KRESTON

Trading Internationally 2020

A UK business perspective

About Kreston

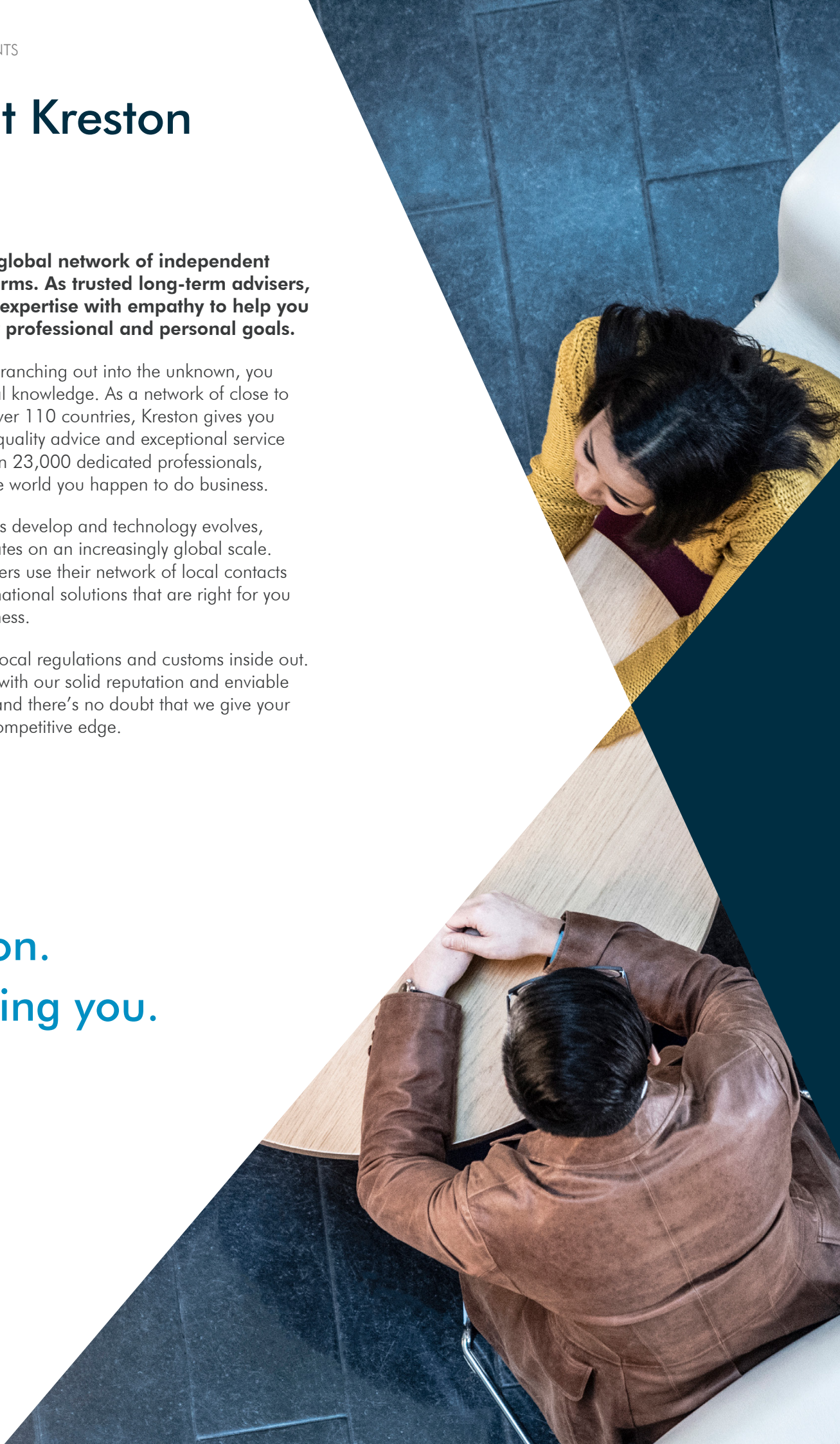
Kreston is a global network of independent accounting firms. As trusted long-term advisers, we combine expertise with empathy to help you achieve your professional and personal goals.

When you're branching out into the unknown, you can't beat local knowledge. As a network of close to 200 firms in over 110 countries, Kreston gives you access to top-quality advice and exceptional service from more than 23,000 dedicated professionals, wherever in the world you happen to do business.

As new markets develop and technology evolves, business operates on an increasingly global scale. Kreston members use their network of local contacts to shape international solutions that are right for you and your business.

We know our local regulations and customs inside out. Combine that with our solid reputation and enviable contact book and there's no doubt that we give your business the competitive edge.

Kreston.
Knowing you.



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Introduction

As Britain seeks to redefine its position within the global economy, it's more important than ever to understand the drivers and barriers to international trade.

The UK has a long and strong tradition of global trade and we need to be ready to step up and work together to build on this as the country prepares for a post-Brexit future.

To support this, Kreston has examined the aspirations and experiences of businesses as they trade overseas.

This report, based on a survey of 1,109 business leaders with combined turnover of £7.6bn, explores the barriers and challenges facing businesses trading internationally and the global markets where growth is predicted. We also consider how that might change in future.

Understanding and considering the experiences of a wide range of businesses can provide important guidance to help the UK economy adapt and grow, helping to deliver the best outcome for the country and its business community.

Top 10 findings

1. Despite the turmoil of the past three years, the majority of business leaders (52%) believe that the reputation of UK business abroad has improved while fewer than a quarter (24%) think it's worsened.

2. UK skills and expertise drive the reputation of UK business abroad while Brexit and politicians have diminished it.

3. 39% of businesses have delayed or cancelled plans to export to a new market or trade internationally in the last three years, with many blaming Brexit.

4. 23% of business leaders consider tax, VAT and duties to be the biggest challenge to international trade, followed by currency fluctuations and trade tariffs.

5. Chambers of Commerce, lawyers and accountants/ financial advisers provide the most useful advice and guidance regarding international trade.

6. 84% of business leaders are likely to be trading internationally in the next five years.

7. 61% of business leaders see the domestic market as their priority for growth in the next 12 months, followed by Europe at 18%.

8. Most business leaders (58%) see Europe as the international market most likely to grow for their business, and just 13% of business leaders expect to be doing less trade with the EU in the next five years.

