



# Boosting UK exports:

helping businesses expand overseas

Report 2016

**Simple Personal Fair**  
What a bank should be

 **Santander**



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# Introduction

The UK government aims to help businesses export £1 trillion of goods and services by 2020<sup>1</sup>. This is a challenging goal, but well worth striving for: increasing exports will support growth across the UK, and have significant benefits for the companies involved.

Research by Santander<sup>2</sup> suggests that an exporting company is four times less likely to default on loans, and 48 per cent of companies who trade internationally report significant increases in return on investment on their products and services.

However, a recent report from the British Chambers of Commerce<sup>3</sup> suggested that it will take until 2034 to double the UK's exports, over a decade later than the 2012 target of doubling trade by 2020.

Small and medium-sized enterprises (SMEs) make up the vast majority of British business, and just over four in five of them do not export at all. Improving SME exports by even a relatively small amount could have a significant impact on the UK's trade balance. In 2012 David Cameron noted that if the proportion of SME exporters increased from just under 20 per cent to 25 per cent it could add £30bn to the UK economy.

Yet even a relatively small shift will require dedicated work and creative thinking from SMEs and their partners in government and the private sector.

The research undertaken by Dods for this report indicates that support is available for SME owners who wish to develop an overseas market. It is often excellent, but it is not always clearly signposted. As well as co-ordinating and communicating this support more effectively, more could be done to encourage and support companies on a practical level, through trade missions and face-to-face connections with other experienced exporters.



Another area which must be addressed if SMEs are to enter new markets is skills. There are several ways in which businesses can tap into the pool of talented graduates and international students in the UK. Higher education institutions, government and private sector partners must work together to make this a reality – the effect of bringing creative, talented graduates and apprentices to help SMEs develop in new markets could be significant.

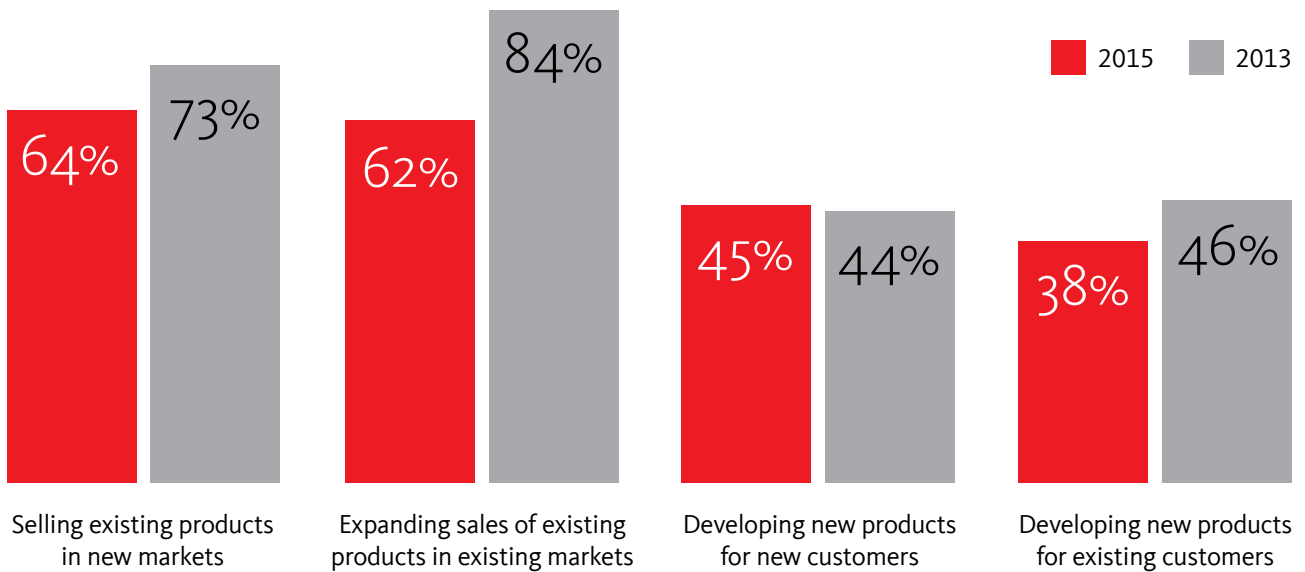
Finally we must not forget the impact of digital transformation. Financial Technology (FinTech) is an increasingly important part of business, and it has the potential to reduce the costs and risks associated with overseas trade. We can both speed up and facilitate this process by incubating the most promising new technologies and encouraging take-up amongst the SME community.

<sup>1</sup>UK Trade & Investment (2014) *2020 Export Drive*

<sup>2</sup>Santander International Business Unit, Chile Q3 2013

<sup>3</sup>British Chambers of Commerce, (2016). *UK Services firms hold the key to overcoming trade deficit*.

## Where do you believe your firm's growth will come from in the next five years?



“ I very much welcome this report by Santander and Dods. SMEs have long been the backbone of business in the UK and are so often the seeds that can grow into huge businesses, spreading the UK brand across the entire globe.

That is why it is vital that they receive all the support they need – and more. Yet it is all too often the case that an enthusiastic small business owner can become bewildered by the complexities facing him or her. A combination of red tape and a complex advice and support sector can all too frequently sap the enthusiasm of a business manager, keen to deploy their enthusiasm in growing their business yet being distracted from seeking new market opportunities.

In seeking to identify the problems facing businesses, this report helps move the debate forward on how to address problems facing 21st century business in Britain. What is clear is that government has a strong will to help businesses perform to their maximum; that businesses are increasingly innovative and imaginative in their offerings; that this country seeks to trade with the world; and that Britain can continue to lead on innovation and technology. But to achieve that, we need clarity to address the factors holding business back. ”

Mark Garnier MP, Conservative. Treasury Select Committee.

# About this report

In 2013, Santander published the report *Growth Britain: Unlocking the potential of our SMEs* which explored what measures and actions could help to stimulate UK businesses' growth.

This document is a follow-up to the 2013 report, focusing in particular on helping UK SMEs expand overseas. The report presents the findings of a programme run by Dods – and sponsored by Santander UK – which addressed the question: what is preventing UK small businesses from entering new markets?

The research began with a poll of 241 SMEs conducted in August 2015. Business owners were asked about: their export activities, their prospects for the future, their access to finance and what support they believe would be most effective for them.<sup>4</sup>

The results of this research were discussed at three policy workshops held during autumn 2015 in Aberdeen, Brighton and Manchester, alongside the political party conferences taking place in those locations. The workshops brought together small business owners, policymakers and other stakeholders. Five main themes emerged during the discussions, which make up the different sections of this report.

