025 gave the Government the powers to rewrite product safety law for the first time in two decades, and three consultations opened in March 2026 to start using them, bringing online marketplaces into statutory scope for the first time, and consulting on a named UK business responsible for higher-risk products and on digital records that travel with a product.
2. The customs treatment of low value imports is being rebuilt to close the gap that lets undervalued goods undercut compliant British sellers.
3. Platform reporting now gives HMRC sight of seller income across every major platform.
4. HMT and HMRC have consulted on making marketplaces responsible for VAT on sales by UK businesses.
5. And through the Financial Services AI Adoption Plan, the Government has committed to a trust framework for agentic payments covering liability, agent identity and machine-to-machine authentication.

Further, while the Government has rejected an online sales tax, the idea keeps resurfacing, and the instinct behind it has migrated to other levers. The Government is proceeding with business rates reform which will impact the economics of eCommerce.

Taken together, this is the most substantial programme of work on the plumbing of online retail that any UK government has attempted, and the direction is right. It is also what consumers are asking for: offered a choice between improving convenience, discovery or trust, 59% chose trust, more than twice the number who chose making it faster and cheaper to buy things. The sector has more to gain from this than almost anyone, because a market where buyers can tell a careful seller from a careless one is a market where British sellers compete well.

So what?

The question is not whether to build this regulatory infrastructure or review how tax applies to different kinds of retail, but whether each piece is designed so the cost falls where intended and the behaviour actually changes. On both, our polling gives the Government two tests.

Test 1: Who really pays

Asked who would end up paying in practice for the overall cost of new product safety requirements, consumers put shoppers first on 35%, then the sellers on marketplaces on 22%, manufacturers on 17%, and the marketplaces themselves last on 16%. Businesses say the same thing, about three different measures.

On three of four measures now in flight (product safety regulations, customs treatment changes, VAT reform and the warehouse multiplier), businesses expect the cost to land on small sellers or shoppers rather than on the platforms the policy names. Only the warehouse rates multiplier is expected to stick near its target, and even there as many respondents expect shoppers to pay as expect the platforms to. Businesses confirm it about their own behaviour: 55% say they would be likely to pass additional product safety costs on to customers. This is not an argument against doing anything but instead an argument for designing measures on the assumption that the cost reaches the smallest seller in the chain, because that is where the people we described above are.

Test 2: Does it really help the high street

Asked how much cheaper an item would need to be in a local shop before they bought it there instead, only 16% of consumers said around 5%. 31% need 10%, 17% need 25%, and 6% need half price. 11% say it would make no difference because they would buy online anyway, and 7% would buy in the shop even if it cost more.

Small price differences can shift some purchases at the margin. But most shoppers say it would take a far larger gap than a point or two to change where they buy. A measure that adds a little to the cost of online selling is likely to raise prices and collect revenue well before it delivers the footfall its advocates hope for.

Applied together, these two tests are not a case against the programme described above, but a case for finishing it properly: measures that build verifiable trust, such as a verified identity behind a listing and, in time, digital product information that works for every retail format, pass both tests, because they make an unknown seller more sellable rather than more expensive.

Brits' views on the changes

Product Safety

The Product Regulation and Metrology Act 2025 gave the Government broad powers to create, amend and enforce product safety rules through secondary legislation. Three consultations opened on 31 March 2026, on the framework replacing the General Product Safety Regulations 2005, on market surveillance and enforcement, and on furniture fire safety. The first two closed on 23 June, with a response still outstanding at the time of this report's publication.

For the first time, online marketplaces were named. A marketplace would have to act with due care to prevent, identify and remove dangerous products; exercise due diligence against repeat offenders; verify seller contact details as a statutory requirement; register a single point of contact with regulators; design its interface so sellers can display safety information; and cooperate with enforcement authorities.

Separately, the Government is consulting on a 'responsible person' requirement: a business established in the UK that holds a product's safety documentation, deals with regulators and can be pursued if something goes wrong. The aim is to close the gap where a product's manufacturer sits overseas, beyond any UK regulator's reach. OPSS proposes applying this only to designated higher-risk product categories, particularly where non-compliant goods enter the UK from abroad.

This is not a UK-first: the EU already imposes safety obligations on marketplaces through the Digital Services Act (DSA) and General Product Safety Regulation (GPSR). The UK and EU are, however, taking different routes. Since December 2024 the EU's GPSR has required an EU-based responsible economic operator for all consumer products. That role falls to the manufacturer, importer or authorised representative where one is established in the EU and, where none is, to the fulfilment service provider handling the goods (a business that warehouses, packs and dispatches goods for sellers). The UK proposes the requirement only for higher-risk products, placed on the seller or producer rather than the marketplace, and would not allow fulfilment service providers to take the role.

A UK seller exporting to the EU is already supposed to have an EU responsible person, so a UK model built on different rules means two compliance processes for one product. However, realities on the ground with this system mean that compliance is inconsistent at best. Our view is that every consumer product should have an accountable UK party that they can turn to when they have a problem, and that it should be as cheap as possible to comply. Three design choices decide whether that works.

The first is who can fill the role. The more kinds of UK business that can act as responsible persons, including fulfilment service providers willing to take it on, the more competitive and affordable those services will be for small sellers, and the easier it is for a UK exporter to use one provider for both markets. Fulfilment providers should be able to take on the role, not become responsible by default.

The second is scope, and how overseas sellers meet it. A blanket requirement for every overseas seller to appoint a UK responsible person would, in practice, exclude many legitimate non-UK sellers from whole categories without necessarily making products safer. The sellers causing most harm are the least likely to appoint a genuine one, and a platform can check that one has been named, not that they are doing the job. Marketplaces already act as an accountable counterparty, with direct and rapid tools:

suspending accounts, freezing payouts and restricting where goods can be sold. A marketplace that meets a defined accountability standard should be able to stand in, if it chooses to, provided they are accountable only for what they can control. If they don't touch the product, they can't be responsible to verify it, but they can stop that seller from selling again.