9. Business leaders are split 51:49 on whether the UK will have left the EU permanently or if it will rejoin in future.

10. 49% of businesses trading internationally do so directly with the consumer/end user.

Executive summary

As the British government seeks to create a more open "Global Britain" with increased trade across a broader range of nations, Kreston has evaluated the success and aspirations of UK businesses trading internationally.

We have measured the experiences and perceptions of businesses across the UK, asking business leaders how they feel about the reputation of British business abroad, where they turn for advice and support, and whether recent experiences of trading internationally have been positive or negative.

This survey and report shows that although businesses express positivity, there is still much work to do to establish an internationally trading 'Global Britain'.

At first glance, that 90% of UK companies in our survey are trading internationally sounds positive. But being a UK-focused company with some international clients is very different from being an outward-looking company with a clear and focused plan for international development.

61% of companies surveyed see growing local and national markets as their priority for the next five years, followed by Europe. Only 5% see the US as a growth priority. A lot is, therefore, riding on the strength of the UK economic climate.

After three and a half years' of political turmoil, much hope and expectation now rests on our government's negotiating abilities with other trading blocs and nations. Businesses clearly express their desire for tax breaks, the removal of duties and trade tariffs and red tape which are the four main hurdles to international trade. These should guide our government's aspiration for the 'free trade' agreements businesses most want.

In a further signal to the government, only a third (36%) of companies see North America as a growing business market over the next five years – compared with 58% who see the same of Europe.

For those companies targeting international markets, finding the right sources of advice and support has been key, yet many businesses are still not seeking advice on the very issues where they say they lack support.

Only 39% of companies have, for example, sought advice from the Department for International Trade, the Government's flag bearer for international trade, on exporting or establishing international connections.

The aspirations for 'Global Britain' post 2020 depend principally upon UK companies' aim to extend beyond the UK marketplace. The Government's ability to negotiate viable treaties with the EU and other geographic markets in this crucial decade will influence companies' confidence and direction in achieving this.

Although businesses express positivity, there is still much work to do to establish an internationally trading 'Global Britain'.

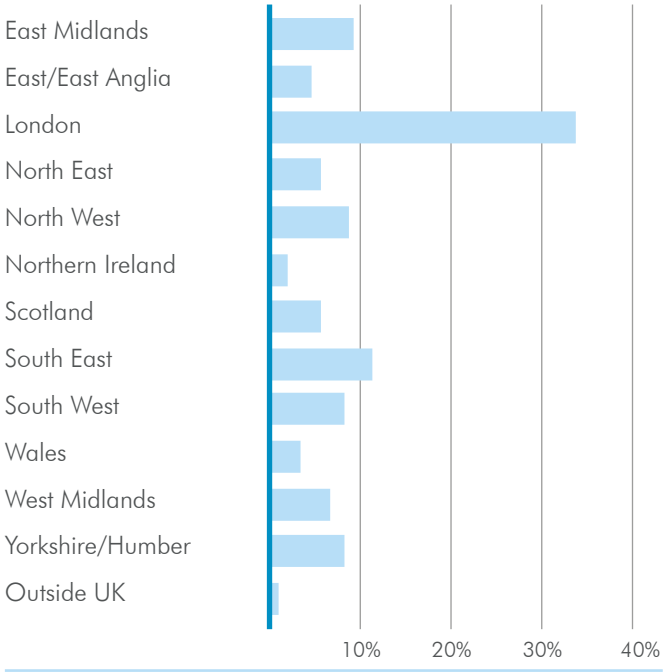
Who we surveyed

In November and December 2019, we surveyed 1,109 company owners, directors and senior managers within UK businesses, the majority of which are small to medium sized enterprises. 99% of respondents are at director level and above and they represent the views of organisations which collectively turnover £7.6bn each year.

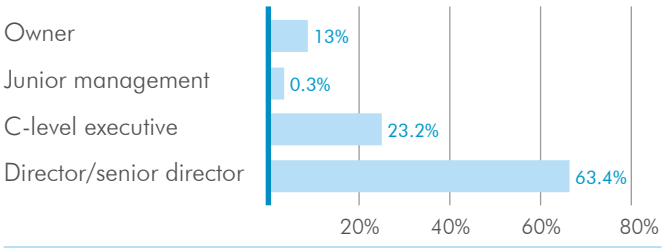
The survey was carried out by independent market research agency, Atomik Research, on behalf of Kreston UK.

99.7% of respondents identified as senior management and above.