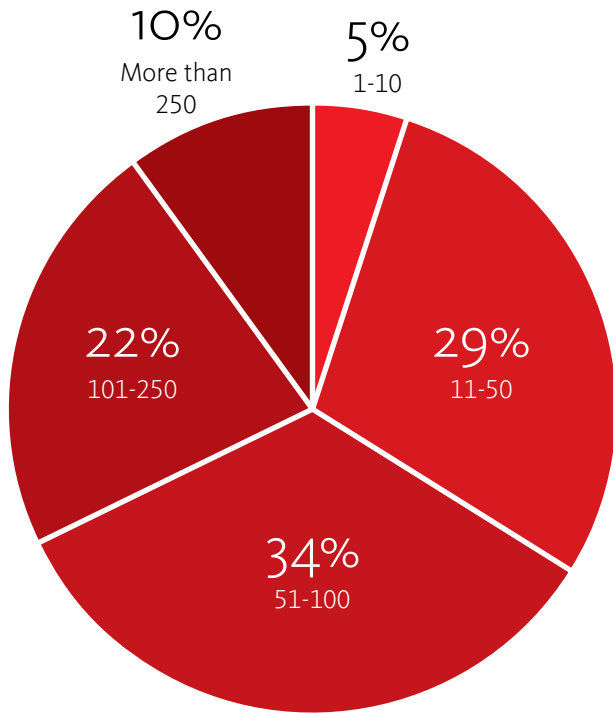
1. Access to finance
2. Connectivity
3. Talent
4. Support on the ground
5. New technologies



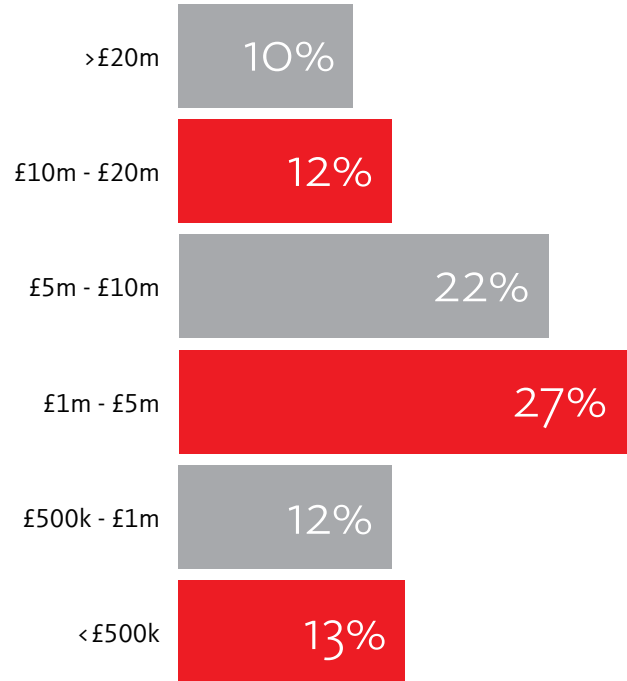
<sup>4</sup>This poll repeated many questions that were included in a 2013 Dods/Santander research programme exploring the best ways to encourage growth among SMEs. The 2015 poll, however, focused on companies who were already exporting, or had plans to start exporting in the next 18 months.

## Breakdown of survey sample – 2015

### How many employees work in your company?



### What was your company's turnover in the last financial year?



Where is your company based?	Response	Gross Value Added
London	27%	23%
South East	17%	15%
South West	10%	8%
North West	10%	9%
East of England	8%	9%
West Midlands	7%	7%
East Midlands	5%	6%
North East	4%	3%
Scotland	4%	8%
Yorkshire and Humber	4%	7%
Wales	2%	3%
Northern Ireland	1%	2%

# Executive summary

## Access to finance

- It is vital that businesses have access to finance, and are able to choose the most appropriate solution from a range of different options. For companies looking to export in particular, it is important that trade finance products are available, irrespective of the sector the business operates in or the foreign market it is targeting.
- UK government schemes also play an important role in helping the financial services sector finance the risk of exporting. UK Export Finance (UKEF) is a good example of how the government can support trade.
- To ensure that UKEF continues to provide efficient support, further simplification of its products should be sought, as well as increasing the investment in “front line” personnel.



## Connectivity

- Government and private sector partners should consider how they can engage with and support small and medium-sized businesses to develop into international markets, including raising the awareness of services available through UK Trade and Investment (UKTI), Scottish Development International (SDI), Chambers of Commerce, banks and other trade bodies.
- Facilitating connections between businesses with export ambitions and those already exporting is an effective way to share knowledge and advice.
- More should be done to connect businesses with services providers in their new market, such as marketing services, lawyers and accountants. Businesses will require a network of third parties in each new market.
- Since visits to potential markets are a good way to gather knowledge and build connections, the UK government should ensure that domestic and international travel remains as simple and cost effective as possible for businesses.
- The private sector should also continue running virtual trade missions for SMEs to facilitate introductions to potential overseas partners without incurring high costs.
- More information should be provided on the preparation needed before a business can export. For example, certain products may need to be adapted for various markets due to differing regulation.

## Talent

- More should be done – whether through business associations, larger partners or directly – to link universities with SMEs so that companies can tap into the resource provided by international students.
- The skills of foreign students or those studying international business should be used to support UK businesses pursuing their exporting ambitions.
- The promotion of apprenticeships as an alternative route to higher education is welcome. The apprenticeships framework should enable SMEs to access this talent pool, whilst promoting the opportunities that SMEs in turn can offer to ambitious individuals.

## On the ground support

- UKTI's continued support for exporting businesses is welcome. The organisation should continue to work closely with partners in the private sector to ensure its trade missions and international network are as effective as possible.
- The recruitment of trade advisors with previous experience in export activities should be encouraged. It should be considered how these advisors might be used in a cross-regional or cross-sector way so that there is a more consistent level of advice for SME exporters.
- The availability of trade missions should be properly communicated to SMEs, including advice to companies on how to maximise value from them. Improved information would also increase the uptake of these opportunities by SMEs.
- However, alternatives to trade missions should also be communicated. A virtual trade mission can help a business to prepare for and gain knowledge of a new market before visiting it.