Those tools stop future sales, but cannot recall a product already in someone's home, so for a narrow set of the highest-risk goods a named UK responsible person should remain. All of this should sit alongside accountability at platform level: any marketplace with significant UK sales should maintain a responsible UK legal entity.

The third is digital product information. Digital Product Passports could, in time, cut duplication for small sellers and help regulators trace products, and any UK model must work with the EU's so exporters do not run two systems. At present, the model is untested, and the EU's own passport is only beginning to roll out. It is not yet clear how a record stays attached to a product over its life or works for resold goods, and a design that assumes a fixed data carrier attached before sale does not fit live selling or second-hand goods. The UK should learn from the EU's experience before ultimately legislating.

What consumers think

59% of consumers chose trust as the one thing to improve about online shopping, against 27% convenience and 9% discovery, and ranked stronger safety checks first of eight possible futures. 78% would rather have a smaller choice of products they can be confident in than a huge cheap choice and 72% say knowing who they are buying from matters more than speed. This is support for safer outcomes, not a mandate for any particular mechanism, and it does not amount to backing for prescriptive verification obligations on marketplaces. The same consumers draw a firm line at price.

This is good news for the sector. A market where buyers can tell a careful seller from a careless one is a market where careful sellers win, and British businesses are overwhelmingly in the first category. The argument is about where the cost lands, and here the public is equally clear.

The only consequence producing net opposition is higher prices, and tolerance is thin: on a £50 item, 27% would pay nothing extra for the same product safety-checked and another 23% no more than 2% more. A regime whose costs fall on non-compliant imports, timelines and range has public support. A regime whose costs reach domestic prices does not.

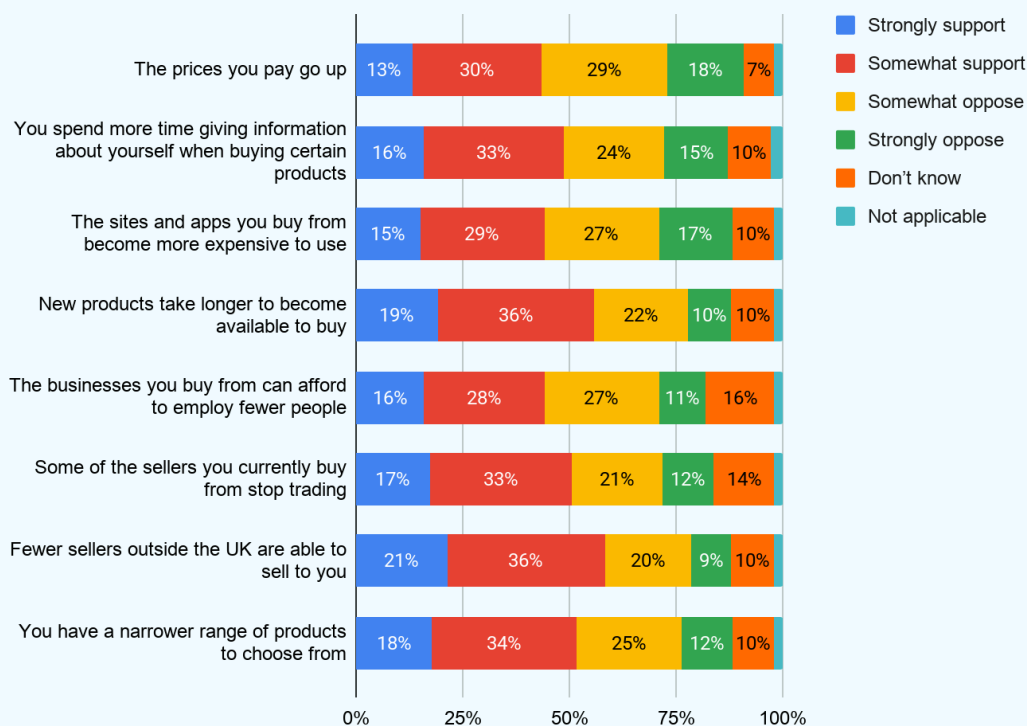


Figure 16, At the moment, if someone buys an unsafe product online, the legal responsibility mostly falls on the company that made it, the company that brought it into the UK, or the shop that sold it. Online marketplaces themselves (for example Amazon, eBay, Etsy or TikTok Shop) are not currently covered by these rules, even when it's a third party seller using their platform. The Government is considering changing this, so that marketplaces would for the first time have their own legal duties to help ensure the products sold on their sites are safe. To what extent would you support or oppose these changes if they meant each of the following for you?

Further, under the proposals, a platform that handles fulfilment could be classified as a distributor, an onward supplier and an online marketplace simultaneously, while a platform that only hosts listings sits in one category. On this the public is close to unanimous: 82% of consumers say two marketplaces selling the same product should face the same obligations regardless of business setup, against 8% who disagree. 67% of businesses agree, against 16%. Furthermore, 31% of businesses think sellers of unsafe products would move to the platforms with fewer checks. The same risk should mean the same safety outcome, not identical processes. A platform that never handles the goods should be able to meet that outcome by different means with equivalent rigour from one that warehouses and ships them.

What businesses think

As was a pattern with our findings, cost is top of mind for businesses when asked about these changes. On the one hand, the picture was encouraging. Most obligations were considered manageable for most businesses, counting those already doing them:

- Supplier records: 68% easy or already done
- Understanding the rules 61%
- Appointing a UK Responsible Person 54%
- Digital product information 53%
- Safety documentation 52%

The costs are real but not prohibitive: 55% expect five hours a month or less of additional staff time and 51% expect direct costs under £500 a month, though 12% expect more than £1,000. However, these are businesses already selling in the UK. A UK-established manufacturer or importer would be the responsible person by default, so the direct burden falls mainly on overseas sellers who are not in our sample, which is where it should fall. The exception is UK businesses whose stock ships to customers direct from overseas suppliers, with no UK importer in the chain.