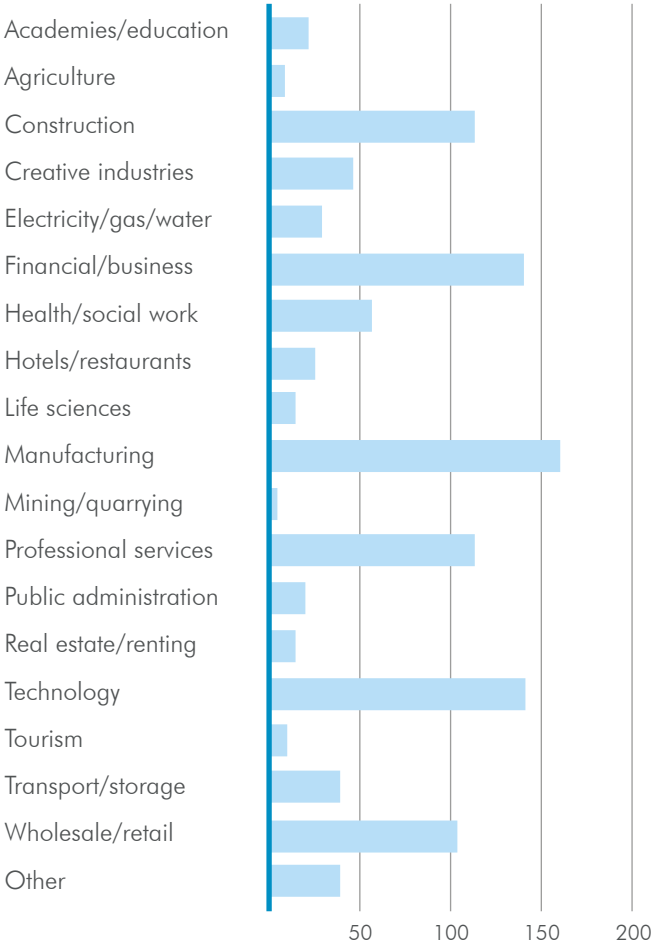
Location



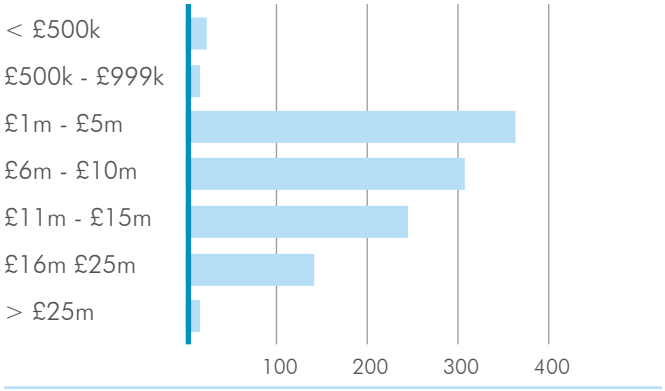
Job title/seniority



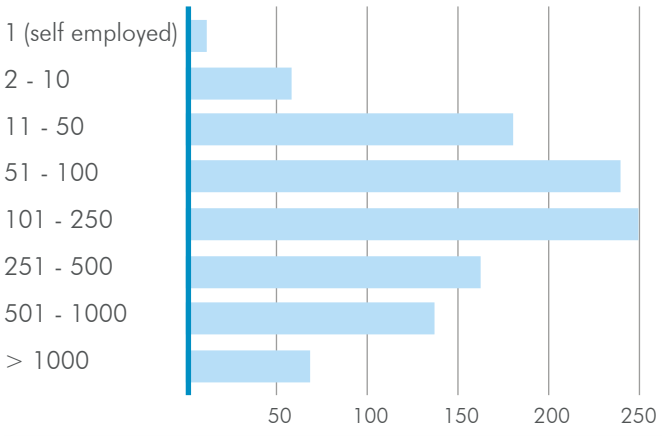
Respondents by industry



Annual turnover



Number of employees



Sectors with the largest representation include; manufacturing (15%), financial and business services (13%), technology (13%), professional services (10%) and construction (10%).

36% of respondents recorded turnovers in excess of £10m and 33% recorded turnovers of £1m-£5m.

56% of respondents represent organisations that employ more than 100 people, with 23% employing 101-250 employees, 15% employing 251-500 people, 12% employing 501-1000. Meanwhile, 22% employ 51-100 people.

An overwhelming majority of business leaders (50%) have had a positive experience of exporting in recent years and only 4% a negative one.

Section 1:
Experiences of international trading

In brief

Our research finds that although 90% of businesses trade or export internationally in some way, only four in ten have significant international sales (where this accounts for more than 40% of turnover).

Despite the turmoil of the past three years, the majority of business leaders (52%) believe that the reputation of UK business abroad has improved while fewer than a quarter (24%) think it's worsened.

This is, in part, thanks to the reputation of UK skills and expertise and influence of well-known entrepreneurs and not government policy, Brexit or the actions of politicians.

We have also found that an overwhelming majority of business leaders (50%) have had a positive experience of exporting in recent years and only 4% a negative one.

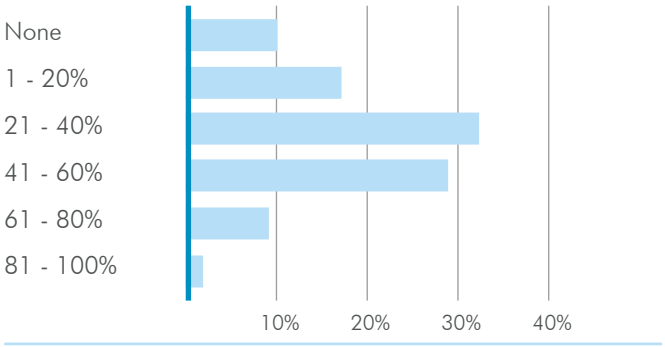
These are encouraging signs at a time when the UK seeks to become more global. Our findings suggest that the "Great British brand" is growing stronger and exporting is helping businesses to grow.

Findings

Although 90% of businesses trade or export internationally, only four in ten businesses have significant international sales.

We asked 'what percentage of your overall sales income do you estimate came from international trade/exports last year?'

% of sales income from international trade/exports



Just 10% of business leaders stated that their business does not trade internationally. More than one third of companies we surveyed obtain 21-40% of their overall sales income from international trade or exports.

While 90% of UK businesses say they obtain some of their sales income from international trade or exports, only four in ten companies appear to have significant (40%+ of t/o) international sales, and only 11% derive more than 60% of their revenues from international trade.

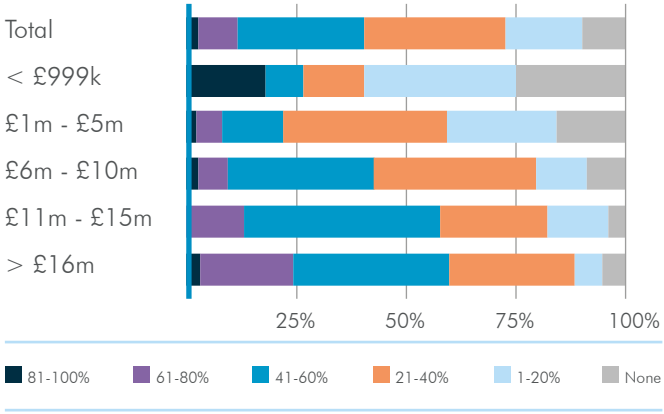
Research from the Department for International Trade (DIT)* 2019 suggests that 66% of exporters have been essentially passive in their exporting behaviours, responding to orders from abroad when received but not specifically targeting customers in other countries. Only 28% reported that they intentionally targeted customers in specific countries and could therefore be classified as 'active' exporters.

*Department for International Trade (DIT National Survey of UK Registered Businesses' Exporting Behaviours, Attitudes and Needs 2018, July 2019).