- More support should be provided to businesses from those who are already exporting, through masterclasses, roundtables or virtual trade missions.
- UKTI, Chambers of Commerce and other private sector partners should consider the best way to provide practical advice on regulatory and tax systems to reduce the costs of launching in a new market.
- Embassies should share local opportunities for UK businesses and promote them within the UK.
- Local Enterprise Partnerships (LEPs) should be used in the development of strategy and planning to focus on exports. This should be considered as part of the local ecosystem to develop and execute export strategy.

## New technologies

- The UK government's ambition to position London as a global hub for the FinTech industry is welcome. Efforts should also be deployed in promoting the FinTech industry more broadly across the UK.
- Government and regulators should continue to work closely to ensure that policy developments in this field are coordinated and make the most of potential synergies. It is important that the banking industry, the FinTech community, and consumer and industry groups continue to be involved in this process.
- The opportunity for both FinTech companies and banks lies in the ability to collaborate. FinTech companies bring agility, the technological skills and a disruptive mind set. Banks have the existing industry expertise, customer base and a robust architecture needed to provide scale. Together, the partnership can make a powerful impact on the customer experience.





Boosting exports is crucial to the future health of the UK economy. We have some fantastic businesses, particularly SMEs, that could and should be selling to overseas markets but currently don't. We should be encouraging SMEs to export as much as we can, yet many of these businesses report that the UK's scattergun approach to supporting its exporters means they don't know where to seek help from, or even if help is available at all.

I believe exporting is important for the future of this country and that the road to export success will pass increasingly through our SMEs. That is why the Business, Innovation and Skills Select Committee I chair has launched an inquiry aimed at bringing forward recommendations to help the government get the support right for our exporters and, in particular, look at what further support could be provided to help our SMEs meet their export potential.

Iain Wright MP, Labour. Chair.  
Business Select Committee.



# Access to finance

It is vital that businesses have access to finance, and are able to choose the most appropriate solution from a range of different options. This is especially important given that more than half of them have growth ambitions. According to the SME Finance Monitor (Q3 2015)<sup>5</sup>, success rates for those businesses who had applied for new or renewed loan or overdraft finance were at the highest levels the survey has seen to date.

For companies looking to export in particular, it is important that trade finance products are available, irrespective of the sector the business operates in or the foreign market it is targeting.

Securing finance for the “pre-trade” phase of business growth is particularly important. For example, some businesses in the manufacturing sector are currently facing difficulty accessing finance to up-tool and up-skill for potential future orders.

For the banking sector, it is difficult to lend against future earnings where there is no certainty that orders will follow the investment. This kind of finance does not allow banks to measure the customer’s affordability to pay back the loan, for instance, as the affordability would need to be based on expected future orders (rather than one which is guaranteed). A government-backed guarantee product for this kind of finance may help manufacturers to up-tool and up-skill to meet export demand.

UK government schemes also play an important role in helping the financial services sector finance the risk of exporting. UK Export Finance (UKEF) is a good example of how the government can support trade.

The short term risk management products offered by UKEF are helpful and contribute to the UK’s export prospects. The introduction of a suite of short term risk management/funding schemes and the Direct Lending Scheme is welcome and they are being utilised well.

To ensure that UKEF continues to provide efficient support, further simplification of its products should be sought. Further investment in “front line” personnel would also be welcome, while recognising the existence of constraints in the allocation of central government funding.

## Recommendations

- It is vital that businesses have access to finance, and are able to choose the most appropriate solution from a range of different options. For companies looking to export in particular, it is important that trade finance products are available, irrespective of the sector the business operates in or the foreign market it is targeting.
- UK government schemes also play an important role in helping the financial services sector finance the risk of exporting. UKEF is a good example of how the government can support trade.
- To ensure that UKEF continues to provide efficient support, further simplification of its products should be sought, as well as increasing the investment in “front line” personnel.



<sup>5</sup>BDRC Continental (2015): *SME Finance Monitor*

# Connectivity

Behind every successful business is a network of successful connections: between producers and buyers; manufacturers and designers; advisers and entrepreneurs.

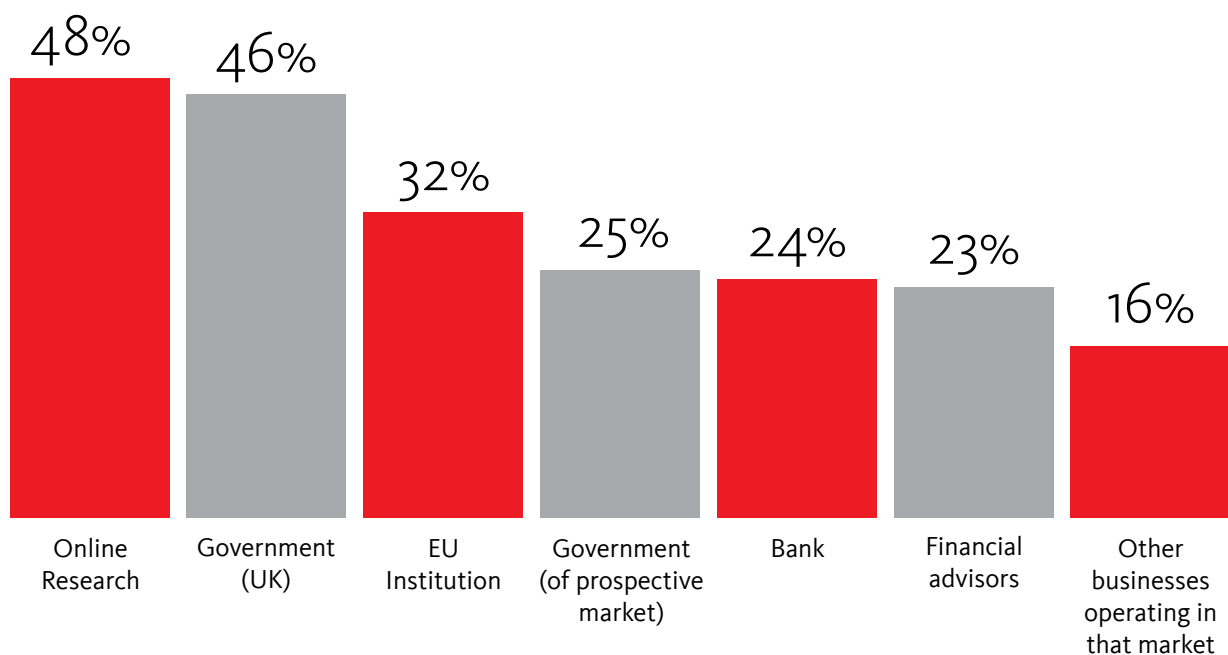
When it comes to developing into new international markets, these connections are especially important, but equally hard to make. Lack of information; lack of local knowledge and linguistic barriers can all be daunting to a small company with a product or service to export.