However, the risk sits in behavioural responses.

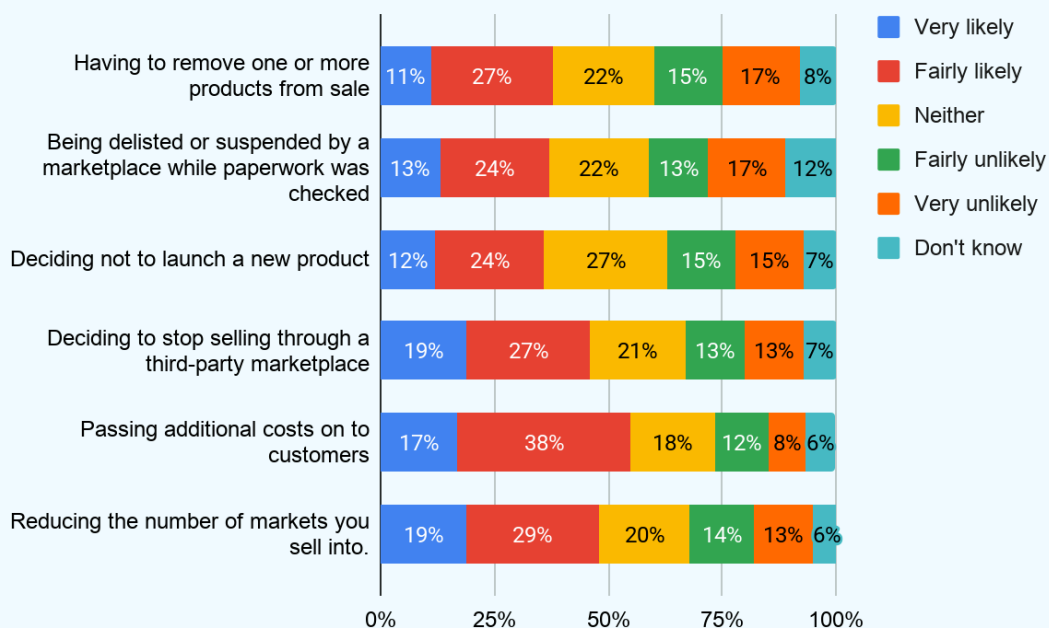


Figure 17, How likely or unlikely do you think each of the following would be for your business if these duties came in? As a reminder, new product safety rules that would place legal duties on online marketplaces for the first time, and require sellers to show safety information on their listings.

Nearly half said they would be likely to stop selling through a third-party marketplace, which is the cheapest route to market for a new business. More than a third expect to be delisted while paperwork is checked, which for a seasonal business is the difference between a good year and a bad one. These are avoidable outcomes: they follow from implementation design like notice periods, proportionate documentation, clear guidance, rather than from the principle of the duties.

Customs

The most consequential tax change for cross-border eCommerce since our last report has attracted the least attention: 48% of businesses have heard nothing at all about it. At Autumn Budget 2025 the Government announced removal of the £135 customs duty relief, and after consultation brought the date forward from March 2029 to October 2028, on the basis that low value consignment volumes have trebled in two years. The emerging shape is a dedicated regime for sub-£135 consignments with a reduced data set, unique reference numbers and quarterly duty, with simplified tariff 'buckets' and an in-country representative under consideration. Import VAT is unchanged and the measure should raise around £600 million a year. The EU replaced its €150 relief with a flat €3 duty per item category from 1 July 2026, transitional to July 2028, and the US removed its \$800 de minimis exemption in August 2025.

We support this reform. The asymmetry people attribute to 'online' is, in the cases generating most political heat like cross-border undervaluation and non-compliance, better addressed at the border than through a tax on domestic digital selling. Unlike an online sales tax (OST) it distinguishes between business models rather than channels, and businesses expect it to help more than hurt: 34% expect a positive effect against 25% negative.

The risk is compliance design rather than the duty rate. 39% of the businesses we polled sell to EU customers and 37% buy from EU suppliers, and many import their own stock in small consignments. An in-country representative, per-consignment reference numbers and quarterly duty accounting are routine for a logistics operator and materially harder for a two-person business importing forty parcels a month. The secondary legislation is where this will be settled. The traffic also runs the other way. Since July, UK sellers shipping low-value parcels to EU customers have faced the EU's flat duty, with an EU-wide handling fee expected from November and carriers adding their own customs and brokerage surcharges on top. For many small exporters those surcharges are now a significant and often overlooked cost.

VAT

HMT and HMRC's consultation on extending VAT online marketplace liability to combat non-compliance, which closed on 18 August 2026, proposed extending the deemed supplier rule so marketplaces become liable for VAT on sales by UK-established businesses. Since 2021 the rule has applied to imports of £135 or less and to goods in the UK sold by overseas sellers; extending it to domestic sellers goes further than the EU's ViDA package.

The Public Accounts Committee concluded in February 2025 that HMRC had under-estimated VAT evasion in online retail, and 50% of businesses we surveyed said they lose sales to online sellers who do not pay the VAT they should. Compliant British businesses are the ones being undercut, so we support the objective of the reform. The question on implementation is the threshold.