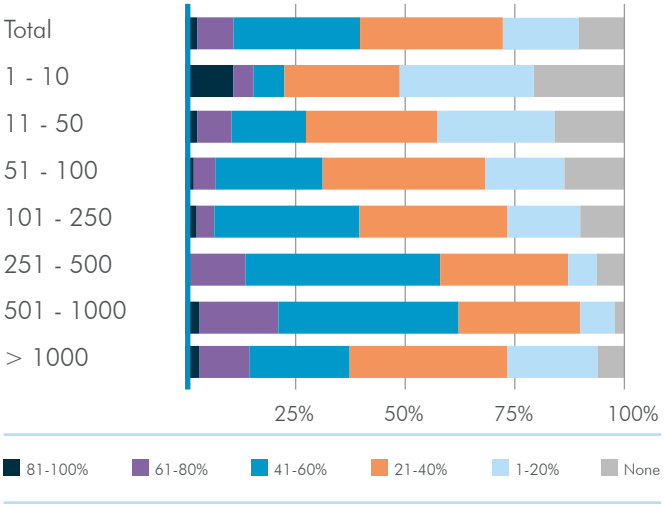
"For UK business to increase international trade, we need to encourage more domestically-focused companies to export, to ensure 'passive' international traders become 'active' traders, and to support the further development of 'active' international trading companies. With only four in ten companies obtaining 40% or more from international sales, businesses should seek to avoid complacency and seize the opportunity that international growth offers them."

Liza Robbins, CEO, Kreston International

% of sales income from international sales by turnover



% of sales income from international sales by number of employees



Regional highlights

- Half of all businesses in London obtain at least 40% of their sales income from international sales.
- 23% of businesses in Wales obtain no sales income from international trade and exports.

Generally, there is a clear correlation between company size and the extent to which international trade and exports forms a significant proportion of their sales.

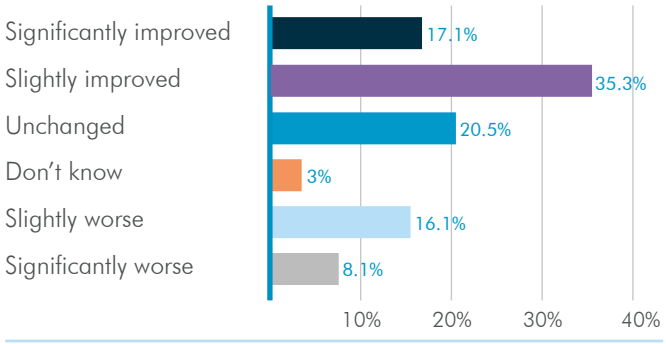
57% of companies with a turnover over £16m obtain more than 40% of sales income from international sales, as do 61% of those employing 500-1000 people. This compares to 24% of microbusinesses and 21% of those with a turnover below £1m.

Generally, smaller turnover companies are less likely to have any sales income from international trade while larger companies are the most likely to be reliant on international sales/exports for higher percentages of their sales - and more likely to be the 'active' traders to which the DIT refers.

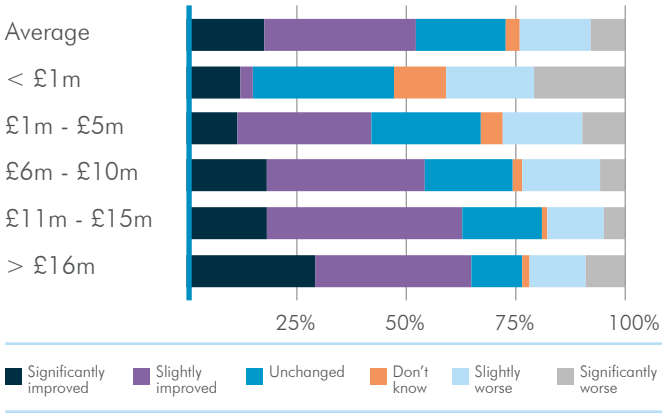
However, there is a significant proportion of smaller businesses (below £1m t/o) deriving 81-100% of their sales income from international trade/exports.

Asked to what extent they believe the reputation of UK business abroad has changed in the past three years, business leaders told us that the reputation of UK businesses abroad has improved (52%). Fewer than a quarter said it has deteriorated (24%).

To what extent do you believe the reputation of UK business abroad has changed in the last three years?



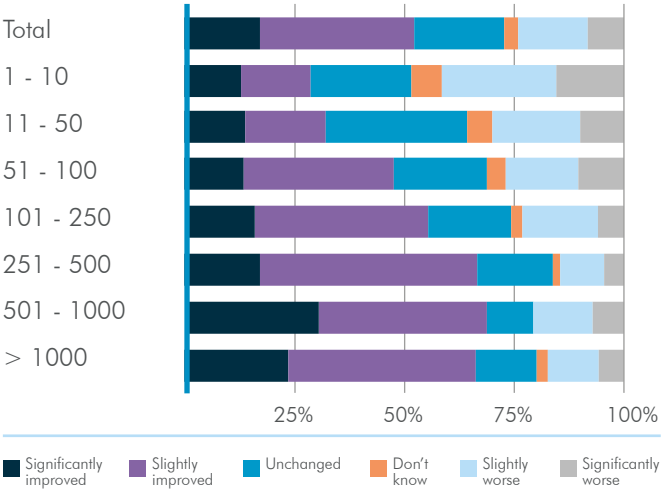
To what extent do you believe the reputation of UK business abroad has changed in the last three years by turnover?



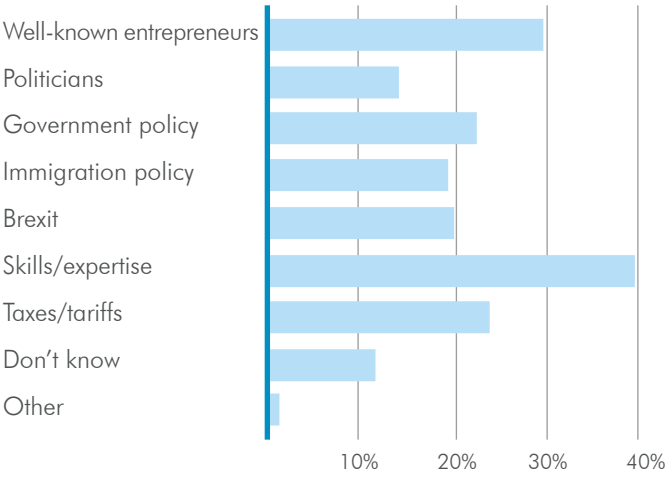
Regional highlights

- Businesses in all regions generally say the UK's business reputation has improved.
- Businesses in Northern Ireland were most likely to say it had improved, with 52% saying it had slightly improved and 15% saying it had significantly improved.
- London businesses were also very positive, with 39% saying it has slightly improved and 27% saying it had improved significantly.
- Business leaders in the North East (31%) and in Scotland (31%) said the UK's reputation had worsened.