Before a company attempts to enter a new market, it needs to determine whether its product is suitable for that market. Certain industries, such as food and drink, are heavily regulated and labelling standards vary. Companies need to be able to access regulatory information and interact with market and sector experts beforehand.

These challenges are reflected in the survey results: when asked to name the biggest challenges they face in entering new markets, 44 per cent of respondents chose “determining where the best opportunities are”, while 31 per cent chose “lack of local knowledge” and 29 per cent said language presents a significant barrier.

In order to determine the best opportunities, SMEs first need quality information. To find this, most SMEs are turning to the Internet (48 per cent) or government sources.

## Where would you turn to for information about moving into an overseas market?



The prominence of online research was both a surprise, and a concern for several of the roundtable attendees. They stressed the importance of gathering information in practical, rather than desk-based ways.

“Just get on a plane and go,” was the refrain of several participants, and certainly visiting prospective markets is the most direct way to gather information and local knowledge. (See later: On the ground support).

For companies unwilling or unable to take this step, other participants raised the importance of networks in the UK. An SME considering exporting to Bangladesh, for example, could approach other companies in its region who export to this market and learn from their experiences. Chambers of Commerce provide a useful service in this regard, but business service providers and advisors may also have relevant contacts.

Knowledge and – importantly – leads, may also be passed through supply chains. If a large company is moving into a new market it may open opportunities for its suppliers to do likewise. Once the smaller company has this opportunity, however, it may still need support: firstly to navigate the practical difficulties of overseas trade and secondly to develop that initial opportunity into a viable new market.

This kind of support, along with market information and analysis, may be provided by UKTI. At the roundtables, several examples were given of instances where UKTI had given SMEs support at each stage of the exporting process: from research into different markets; providing an agent; finding contacts and facilitating meetings through embassies or UKTI's overseas offices.

One attendee noted that businesses who do not know about UKTI wonder how their service can be free and another confirmed that the UKTI's value is most apparent “when you're overcoming those connectivity and language barriers.”

Santander's 2013 report *Growth Britain: Unlocking the Potential of our SMEs* spoke of a “bewildering array” of support for SMEs and called for the creation of a single portal which could direct companies to the support most appropriate for them. Indeed, the creation of a single platform to house all overseas business opportunities for UK businesses would be valuable. For instance, Santander's Trade Portal houses over one million private and public tender issues worldwide, and there are also other similar services available.

When it comes to trade, it is perhaps clearer where support should come from, but our roundtable attendees still reported confusion among businesses about what UKTI could offer and who is eligible for support. There is also potential for confusion in Scotland, where Scottish Enterprise and Scottish Development International offer similar services to UKTI. There should be a clear point of contact, delegates agreed, where SMEs can find out which organisation is best placed to support them.

Yet besides the potential for confusion there is a larger potential for collaboration between these public bodies, as well as their private sector partners such as Chambers of Commerce and banks. There is already a great deal of collaboration across these different organisations, but further efforts are needed to continually assess where there is scope for greater efficiency or better services through closer working.

Ministers, officials and politicians at local, regional and national levels must all play a role in promoting UKTI, SDI and other partners so that SMEs are clear about the help they can access to develop new markets.

One challenge in raising awareness is the variation of businesses across the micro and SME sector. There is, as one participant pointed out, a world of difference between a £50,000 turnover and a £50m turnover company.<sup>6</sup>

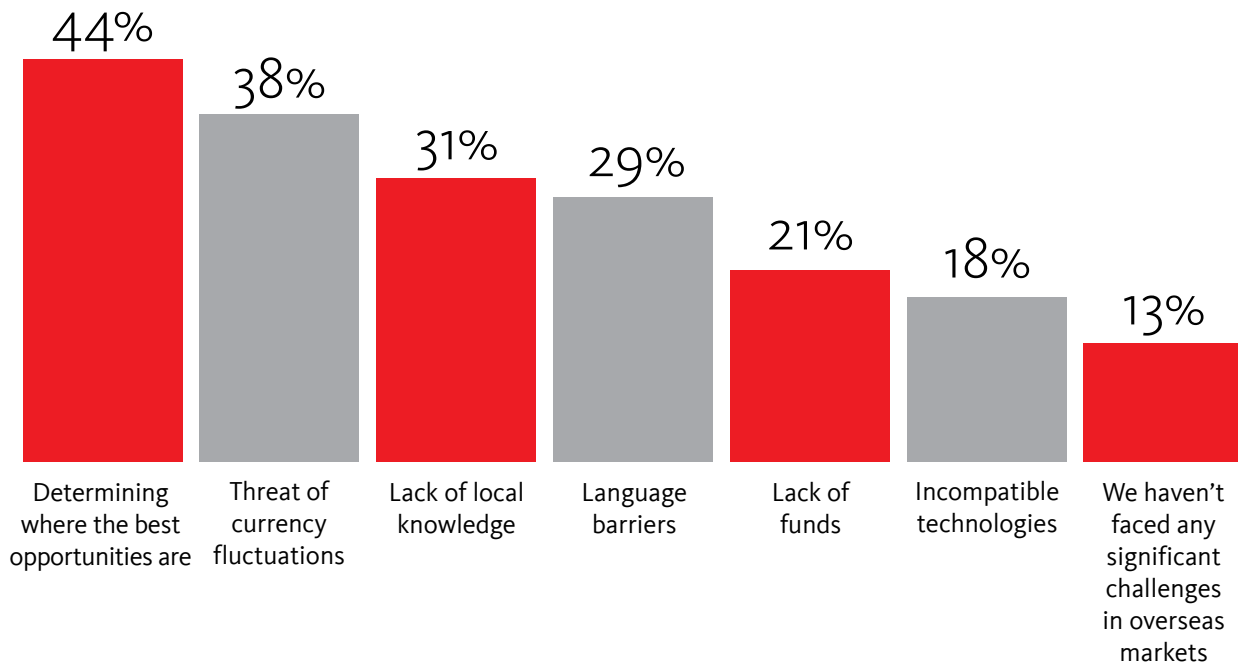
The knowledge economy and the growth of the Internet means that even the smallest businesses have export potential: almost any firm with a website could attract international customers. But, as with the example of a firm drawn into a new country through its supply chain, that first customer will not automatically turn into a thriving new market for the company.