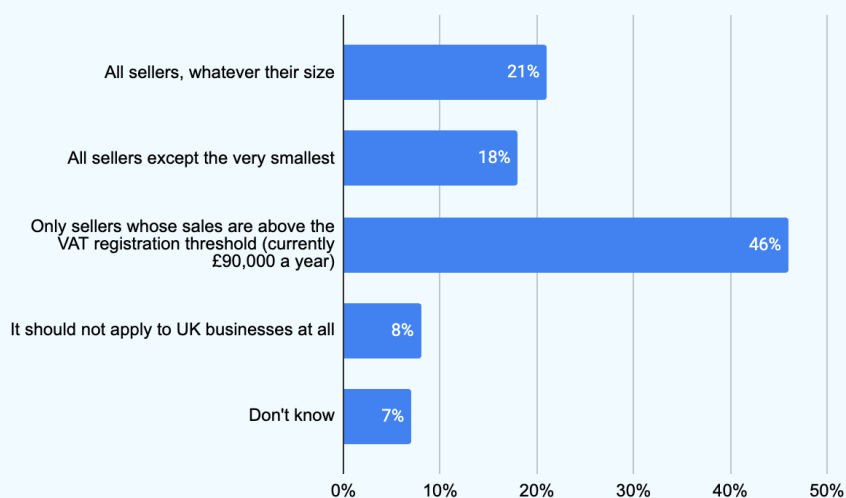


Figure 18, If marketplaces became responsible for collecting VAT on sales by UK businesses, which comes closest to your view on which sellers this should apply to?

Nearly two-thirds want a small-seller carve-out, and only 8% want the proposal dropped. Businesses also support keeping zero-rated goods zero-rated (76%) and leaving second-hand goods out with clear checks (71%). The VAT registration threshold exists to spare the smallest businesses the administrative

burden of registering and filing. The extension would not change that: a seller below £90,000 would still not need to register. What changes is who accounts for the tax. Where a marketplace is the deemed supplier, it charges VAT on the sale, so goods sold by a sub-threshold seller through a marketplace carry VAT that the same sale through the seller's own website would not. Depending on how protections are drawn, that is a price penalty on the cheapest route to market for a new seller.

Any threshold also has to be designed against abuse. If it is applied per platform, or can be dodged by splitting a business or closing and reopening it, it hands an advantage to exactly the non-compliant sellers this reform targets. The answer is a threshold assessed on a seller's total taxable turnover across channels, verified using the platform reporting data HMRC already receives and, in time, a verified business identity such as that we advocate for separately in our BizPass report.²⁰ Practically, this will also require a means for marketplaces to verify a seller's taxable turnover: HMRC must provide a mechanism for them to do this.

AI

The FCA published the Mills Review on 6 July 2026, the first review of its kind initiated by a regulator anywhere, finding that around a fifth of UK adults are likely to use AI acting autonomously within pre-set goals. It does not recommend AI-specific regulation, finding the UK's principles-based framework a credible foundation. But it is explicit that the infrastructure to let agents safely execute pre-authorised instructions does not yet exist, and that without mechanisms to verify an agent's authority or revoke its access, a single high-profile failure could do lasting damage to consumer trust.

On 14 July 2026, alongside Mansion House, the Financial Services AI Adoption Plan recommended that Government use HMT's payments consultation to establish a trust framework for agentic payments resting on three pillars: dispute mechanisms assigning accountability unambiguously, a Know Your Agent standard for verifying agent identity, and interoperable standards for machine-to-machine authentication. Government has accepted all ten recommendations directed at it. Published the same day, HMT's Modernising Payment Services Regulation consultation asked whether consent, authentication and liability rules remain appropriate when a payment is initiated by an AI agent. Our polling supports the direction of this plan. What consumers named as making them comfortable are dispute mechanisms, liability allocation and verification.

The problem is the timetable. Under the Payments Forward Plan, HMT responds in Q4 2026, FCA consultations run through 2027 and 2028, and the regime comes into force by the end of 2028, a date several observers expect to slip. The protocols shipped in 2025 and 2026, and over a million Shopify merchants are already enrolled into agent-facing surfaces. A UK trust framework arriving in 2029 or later will not shape that market.

The UK has an unusually strong hand: the FCA's AI Lab, a mature Open Banking framework, the Data (Use and Access) Act and nearly 1,200 authorised payments firms. The gap is pace, not capability.

²⁰ https://api.startupcoalition.io/u/2026/08/BizPass_Final.pdf

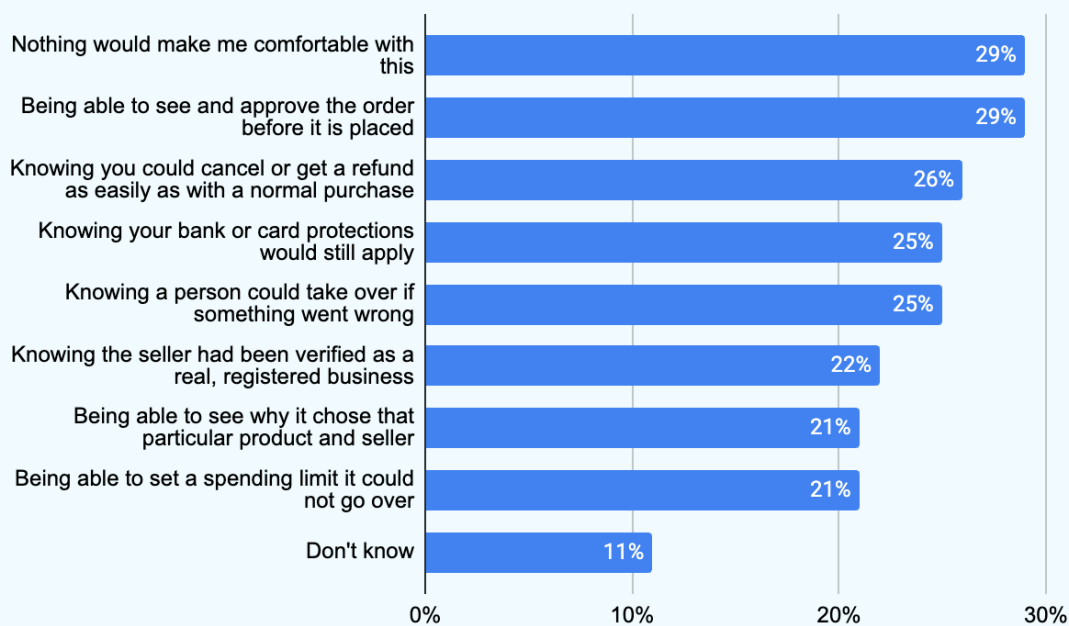


Figure 19, What, if anything, would make you more comfortable letting an AI assistant buy something on your behalf?