To what extent do you believe the reputation of UK business abroad has changed in the last three years by number of employees?



Which of the following do you believe has had the biggest positive impact on the reputation of UK business abroad in the past five years?



By turnover and number of employees, the largest companies were most likely to have a positive perception and smaller companies are least likely.

Companies employing more than 500 people and those with turnover of more than £16m are most likely to say the reputation has improved while microbusinesses and companies with turnover less than £1m are least likely.

63% of businesses employing more than 1000 people and 65% of businesses with turnover more than £16m said the UK's reputation had improved, compared with 15% of those with turnover under £1m, and 29% of microbusinesses.

42% of microbusinesses and businesses with turnover less than £1m say that the reputation has worsened.

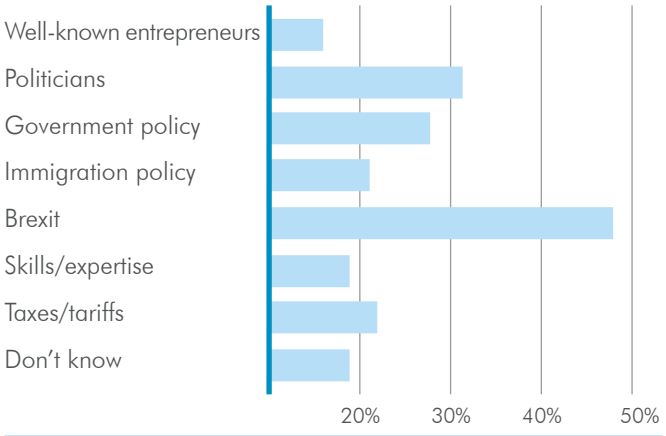
UK skills and expertise are seen as having had the greatest positive impact on the reputation of UK businesses abroad.

40% of businesses believe the UK's 'skills and expertise' have had the biggest positive impact on the reputation of UK business abroad, followed by 'well known-entrepreneurs' (30%).

Brexit is seen as having had the greatest negative impact on the reputation of UK business abroad.

While 21% of respondents said that Brexit had the biggest positive impact, 47% said it had the biggest negative impact.

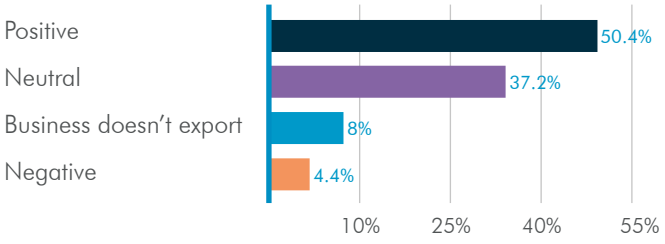
Which of the following do you believe has had the biggest negative impact on the reputation of UK business abroad in the past five years?



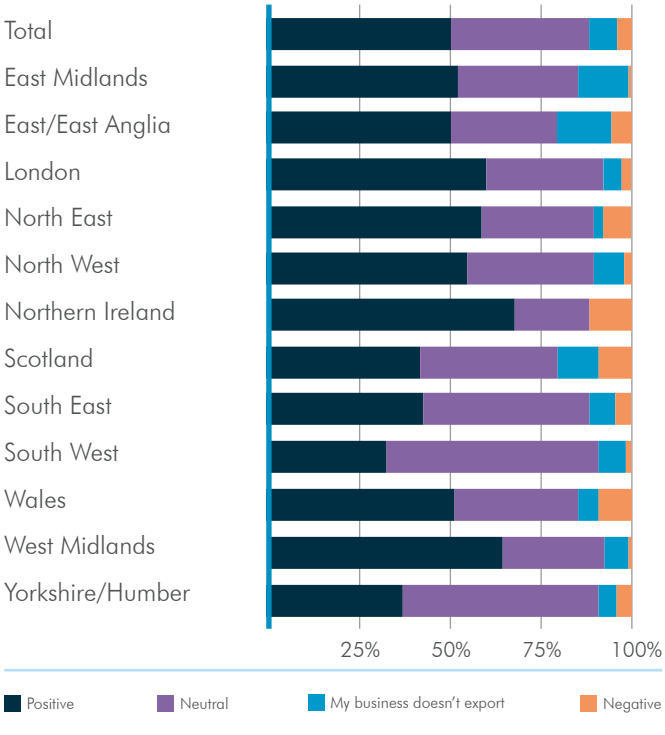
Businesses have had an overwhelmingly positive experience of exporting recently.

Asked if their recent experience of exporting has been positive or negative, an overwhelming majority said their experience had been positive and fewer than 5% of respondents said it had been negative.

Positivity of businesses' recent experience of exporting



Positivity of recent exporting experiences by region



"Brexit still divides opinion. Some see the decision as a positive for the UK's reputation abroad but more see it as a strong negative. Respondents who selected 'Brexit' as a negative may have done so for a variety of subtly differing reasons. For example, they could see Britain's decision to leave the EU as having had a detrimental impact, or it could be their opinion of Britain's protracted departure process."

Robert Holland, James Cowper Kreston

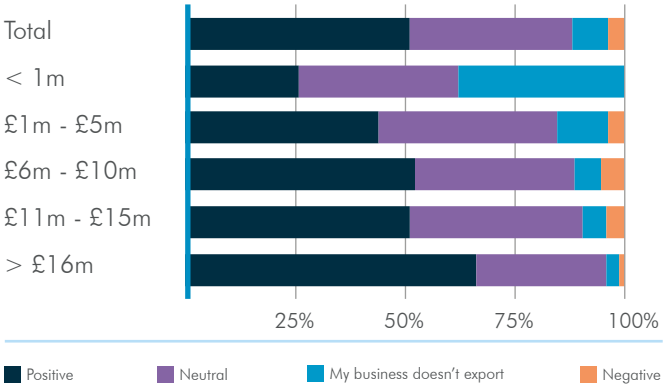
Larger companies are more likely to have had a positive recent experience of exporting.

There is a clear correlation between company size and positivity toward their exporting experiences.