Not only do small businesses need different levels of support to develop overseas markets, but also a different approach when it comes to communication and education campaigns. This significant part of the SME sector is quite hard to reach since it is so diversified, and those working in it may have an incipient experience of business support services whether public or from the private sector.

While some participants called on UKTI to improve the way it communicates with and supports small businesses, others implied that this is not something government can do alone. “There are only ever going to be a finite number of people in UKTI,” said one policymaker, suggesting that private sector and industry associations would also need to play a part in reaching and supporting these companies.

<sup>6</sup>The category of micro - small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro.

## What are the greatest challenges you face when trying to develop into new markets overseas?



Although nearly a third of survey respondents saw language as a significant challenge to exporting, the roundtables gave a more nuanced picture. Most business is conducted in English, but cultural and country-specific understanding is still important. One attendee, for example, found that an Italian staff member was able to negotiate a 25 per cent discount with an Italian firm even after their English-speaking boss had secured an initial discount. Culture, as much as language, is an important factor too: another attendee spoke of trying to establish a Brazilian business with limited success until he employed a Brazilian, rather than a Portuguese staff member.

This re-emphasises the importance of face-to-face visits and trips, but also of connecting with experienced firms in prospective markets who will offer insight into business and cultural norms.

The research focused on those already interested in exporting, so the challenges discussed are those faced by firms who have international ambitions. At one roundtable, however, attendees noted that another big barrier to increasing SME exports is simply that many do not have this global outlook.

The greatest challenge, said one businessman, is fear and lack of confidence. Another participant encouraged UKTI to do more to highlight SMEs who are already exporting and in this regard the latest campaign on exporting – part of the highly regarded Britain is GREAT campaign – is to be welcomed as it uses case studies and highlights specific export opportunities.

### Recommendations:

- Collaboration between UKTI, SDI, and Scottish Enterprise, and similar organisations with the private sector should continue to be encouraged. Similarly, efforts should focus on increasing the awareness of the services that these bodies and the private sector can provide.
- Facilitating connections between SMEs with export ambitions and those already exporting is an effective way to share knowledge and advice.
- Since visits to potential markets are one of the best ways to gather knowledge and build connections, the UK government should ensure that domestic and international travel remains as simple and cost effective as possible for businesses.
- Organisations wishing to promote export opportunities should consider using case studies to make their communications most useful.
- Local Enterprise Partnerships (LEPs) should be used in the development of strategy and planning to focus on exports. This should be considered as part of the local ecosystem to develop and execute export strategy.



# Talent

Skills matter in any business, but in an SME each individual plays a bigger role overall, so finding people with the right skills is crucial. When asked to rate the factors that could influence their firm's ability to grow in the next five years, 42 per cent of respondents described the ability to attract skilled staff as “strongly influential”. It appears to matter even more than economic prospects for the UK and globally – both of these factors were rated strongly influential by 37 per cent of respondents.

In addition, skills came high up the agenda when SMEs were asked what government could do to support SME growth plans. Investing in education, in order to improve the talent pipeline, was the third most popular answer, after reducing taxes and providing direct grants. The proportion that said that this should be high on the government's agenda has grown since the 2013 survey – suggesting either the skills gap is worsening, or is particularly acute for SMEs with an eye on exporting.

SMEs can face several challenges in this area. Experienced staff with qualifications may be disproportionately expensive to recruit for a small firm; while investing time and money in development for a more junior employee brings risks that the individual may move on before the company sees the benefits.

Despite the risk, the latter approach was widely recommended in the roundtables. One participant explained that he prefers to recruit a talented individual with a lack of experience since experience can be developed but talent cannot.

Recent graduates can also have a flair for problem solving and innovation; “they haven't yet learnt what is and isn't possible”, quipped one attendee. These attributes are valuable in many aspects of business but would be particularly valuable as a company tries to overcome the challenges of moving into a new market.

The government has indicated its commitment to building a talent pipeline for UK employers: the 2015 Spending Review protecting funding for science and innovation centres, as well as announcing the creation of five new National Colleges to develop technical skills.

Similarly, the government's efforts to increase the number and quality of apprenticeships in the UK is welcome. It is important that any new framework is properly designed with the involvement of employers, so that it promotes continuous investment in skills from businesses, and allows the take up of apprenticeships throughout the supply chain.

All of these elements present an opportunity to build skills and capability to support SME growth and export activity, but there are also private sector led schemes which can build a talent pipeline for SMEs.

At the roundtables, participants stressed the important resource provided by international students. The UK must ensure it remains an attractive place for international students to study, they said, and make it simple for graduates with essential skills to remain in the area and contribute to local businesses.



At one roundtable, attendees gave unanimous support for an even more targeted idea which could see SMEs team up with international students before they graduate. Hundreds of thousands of students from all over the world study at British universities, many studying professional subjects such as finance, marketing or business at Masters level. On these courses, many need to complete real-life projects as part of their studies, and this presents an exciting opportunity for SMEs.

A scheme to pair international students completing experience-based projects, and SMEs with specific business challenges to address could bring much-needed capability to the companies while enhancing the universities' offering for their students.

## Recommendations:

- More should be done – whether through business associations, larger partners or directly – to link universities with SMEs so that companies can tap into the resource provided by international students.
- The skills of foreign students or those studying international business should be used to support UK businesses pursue their exporting ambitions.
- The promotion of apprenticeships as an alternative route to higher education is welcome. The apprenticeships framework should enable SMEs to access this talent pool, whilst promoting the opportunities that SMEs in turn can offer to ambitious individuals.

## Promoting internships in UK SMEs

In 2007, Santander established the first partnership with a university in the UK, and since then 80 universities have joined the network. Santander Universities provides funding for scholarships, mobility awards, research grants, internships and special projects, with the aim to support students and academic staff in their academic and research objectives.

In 2015 Santander supported UK higher education with over £11 million. Part of this support was channelled to the co-funded placement programme which provides UK graduates and undergraduates with access to internships in UK SMEs. In 2015, the programme supported more than 2,100 internships in companies across the country.<sup>7</sup>

## Partnership with Edinburgh Business School at the University of Edinburgh to grant Trade Portal access

The Edinburgh Business School has been running a Masters in International Business in Emerging Markets for the last eight years where they see around 50 students from around the world come to Edinburgh for the one-year course. One of the course modules requires the students to work with ten businesses in Scotland that are keen to grow their business into international emerging markets.