Business Rates

HMT's February 2022 consultation on an online sales tax raised concerns over complexity and cost, the Government announced at Autumn Statement 2022 that it would not proceed, and it has shut the idea down whenever it has been raised since, which we agree with. Defining an 'online sale' would be too difficult: would ordering a drink through a pub's QR code to your table count? Any perimeter would be arbitrary. Many physical retailers now sell online, so a tax on online sales is also a tax on the shops expanding their businesses.

Instead, the Government proceeded with business rates reforms elsewhere to rebalance the tax burden between in person and online. From 1 April 2026 the Government replaced temporary retail, hospitality and leisure discounts with a permanent five-multiplier system. Two lower multipliers apply to Retail, Hospitality, and Leisure properties under £500,000 rateable value, funded by a high-value multiplier of 50.8p on properties at or above it. Government figures put the additional take from around 1,900 distribution warehouses at £270 million across 2026-27 to 2028-29, against £390 million of reductions for pubs and restaurants. In July 2026 the Prime Minister announced a further 20% cut for pubs, social clubs and live music venues from April 2027, and has signalled he wants to go further at the Budget in October.

This is welcome, and our polling showed that businesses want thriving high streets: 47% of businesses without premises have considered taking them on, and 13% are actively looking. The opportunity being missed is that relief calibrated by rateable value is a discount for businesses already in premises, leaving flexible lets, pop-ups and digital-native brands without a clear path in. We now know what would change that.

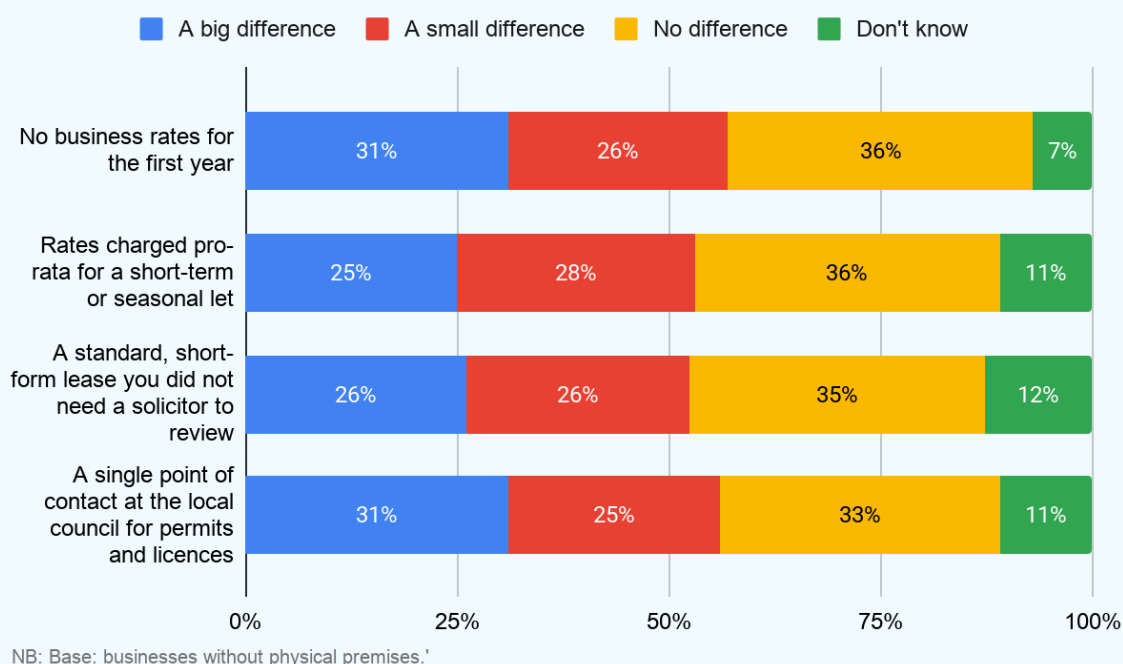


Figure 20, How much difference, if any, would each of the following make to whether your business took on a high street unit?

Asked directly: if business rates were waived for the first year, a third (33%) of businesses without premises say they would be likely to take a high street unit within two years, or are already planning to. There is a supply of businesses that want units, public demand for exactly those businesses, and a first-year cost barrier between them.

The warehouse multiplier's design flaw is the one we identified in 2024: it distinguishes between building sizes, not business models. Omnichannel retailers, third-party logistics providers serving hundreds of small merchants and pureplay sellers draw on the same estate, and a levy there passes down to the sellers renting capacity within it, including the live commerce sellers taking on commercial space and hiring staff.

A Blueprint to Get Every Postcode Selling

The evidence in this report demonstrates that online retail is a fast-moving, dynamic sector, and one that empowers commerce and enterprise across the UK. It is also where the advent of AI can be felt most immediately in the everyday economy, by consumers and small businesses across the country. But we have also, unambiguously, described a set of headwinds facing firms in this space, arriving simultaneously and without coordination, while the goal of sustaining the high streets that anchor our communities remains critical, and remains short of creative solutions.

Below we set out tangible actions the Government should take to realise the potential of eCommerce so that every postcode benefits, alongside measures to begin meaningfully re-igniting high streets across Britain.