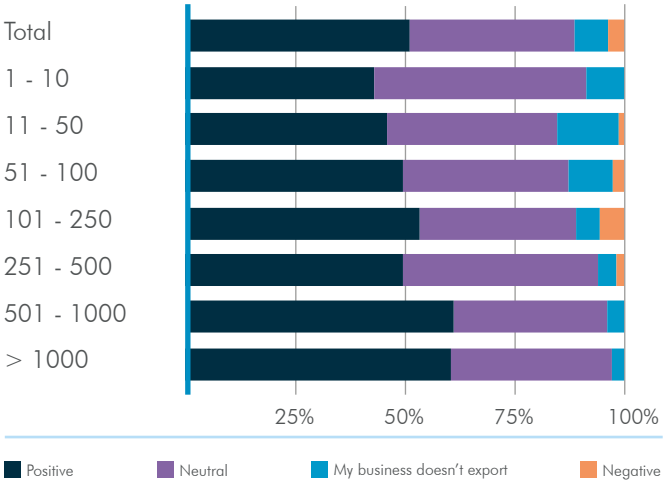
Microbusinesses and businesses with turnover below £1million report the lowest proportion of positive experiences (42% and 26% respectively) while those which employ more than 1000 people and with turnover of more than £16m were the most positive (60% and 67% respectively).

Across both measurements of company size, smaller businesses are the least likely to export, but those which do are among the most likely to have had positive experiences.

Positivity of recent exporting experiences - by turnover



Positivity of recent exporting experiences - by number of employees



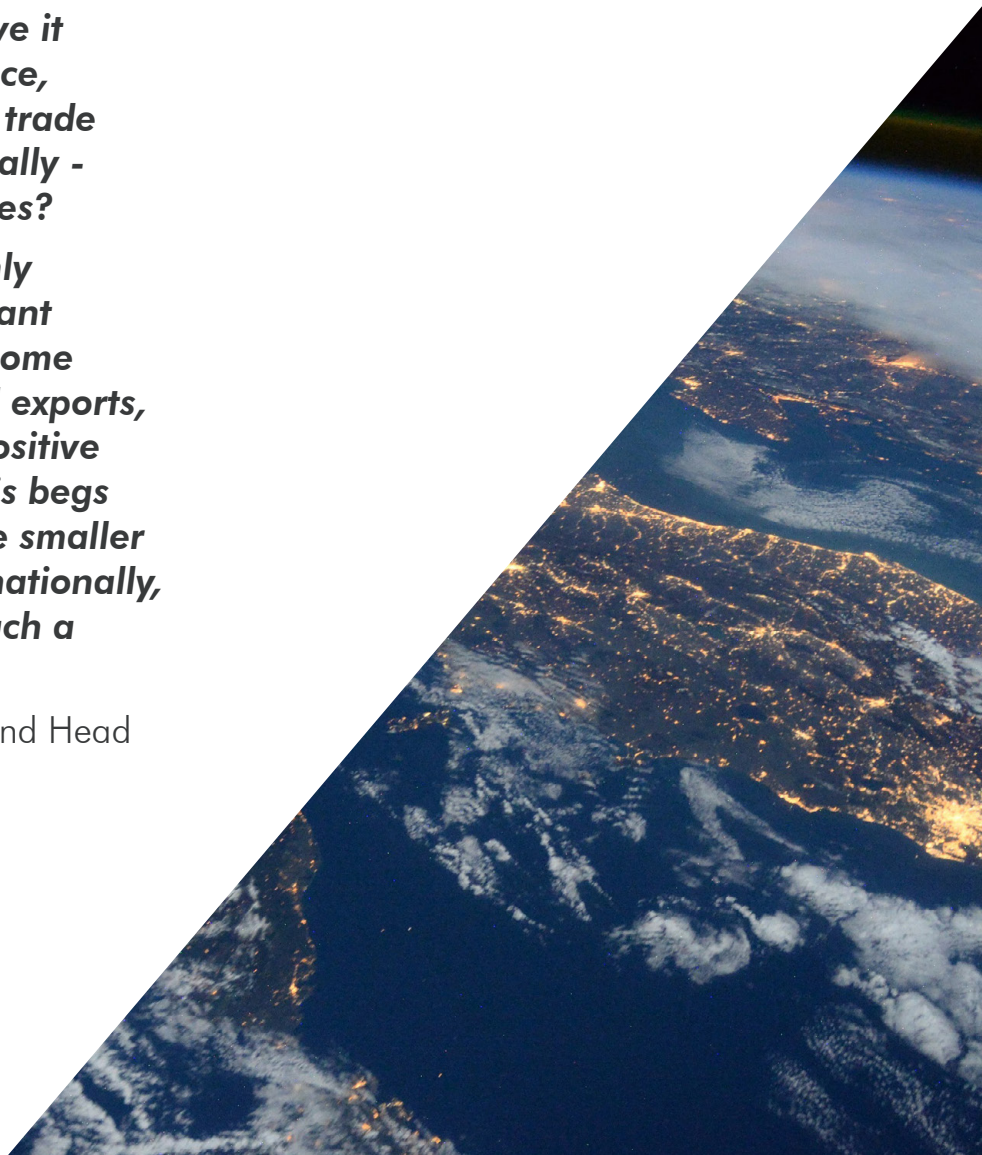
Regional highlights

- Businesses in Northern Ireland reported the highest proportion of positive experiences and negative experiences, (68% positive, 12% negative) - possibly due to its land border with the Republic of Ireland.
- The South West had the lowest proportion of positive experiences (33%), with the largest proportion of neutral experiences (57%).
- The West Midlands had the highest proportion of positive experiences (65% positive, 2% negative).
- The East Midlands and South West reported the fewest negative experiences (EM: 52% positive, 1% negative. SW: 33% positive, 1% negative).

"If overwhelming numbers of those trading internationally believe it has been a positive experience, why do more companies not trade more extensively internationally - particularly smaller companies?

Larger companies are not only more likely to obtain significant proportions of their sales income from international trade and exports, but they also have a more positive experience from doing it. This begs the question why many more smaller companies don't trade internationally, when those that do find it such a positive experience?"

Andrew Griggs, Senior Partner and Head of International, Kreston Reeves



Case study: Twinkl

Turnover: £13m
Employees: c. 600
Head office: Sheffield, South Yorkshire

Created in 2010 with the mission 'to help those who teach', Twinkl empowers teachers, nursery workers, parents and SEN professionals with new tools for engaging children in learning and a huge range of trusted teaching materials.

Twinkl now offers over 625,000 resources, with content added daily, and around 4,100 resources are added to the website each month.