To support this course Santander has recently launched a pilot programme with the Edinburgh Business School that will give access to the students to its Trade Portal, recognising it as a valuable resource for them to identify opportunities in these emerging markets for ten chosen businesses.

<sup>7</sup>During the academic year 2013/2014 over 1,500 interns were placed in SMEs, with 694 of them securing an additional form of employment either with the SME they worked with or another – including part time, full time or extension of contract or freelance; for the academic year 2012/2013 the number of interns placed was over 517, with 205 of them securing some form of additional employment after the internship term.

# Support on the ground

For most SMEs approaching new markets, face-to-face interactions and local research are vital ingredients to success. It's therefore important that organisations supporting SMEs – whether government or private sector – tailor their support to include practical services, both international as well as UK-based.

The January 2016 government announcement on the restructuring of UKTI is a welcome step as it will streamline the resources available to help UK businesses, deliver bespoke sectorial support and reinvigorate its online resource. Face-to-face exporting guidance will nevertheless continue to be sought by businesses and the private sector can play a major role in this area.

At every roundtable, participants were warmly supportive of the research and analysis which UKTI provides to SMEs. However, the need to ensure a consistent level of skills and experience of trade advisors across the international offices was highlighted. In this regard, advisors with a business background and experience of exporting are highly valued by businesses, and the performance of the international teams is particularly praised when working in tandem with private sector organisations. Enhanced communication and

information sharing between UKTI's offices should be encouraged. The enhancement of the digitalisation system of UKTI should contribute to this process, allowing for a more efficient use of resources and coordination across its network.

The recently re-launched GREAT campaign also has the potential to leverage its impact not only through media and advertising activities, but also by showcasing the best of UK businesses in selected markets that present trade opportunities for them.

The support provided by UK Embassies is equally relevant, encouraging an increased use of their network and facilities to host events, showcase British businesses and attract overseas investors. The Chambers of Commerce plays a similar, if more specialised role, and can enable introductions between businesses.

## International Desk and Alliances

Santander has an International Desk Network with experienced teams operating in each of its 14 global markets. The Desk Network is dedicated to helping businesses who want to grow overseas. Knowledgeable multilingual teams offer a personal local service, valuable market insight and direct access to the right people, products and services across the Santander global network.

In addition, Santander is complementing its global presence and connecting businesses internationally through a set of alliances – providing it with a major presence in dynamic economies such as the Middle East, India, China, Central and Eastern Europe and Southeast Asia.

These alliances provide UK businesses with the necessary support when they enter a new market. For instance, thanks to its alliance with a bank in Southeast Asia, Santander was able to support a UK manufacturer from Greater London who was looking to expand into Singapore. The collaboration between Santander's International Desk Network and the alliance bank enabled the Singaporean subsidiaries of the UK manufacturer to successfully open bank accounts and undertake day-to-day banking transactions necessary to expand into Southeast Asia.



## Santander Trade Network

Santander has developed the Trade Network which will be launching in 2016. It is designed to help businesses access the services that are typically required when establishing overseas. Santander recognises that it cannot meet all of a businesses' needs so it has developed relationships with third parties, who will provide their services to Santander customers at a preferential rate. These services include:

- Marketing and Communication
- Commercial Agendas
- Physical/Virtual Office space
- Recruitment/Legal/Accountancy

The Network will support both UK companies going overseas, as well as those coming to the UK.

## Trade Missions

The added value of trade missions as a way to make contacts and explore new markets was reiterated during the roundtable discussions, but there are still many businesses who are not aware of the actual value of these trade missions and how to get the most out of the opportunities they offer.

### *What is a Trade Mission?*

Trade missions give delegates the opportunity to explore target export markets, meeting local experts and businesspeople, as well as taking advantage of introductions enabled by local teams. With the right support, businesses can get significant added value from a focused trade mission, enabling them to gain hands-on insight into the local economy, import laws, regulations and supply chain, as well as establishing contact with the appropriate distributors, suppliers or customers.

Virtual trade missions are a good way to gather information before visiting a country, meaning that physical trade missions can be used for specific business meetings, rather than exploratory missions. This helps businesses maximise the time and money spent visiting overseas markets.

Taking a strong UK business and turning it into a viable exporter can seem like an ambition too far for many owner-managers. However, with the right support, access to expert help and, most importantly, a guided visit to a target market, many businesses could progress towards securing international activities.

Whether run by UKTI, Chambers of Commerce or a private sector partner, they can make a significant impact on the delegates' businesses in a short space of time. For example, a third of delegates participating in Santander's trade missions gained a new distributor, supplier or customer within three to six months of their return to the UK, while another 16 per cent have had significant results within a year.



Given the variety of organisations running trade missions across the UK, it was encouraging to hear during the roundtables that there is usually close co-operation between the bodies involved to ensure that the trips complement each other and maximise the opportunities for business participants. One representative from a Chamber of Commerce explained that they aim to fill "the holes in the cheese" by organising missions to regions that UKTI is not covering.

Not all SMEs, however, are aware of these opportunities or understand the value they present. Instead they may consider the cost – financial and in terms of time – and deem it too large.

To counteract this, organisations planning trade missions should ensure they invest adequately in education and communication before the mission, so that as many companies as possible have the chance to take part. This communication should include clear evidence of the benefits a trade mission can present, and where possible case studies demonstrating these benefits to the SME sector.

"Support after these missions should be very practical", said experienced exporters. Even once a distributor or customer has been found in a new market, other hurdles such as unfamiliar bureaucracy still have to be navigated. Learnings from delegates who have already successfully entered the market can therefore be valuable. In addition adequate follow-up advice from organisations running these missions – or their local partners – could help to ensure even more benefits accrue to participating companies.

## Trade missions case studies

### Realising the benefits

Survey results show that 33 per cent of SMEs gained a new customer, supplier or distributor within three to six months of their return to the UK while 16 per cent recorded significant results within a year.<sup>8</sup>

Below are examples of companies that have benefited from a Santander trade mission.

**1) PVL UK Ltd**, a specialist in providing marking kits and vehicle graphics to the emergency services and major highways contractors and operators, attended a Santander trade mission to Abu Dhabi and Dubai in September 2014. This culminated in a £100,000 contract, and the more recent signing of a major agency agreement with another group, with which it first made contact during the trip.