Step 1: Get product safety reform right for new and innovative eCommerce companies

The ask: bringing online marketplaces into scope under the Product Regulation and Metrology framework is a necessary step, but the secondary legislation must be designed to support rather than stifle domestic retail innovation.

Government must:

1. Adopt an outcomes-based due care standard rather than prescriptive pre-publication checks. Rules written for static catalogues cannot be applied unchanged to live commerce, peer-to-peer resale or agentic purchasing. Mandating pre-publication verification of every listed item is operationally impossible for platforms built around real-time streaming or micro-sellers. Compliance should be judged on whether a platform's systems reasonably prevent harm. Live formats should be able to discharge due care through seller gating, category restrictions, seller education and rapid takedown, rather than pre-stream checks.
2. Set one safety standard, met in ways matched to size, control and risk. Every marketplace selling the same product should meet the same safety outcome, though liability should rest with the actor with control. What scales with platform size, control over listings and product risk is how it is met: the evidence accepted, onboarding timelines and access to shared or third-party compliance services. A different method that delivers the same protection should count as compliant. A marketplace that neither makes, handles nor takes title to goods should not carry a producer's liability for them. Civil monetary penalties should scale with annual turnover, following the ICO's GDPR enforcement model, so that sanctions deter global platforms without posing an existential threat to an early-stage UK startup for an administrative error.
3. Phase in procedural obligations for new marketplaces. New and smaller marketplaces should meet the same core safety duties from day one, but what should be tiered is the activity expected to discharge them. Procedural obligations, such as formal registration and systems access for regulators' monitoring tools, should be phased in and dischargeable through simpler routes below a defined size or risk threshold.
4. Keep the framework aligned with the EU GPSR unless there is a clear reason to diverge. The EU already imposes safety obligations on marketplace providers through the Digital Services Act and the General Product Safety Regulation. A UK regime materially heavier than the EU's does not level a playing field; it tilts one against the UK platforms that must comply with both. UK sellers exporting to the EU already comply with the GPSR. The UK should match the EU on how responsibility is structured, including which operators can act as responsible persons, so that one compliance route serves both markets. The UK should also follow the EU's lead on digital product information rather than build an incompatible system first. Where the UK deliberately diverges, as

we propose on how overseas sellers can meet the accountability requirement, the Government should publish its rationale and the expected cost to UK sellers.

5. Require an accountable UK party for every consumer product, reached through more than one route, with accountability matching what is possible for a given player. Close the gap left by a higher-risk-only scope, without a blanket requirement that excludes legitimate overseas sellers:
 - By default: a UK-established manufacturer or importer is the accountable party. Most UK businesses need do nothing more.
 - By appointment: any UK-established operator can act as responsible person, including an authorised representative or a fulfilment service provider that agrees to take on the role. That would let a competitive market in affordable responsible person services develop, and let UK exporters use the same provider in both markets.
 - Through a marketplace: an overseas seller, or a UK business whose stock ships direct from an overseas supplier, can rely on a marketplace that meets a defined accountability standard. That standard should cover verified seller identity; the power to suspend accounts, freeze payouts and restrict sales; and the ability to contact buyers and support recalls. The route should be opt-in for platforms, not a new default duty.
 - For the highest-risk goods: keep a named UK responsible person mandatory for a narrow, published list of categories where the potential harm is serious, because platform tools cannot recall products already sold.

Platforms should not delist UK sellers who are the responsible person by default while their details are checked. Exempt second-hand and peer-to-peer sales. OPSS should review the regime three years after it comes into force, against UK enforcement evidence and the EU's experience under the GPSR.

6. Verify that responsible persons are real and able to do the job. Naming a responsible person is not enough. Regulators and supply chain partners need confidence that it is a legitimate, identifiable UK business able to hold documentation, respond to regulators and act on recalls. Verification should be shared across the supply chain: manufacturers and importers should provide and maintain the information, rather than leaving it to marketplaces that cannot see a product's full history. Checks should be proportionate, and it should be possible to complete them once through a reusable verified business identity such as BizPass, rather than repeating them on every platform.
7. Legislate the UK presence requirement for high-volume overseas platforms, and resource joint OPSS-HMRC enforcement at the border. Any marketplace with significant UK sales volumes should maintain a responsible UK legal entity accountable for product safety on its platform, backed by removal orders and powers to require suspension of repeat offenders. The influx of unsafe goods is driven primarily by overseas vendors selling through platforms with minimal UK regulatory presence. The enforcement consultation already canvasses this and canvasses treating an overseas seller as the producer where there is no UK-established manufacturer, representative or importer. Both should survive into the final framework. Enforcement resources should follow the risk rather than the ease of collection. This obligation sits with the marketplace, not its individual sellers.
8. Fund the OPSS innovative product advice centre and regulatory sandbox properly, and open them to new commerce formats. OPSS is already developing a support offer for innovative

businesses. It should be scoped explicitly to cover live commerce, resale and agent-mediated sales, and should be able to give a startup a binding view before launch.