After initially targeting England, with materials specifically tailored to the English National Curriculum, co-founders Jonathan and Susie Seaton are delighted to be spreading the Twinkl magic internationally.

As a digital business, Twinkl's resources have always been available to people anywhere in the world, however, 2014 marked the official start of international trading through online purchases.

The company began to develop its work in international markets after observing organic growth in specific regions; the Republic of Ireland, Australia, New Zealand, the United States, UAE, China, Hong Kong, and Malaysia. These continue to be key target regions for international growth at Twinkl.

Co-founder and CEO Jonathan explains: "As an SAS style online service provider, we negate many traditional education resource trading barriers such as import duty and customs regulations. Our product is of high value to educators and easy to access for potential customers.

"In the past three years, we have grown our export markets considerably, trading on the back of increasing levels of success in the UK and by analysing data and actively looking to service the needs of internationally based educators."

With over 5 million members and operations in 197 countries and dependencies, Twinkl is having a global impact on education and is continuing to grow. At the end of 2019, the business witnessed a 254% increase in sign ups, a 111% increase on new subscriptions, and a 146% increase in active users from the previous year.

In 2018, Twinkl generated £1,828,031 from international trade (a 47% increase over the previous year).

This was rewarded in the SME Export Track 100 League Table in 2019, where Twinkl ranks among among the 30 SMEs with the fastest-growing international sales. The company was also awarded with the Queen's Award for Enterprise in International Trade.

Within ten years, the Twinkl team has grown from two to 600 and the company offers 24/7 customer service around the world with two offices in Sheffield, an office in Australia and a global network of remote team members.

Jonathan continues: "For markets of interest, the three A's 'adaptation' approach is employed, to differentiate, adapt content and make specific content for each key market. We have always employed our customers in order to really understand the markets and what members need."

Twinkl wants to take its mission 'to help those who teach' across the world and its overall strategy and direction is to become the largest supplier of digital teaching content globally – and to become the market leader in each country.

Visit **www.twinkl.co.uk** for more information.

The majority of businesses told us they haven't cancelled or delayed plans to trade internationally, but 432 respondents (39%) said they have.

Section 2:
Barriers to trade

In brief

While the previous section showed that business leaders have largely had a positive experience of exporting, it's important to identify what factors might be limiting international trade.

Although the majority of businesses have had a positive experience of exporting recently, we found that 39% of businesses have cancelled or delayed their plans to export to a new market or trade internationally, with most blaming Brexit.

This is particularly the case among smaller businesses and those in sectors such as technology and life sciences, which have cancelled or delayed plans more than others.

The most commonly cited reason for this is Brexit, but we've found that taxes, tariffs and currency fluctuations are also seen as a significant challenge to international trading.

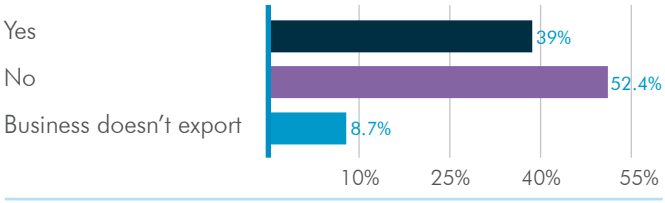
Findings

39% of businesses have delayed or cancelled plans to export to a new market or trade internationally in the last three years.

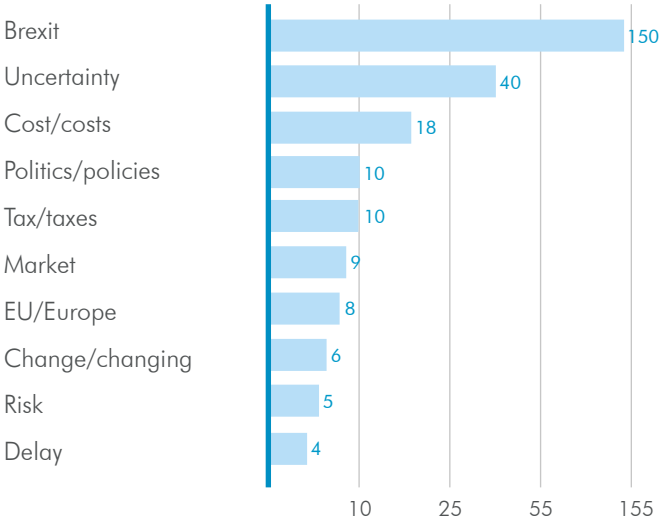
The majority of businesses told us they haven't cancelled or delayed plans to trade internationally, but 432 respondents (39%) said they have.

'Brexit' was by far the most commonly given reason, with 40% of those who had cancelled or delayed plans mentioning Brexit. In many cases, this was a one word answer but 14% specified that it was 'uncertainty', 'delay' or 'politics' related to Brexit which led to the plans being cancelled or delayed.

Has your business delayed or cancelled plans to export to a new market or trade internationally in the past three years?

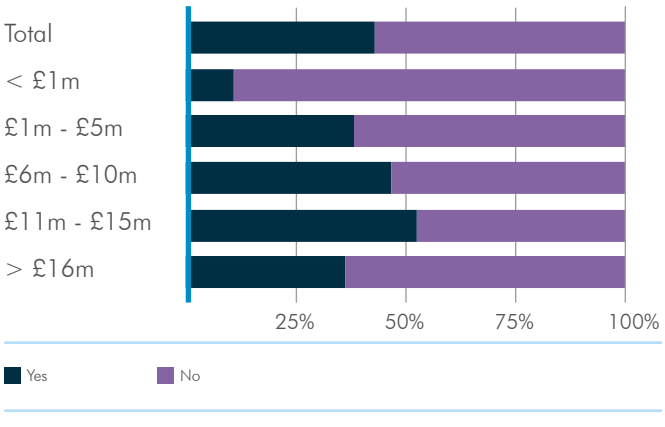


Most commonly used keywords or phrases in explaining why plans for international trade or exports were cancelled or delayed.