Since then, Nick Broom, managing director, has decided to move to the UAE to focus on new growth opportunities in this region.

“On the mission, I suddenly realised that I needed to really take advantage of the opportunities in front of me: an emerging and growing market seeking UK innovation and expertise, great contacts and an opportunity that could spread beyond the products and services we offer in the UK, potentially to a Gulf-wide audience,” explains Broom. “As a result, I am now planning to move my family out to the UAE to focus on the growth of the business here within the next 12 months.”

**2) Yorkshire-based Top Screen Media**, a digital innovation company specialising in customer engagement technologies, participated in a Santander trade mission to New York in 2014. During the visit, the company met with the CEO of the New York Port Authority, which runs the transport infrastructure in New York and New Jersey. This resulted in the company winning contracts for both the transport system and a major retail development at the World Trade Centre.

“As a digital technology business, based in Yorkshire, it is easy to think that this level of technology advancement may be better in the US market but the trade mission taught us that this was not the case and has given us a lot of confidence,” says CEO Achille Traore.

“The World Trade Centre is a very high-profile development, and New York is considered one of the hardest markets to break into. If you can do business there you can do it anywhere in the world.”

**3) Budge Brands (Premier Estates Wines)** is a £30m-turnover business based in the Midlands, which has received funding from Santander to build a local distribution plant. The company joined the USA Trade Mission in November 2015, and signed a distribution deal to take its branded wines to market in the US, and will participate in two trade shows there in the spring of 2016 to promote the brands' US launch.

## Recommendations:

- Continued government support for UKTI is commended. The organisation should continue to work closely with partners in the private sector to ensure its trade missions and international office network are as effective as possible.
- UKTI should also consider recruiting more trade advisors with specific experience in exporting. It should consider how these advisors might be used in a cross-regional or cross-sector way so that there is a more consistent level of advice for SME exporters.
- Organisations running trade missions must ensure they invest in communications targeted at SMEs that can improve uptake and advise companies on how to get best value from a trade mission.
- UKTI, Chambers of Commerce and other private sector partners should consider the best way to provide practical advice on regulatory and tax systems to reduce on the ground costs, including those associated with setting up in a new market.



# New technologies

We live in a digital world: increasingly connected, and with ever greater use of data to inform our business and personal choices. It is little wonder then that 37 per cent of respondents named the availability and development of new technologies as “strongly influential” for their growth prospects.

When it comes to business and financial services, the word on everyone’s lips at the moment is FinTech – a name given to those financial technology companies that are looking to make their mark on financial services. In collaboration with the banking system, these technologies could also directly address some of the barriers to exporting and SME growth more generally.

For example, 34 per cent of survey respondents named access to finance as a strongly influential factor in their growth prospects over the next five years. Roundtable participants supported this, and added another factor that can hold back growth: the speed with which funding decisions can be made.

Peer-to-peer and other alternative funding sources can make it much easier and faster for small companies to access finance, in part because they are smaller companies focused only on finance, and not bound by the regulatory requirements which banks must follow. These systems also tend to take advantage of advanced data analytic technology – using data provided by the SMEs themselves – to make fast decisions.

Nesta, a charity that aims to support innovation in the UK, found that UK companies raised £1.7bn in 2014 through alternative finance, and £3.2bn in 2015. Nesta research also found that although 58 per cent of consumers and SMEs are aware of alternative finance, just 14 per cent have used it.<sup>9</sup>

One crucial consideration for SMEs exporting is the cost of international business transactions. The area of payments, currency and foreign exchange is one space that has experienced an explosion of new financial technology products and services. For example it is now possible to transfer money at significantly reduced rates using a peer-to-peer system, which matches funds in one country with funds in another. Other technologies allow SMEs to access wholesale currency markets directly.



<sup>9</sup>Nesta and Cambridge Centre for Alternative Finance. (2016) *Pushing Boundaries: The 2015 UK Alternative Finance Industry Report*



The Dods' survey indicated that SMEs see the threat of currency fluctuations as the second biggest challenge to developing new markets. FinTech may not remove this risk entirely, but by reducing overheads it does help to make the export proposition more attractive for small companies who will be most impacted by fluctuations.

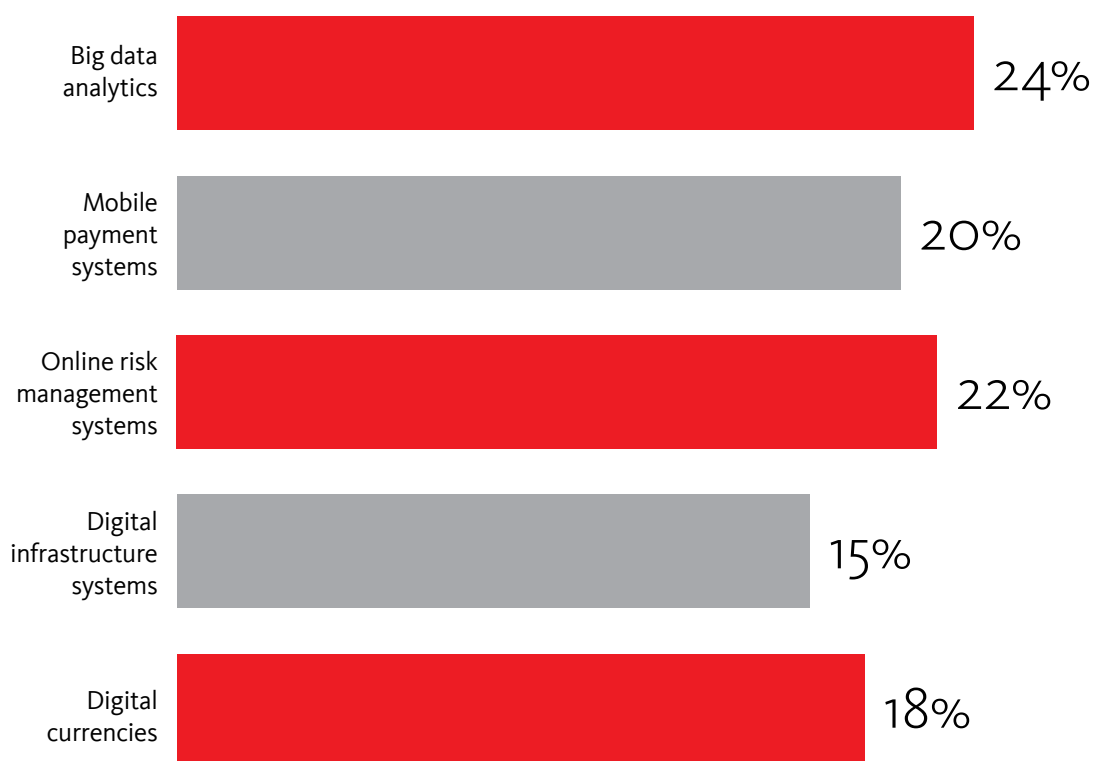
Emerging technologies can also support what we might call accidental or opportunistic exporters: those who attract overseas custom through well-designed websites or niche products. Products which allow a variety of payment options to be integrated into company websites will make it simpler for any firm to make the most of the global nature of the Internet.