9. Support Digital Product Passports in principle, but follow the EU rather than lead. Digital product information could cut admin for small sellers and help regulators trace products, and any UK model must be interoperable with the EU's so businesses do not run two systems. But the EU's own passport is only beginning to roll out, and key questions remain untested: how a record stays attached to a physical product over its life, how it works for resold goods, and whether a central database can realistically be kept up to date. The Government should learn from the EU's implementation before introducing a domestic requirement, and should pilot with industry first. Whatever it decides, two design principles should apply now:
 - Format neutrality. The framework must work for every retail format. Live and real-time sellers who convey product information directly should not be required to rely on a fixed data carrier attached before sale.
 - Proportionate treatment of second-hand and surplus goods. Where second-hand, refurbished, overstock or returned goods no longer have a working data carrier, sellers should be required to describe accurately what they know, not to recreate a record they cannot access.
10. Let seller verification be discharged through a reusable credential. The proposals make verification of seller contact details a hard statutory requirement. Where a seller holds a verified business identity credential, presenting it should satisfy the platform's verification duty. This lowers cost for the platform, removes repeated friction for the seller, and produces better data for the regulator than free-text contact fields.
11. Clarify the treatment of second-hand, refurbished and C2C goods. Resale is now a mainstream category and a significant route to new business formation. It also keeps products in use for longer, supporting circular economy goals. The framework should be explicit about where a private seller ends and a business begins, about producer obligations for goods placed on the second-hand market and surplus, overstock and returned goods, where sellers often lack original manufacturer information and should be required to describe accurately what they know.

Step 2: Clear the road for the UK to be a world leader in agentic commerce

The ask: the discovery layer has moved faster than the transaction layer, and the UK's regulatory timetable is slower than both. Pull it forward, and get Britain into the standards process before the defaults harden.

Government must:

1. Accelerate the payments timetable. Under the Payments Forward Plan, the FCA's consultations and policy statements on the replacement regime are timetabled for 2027 and 2028. That is too slow for a market where the infrastructure layer was built between September 2025 and early 2026. The Government should bring forward the agent-specific elements, including consent,

authentication, and liability for unauthorised transactions where a payment is initiated or managed by an agent, as a discrete, earlier workstream rather than waiting for the full package.

2. Deliver the agentic payments trust framework in this Parliament, with all three pillars. The Financial Services AI Adoption Plan's Recommendation 10, including legal constructs and dispute mechanisms that assign accountability unambiguously, a Know Your Agent standard, and interoperable technical standards for machine-to-machine authentication, has been accepted by the Government. It needs a delivery date and a named owner.
3. Deliver commercial variable recurring payments at pace. The Modernising Payment Services consultation proposes a new right of access for variable recurring payments and new FCA powers under the Data (Use and Access) Act 2025. cVRP is the most plausible domestic rail for agent-initiated purchasing: it is account-to-account, it supports granular, revocable mandates, and it is cheaper for small merchants than card. Delay here does not produce a neutral outcome; it produces an agentic commerce market that runs on card rails specified elsewhere.
4. Give the UK a seat at the standards table. The Agentic Commerce Protocol, the Universal Commerce Protocol, the Agent Payments Protocol and Agent2Agent are being specified almost entirely by US platforms, with the Linux Foundation convening work on interoperability, identity and payments. The UK is currently a rule-taker in a process that will determine which British sellers are visible in an AI-mediated market. The Government should fund UK participation through the relevant standards bodies and with the FCA and BIST represented, and convene a UK Agentic Commerce Standards Group bringing together platforms, payment providers, retailers and SME representatives.
5. Extend regulatory sandboxing to agentic commerce. The FCA's AI Live Testing and AI Lab should be explicitly available to firms testing agent-initiated retail payments, with a cross-regulator route that includes the CMA, ICO and OPSS so a firm does not have to run four separate conversations.
6. Resolve liability before the first failure, not after it. The Mills Review is explicit that the practical infrastructure to let agents safely execute pre-authorised instructions does not yet exist, and that without mechanisms to verify an agent's authority or revoke its access, a single high-profile payment failure could do lasting damage to consumer trust. The Government should set out how existing consumer protections, including section 75, chargeback and the APP fraud reimbursement regime, apply when an agent transacts, and legislate where they do not.
7. Bring the perimeter question to a conclusion. The Review recommends that the FCA examine, within three to six months, the scale and impact of general-purpose large language models operating outside the regulatory perimeter. For agentic commerce this is the central question: the assistant shaping a purchase decision is, in most cases, not a regulated entity at all. The FCA should publish its findings on a stated date, and the Government should say what it will do with them.
8. Apply consumer protection law to agent-mediated surfaces. The Digital Markets, Competition and Consumers Act's provisions on fake reviews and drip pricing were written for a human reading a page. Government and the CMA should confirm how they apply when the interface is a conversational agent, and how a consumer exercises rights against a recommendation they never saw the source of.

Step 3: Bring High Streets into the 21st Century

The ask: the Government's High Streets Strategy and associated rejuvenation funding should target the physical infrastructure distortions that are actually holding high streets back, rather than relying on digital penalties that our polling shows will not move shoppers.

Government must:

1. Rule out an online sales tax for the remainder of the Parliament, in terms. The Government has rejected an OST twice on the same grounds. A clear statement at the 2026 Budget that it will not be revisited would remove a recurring source of investment uncertainty for a sector employing almost 400,000 people across every region of the UK.
2. Publish an incidence analysis for the higher business rates multiplier on distribution warehouses, and exempt shared fulfilment capacity used by SMEs. Fulfilment infrastructure is shared: omnichannel retailers, third-party logistics providers serving hundreds of small merchants, and pureplay sellers all draw on the same estate. A levy at that layer is passed to the sellers renting capacity within it. At minimum, the higher multiplier should not apply to floorspace let to third-party logistics providers servicing SME sellers, and the Government should publish what proportion of the yield it expects those sellers to bear.
3. Reform business rates for prospective tenants, not only incumbent ones. The April 2026 five-multiplier system and the further cut for pubs, social clubs and live music venues from April 2027 are welcome, and our ecosystem wants thriving high streets. But relief calibrated by rateable value is a discount for businesses already occupying premises. The following would lower the barrier to entry:
 - Short-term and pro-rata relief for pop-ups and seasonal ventures, so a temporary occupier pays rates reflecting their temporary occupation, and landlords letting to short-term ventures, test stores or community initiatives are not penalised for doing so.
 - A first-year high street relief for digital-native businesses taking their first physical unit, mirroring the logic of Small Business Rates Relief grace periods but applied at the point of entry rather than expansion.
 - Usage-based assessment for mixed-use and hybrid premises — co-working by day and retail by night, cloud kitchens, click-and-collect and micro-fulfilment hubs — so that innovative operating models are not assessed as though they were something else.
 - Technology adoption discounts and dynamic revaluation for properties integrating automation, IoT-enabled logistics or micro-fulfilment, so that improving a unit does not immediately increase its bill.
 - Extend improvement relief to cover fit-out and plant that enables omnichannel operation.
 - Targeted incentives for vacant space, to bring empty units into experimental or temporary use.
 - "Innovation zones" on high streets, offering rate discounts for activities that revitalise local economies and align with sustainable urban development.

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4. Make High Street Rental Auctions work for digital-native tenants. The powers exist; take-up depends on whether a small online brand can realistically take a unit. A standard short-form lease, a published fit-out cost expectation and a single point of contact in the local authority would do more than the auction mechanism itself.
 5. Pilot a Future High Streets Hackathon. As called for in our previous report, modelled on Singapore's Build for Good programme, a month-long civic hackathon followed by an accelerator for winning teams would empower local communities to identify pressing challenges, prototype solutions and support startups addressing future high street needs. This should be attached to the High Streets Strategy and funded from existing rejuvenation budgets rather than as a new programme.
 6. Use a verified business identity to cut the cost of getting onto a high street. Licensing, permits, market stall registration, temporary use consents and rate relief applications each require a business to evidence its existence and standing separately, to a local authority with no way of checking quickly. A reusable credential, as outlined in our BizPass report would make short-term and pop-up occupation administratively cheap for both sides.

Step 4: Deliver G7-leading digital and AI adoption for UK SMEs

The ask: the SME Digital Adoption Taskforce set the right ambition, for UK SMEs to be the most digitally capable and AI-confident in the G7 by 2035. Two years on there is a real but very small programme, no financial support, no timetable for any, and no minister who owns it.

Government must:

1. Introduce a tax-based digital and AI adoption incentive. We have consistently argued that voucher schemes are less effective than tax incentives Help to Grow: Digital redeemed fewer than 1,000 vouchers against a 100,000 target, and the reason was design, not absent demand. A tax-based incentive, on the model of the Australian Small Business Technology Investment Boost, reaches businesses through the advisers they already use. The updated version of this ask should cover AI tooling and the machine-readability investments described in this report, including product information management, structured data, API integration, not only accounting and CRM software. The cross-government evidence review referenced in the June 2026 progress update should conclude with a scheme design and a date.
2. Name the minister. The Taskforce's second recommendation, accepted by Government, was to appoint a minister accountable for SME digital and AI adoption. The July 2026 reorganisation left that accountability split across three departments. Government should now name a single minister, in the new business department, working jointly with the Cabinet Office on AI, with a published remit covering SME digital adoption, AI adoption and digital inclusion for business.
3. Redefine "digitally capable" to include machine readability. DESI-equivalence measures website presence, cloud use, e-sales and connectivity: the previous decade's definition. It is entirely possible to hit the G7 target on those metrics while UK small businesses become steadily less visible in AI-mediated commerce. Whatever benchmark replaces DESI-equivalence should

include structured product data, API accessibility and support for the emerging commerce protocols. ONS should add the relevant questions to the Business Insights and Conditions Survey alongside the cloud computing questions already added.

4. Publish the support alongside the mandate, not after it. The e-invoicing roadmap due at the 2026 Budget is the last clear opportunity to get this right, because it has a long lead time and a fixed date. Government is now, by some distance, the largest single driver of digital adoption among UK SMEs, and it is driving it through compliance mandates. Publish the support package at the same fiscal event, and design it so that the same software purchase serves both the compliance requirement and the growth case.
5. Realign the digital skills offer post-reorganisation. The AI Upskilling Fund referenced in the June 2026 update sat in a department that no longer exists. Confirm where it now sits, and ensure the DCMS digital inclusion remit and the business department's SME support are joined at the point of delivery, not merely at the point of policy.
6. Build BizPass. Create a reusable, government-backed business digital identity credential, so that a UK business verifies itself once and can present that verification to any platform, regulator, bank or counterparty that needs it.

Step 5: Make the compliance stack survivable

The ask: several major compliance changes are landing on online sellers inside the next few years, each designed in isolation. Nobody in Government owns the total. Somebody should.

Government must:

1. Publish a cumulative impact assessment for online sellers. Covering, at minimum: Making Tax Digital for Income Tax (phasing from April 2026 through 2028); e-invoicing (mandatory from April 2029, roadmap at the 2026 Budget); platform reporting under the OECD rules; the proposed marketplace VAT liability extension; the new product safety duties and seller verification requirements; the low value imports regime from October 2028; and packaging EPR. Each is defensible alone. The assessment should model the combined cost for a representative two-person marketplace seller.
2. Design the low value imports regime for the small importer. Many British eCommerce startups import their own stock in small consignments. A regime requiring an in-country representative, per-consignment reference numbers and quarterly duty accounting is routine for a logistics operator and materially harder for a two-person business importing forty parcels a month. The secondary legislation should include a volume threshold below which the in-country representative requirement does not bite, simplified tariff buckets a non-specialist can apply, and a free digital declaration route.
3. Use a marketplace-seller persona in the small business impact test. The standard SME test assumes a business with employees, premises and an accountant. A large and growing share of the businesses affected by these measures have none of the three.

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4. Set any marketplace VAT liability threshold on a seller's total turnover across channels, and ensure zero-rated goods remain zero-rated under marketplace collection.
 5. Align UK timing with the EU's permanent regime once the date is confirmed. Pair it with early secondary legislation and guidance for small importers, and minimal data divergence for UK–EU low-value trade.