These technologies are already available today, but there is scope for much more innovation that will reduce costs and process times for exporting companies.

For example, roundtable attendees highlighted the practical difficulties that can arise in developing new markets, simply getting paid is not always straightforward. However the development of distributed ledgers – currently used primarily to support the digital currency Bitcoin – to support mainstream currencies and financial transactions opens up the potential for faster, cheaper payments. A number of banks including Santander are currently exploring the uses of this technology in payments.

Friction in the trade finance processes will also be removed as the Internet of Things grows. More and more objects are now embedded with sensory and wireless technology allowing them to transmit data about themselves, their identity, condition and environment. In the future, this technology could give banks and exporters access to real time data on supply chain compliance, trade flows, trade relationships and company performance, making it much easier to approve and process trade finance.

## Do you use any of the following financial technologies?



The proportion of those reporting they use digital currencies seems high if we define digital currencies such as Bitcoin and similar non-government sponsored currencies. It seems more likely that some respondents are referring to the use of electronic currencies rather than hard cash.

There is still significant room for growth in adoption of this new technology among SMEs. Among our export-minded sample, 50 per cent of respondents said they were using new technology in their businesses. The most widespread technologies were big data analytics (24 per cent) online risk management (22 per cent); and mobile payments (20 per cent).

These technologies are proving to be very useful for the companies who have embraced them: of those using big data, 54 per cent described it as essential for their business. Making a case for wider adoption of these technologies could therefore have a big impact on the day-to-day running, and by extension, the growth and expansion prospects, of businesses.

## Recommendations

- The UK government's ambition to position London as a global hub for the FinTech industry is welcome. Efforts should also be deployed in promoting the FinTech industry more broadly across the UK.
- Government and regulators should continue to work closely to ensure that policy developments in this field are coordinated and make the most of potential synergies. It is important that the banking industry, the FinTech community, and consumer and industry groups continue to be involved in this process.
- The opportunity for both FinTech companies and banks lies in the ability to collaborate. FinTech companies bring agility, the technological skills and a disruptive mind set. Banks have the existing industry expertise, customer base and robust architecture needed to provide scale. Together, the partnership can make a powerful impact on the customer experience.



‘ The contributions that our small businesses make to our export efforts are as varied as the companies themselves. The diversity of this sector is truly amazing. And the value of their contributions often underestimated.

In the food industry there is often the greatest opportunity. One can be at food fairs in the Middle East, the Far East, almost anywhere and see Scottish products being eagerly sampled by local buyers.

For the small company it is important that they have access to the right advice and support, particularly as they take their first steps into uncharted waters. There will be financial risks, regulatory risks, branding risks all of which they will need advice on. And they won't automatically understand local tastes.

Scottish Development International will be a usual stop for many. With offices around the world, they have the local knowledge and voice that is needed.

Some exporters get there by accident. I understand, for example, that Brewdog's first exports arose simply from fans of their beers ordering from locations overseas. Today they are opening a brewery in the USA and have a bar in South America.

Small beginnings can lead to big outcomes - with locally focused and relevant support. ’

Stewart Stevenson MSP, Scottish National Party.

# Conclusion

- The point of view of a business owner should be the point of departure when considering any policies or measures to support exports. Time and resources are normally stretched in small businesses, so the support should be as simple and as accessible as possible. The government should consider the promotion of the benefits of having a global supply chain, to both the business itself, and the UK economy.
- For example, a single platform which houses all international private and public tender opportunities should be created to ensure businesses know where to look for overseas opportunities.
- The government and the private sector should ensure that they are communicating their support as clearly as possible, so that the information reaches the relevant people within each business, and that they can, in turn, access the best support to achieve their ambitions.
- The government should consider ways to widen the appeal and impact of its communications. For instance, highlighting the cost of business opportunities missed by not exporting may resonate more amongst small businesses.





# Appendix: Number of firms in Great Britain that export goods and/or services

- The number of businesses in Wales that export goods and/or services grew by one-third across the three-year period between 2012 and 2014 to 4,900 firms – the largest growth of any region in Great Britain.
- Overall, the number of businesses in Great Britain that export goods and/or services rose by five per cent to 221,300 firms, according to analysis by Santander Corporate & Commercial of the most recent ONS data.
- Initiatives from Scotland and Wales are an example of best practice. The support that has been provided by Scottish Enterprise (SE), Scottish Development International (SDI) and the Scottish Council for Development and Industry (SCDI) has been key in increasing the number of Scottish businesses exporting. Similarly, the Welsh government has an extensive programme to assist international companies which includes overseas trade missions and financial support for attending exhibitions overseas.

Numbers of firms in Great Britain that export goods and/or services, ranked by three-year regional growth

Region	Number of exporters			Growth in number of exporters, % change in 2012-2014
	2012	2013	2014	
Wales	3,700	4,200	4,900	32%
Yorkshire and The Humber	11,500	12,400	13,900	21%
Scotland	9,500	10,800	11,100	17%
East Midlands	13,300	16,000	14,900	12%
North West	15,400	18,500	17,100	11%
London	53,600	58,300	56,400	5%
<b>Great Britain</b>	<b>210,200</b>	<b>228,900</b>	<b>221,300</b>	<b>5%</b>
<i>England (overall)</i>	197,000	213,900	205,300	4%
South West	18,300	20,100	18,900	3%
South East	39,600	42,500	40,700	3%
East of England	25,100	23,100	24,200	-4%
West Midlands	16,500	18,600	15,600	-5%
North East	3,800	4,300	3,500	-8%

Source: ONS data<sup>10</sup>