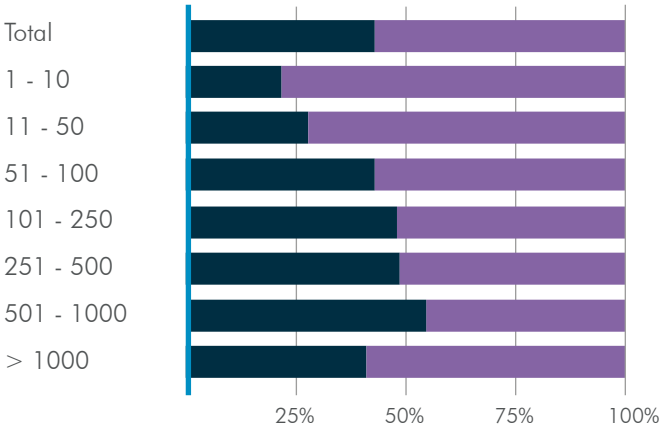


Cancelled or delayed plans - by region

Cancelled or delayed plans - by turnover



Cancelled or delayed plans - by number of employees



The results by turnover and employee headcount clearly show that delaying or cancelling plans to export to new markets or trading internationally is most common among mid-sized companies.

Companies with turnover between £11m and £15m are most likely to have cancelled or delayed plans (52%) as are companies employing 501-1000 people (54%).

"For large (£16m+ turnover) companies, size also seems to bring momentum, meaning that the past three years' events have been less likely to deflect their trading plans. Small and microbusinesses (those below £1m turnover) were least likely to be affected - but this may be because many do not have plans to trade internationally."

Robert Holland, James Cowper Kreston

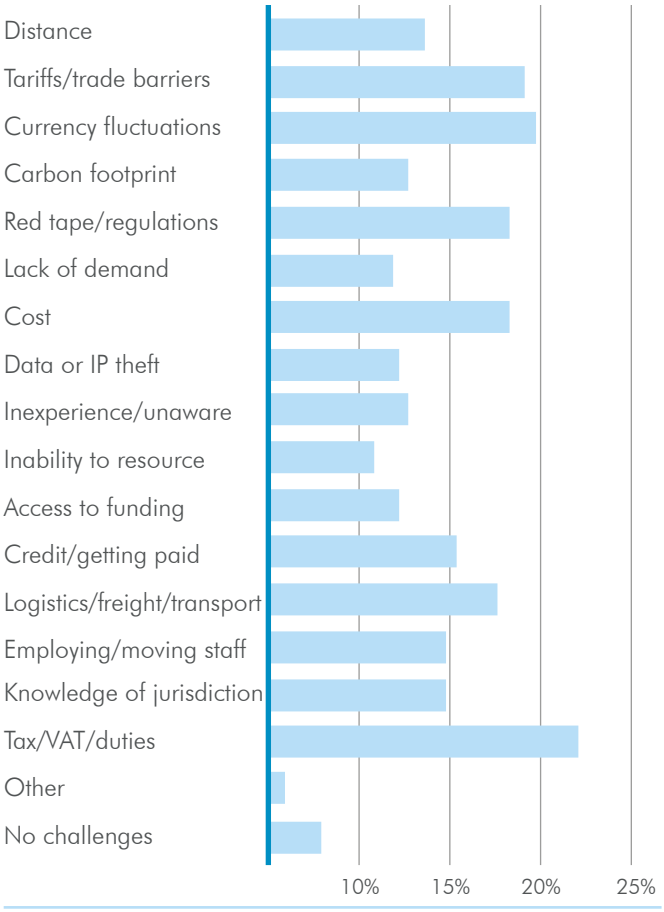
Regional highlights

Of the businesses which had made plans to export to new markets or trade internationally…

- Businesses in the North East were most likely to have cancelled or delayed plans (60%), followed by the North West (53%) and London (51%).
- Businesses in the South West (70%) were least likely to have delayed or cancelled plans, followed by the South East (66%).
- Scotland (19%) had the highest proportion of businesses which said they never had ambitions to trade internationally.

23% of business leaders perceive "tax, VAT and duties" to be the biggest challenge to international trading, followed by currency fluctuations (20%) and "tariffs and trade barriers" (19%). Many respondents chose 2-3 answers, showing a complex range of real and perceived issues according to their size, sector and confidence.

What do you consider the biggest challenge(s) to trading internationally?



"Tax, VAT and duties are a commonly encountered obstacle which businesses must overcome to trade internationally, but it presently only applies to trade with nations outside of the European Union.

It's not yet known whether new duties and tariffs will be introduced on trade between Britain and the EU in future, so this goes some way to suggesting aspects of a future trade deal which business leaders would prefer to avoid.

Currency fluctuations can prove costly for businesses which trade internationally, but there are many ways in which many companies can mitigate the impact these can have on sales and profits."

Andrew Sandiford, Managing Partner, Bishop Fleming

Regional highlights

- Businesses in East of England were most likely to select 'tax, VAT and duties' (28%) as a challenge.
- Businesses in the North West were most likely to select 'tariffs and trade barriers' (20%).
- Businesses in the South East and Wales were most likely to select 'currency fluctuations' (27%).

Case study: Active Electronics

Turnover: c. £11.5 million
Employees: 35
Head office: High Wycombe, Bucks

Established in 1974, Active Electronics is a leading provider for electronic components and assemblies to the aerospace, defence and hi-rel (high-reliability) industries.

Based in High Wycombe, Active Electronics sources components from around the world and is supported by a procurement subsidiary in New York and a sales office in Brisbane.

The company began exporting 23 years ago, gradually expanding into European, Middle Eastern and other global markets.

Because parts can be used for commercial and defence products, international trade involves a lot of red tape and licencing restrictions. Specific licenses could be required for each of the millions of parts available depending on their function and application.

Managing Director, Clive Homewood explains: "Licensing restrictions pose the greatest challenges for our business. There are different classifications for the same products for different countries, for example; the U.S. may classify a part as controlled, whereas the U.K. classify the same part as uncontrolled. To further complicate matters restricted countries for the U.S. may not be restricted for the U.K., such as Cuba.

"It would be helpful if these licensing conditions were simplified, but the different foreign policies for each nation makes this unlikely"

Referrals from clients and appearances at trade shows have proved to be among the most effective ways of establishing strong international trading relationships and Active prefers to work directly with its end clients and making the most of local connections. This can make the process smoother, but this isn't always possible given the nature of its client base.

Presently, the market is stable but predicting market growth is difficult because many of the conditions depend on political decisions and actions, which can be volatile.

Trade tariffs are another complication, with each country or trading block having their own set of tariffs which need to be taken into account.

Regarding the UK's future trading relationship with the EU, Clive says he would prefer things to remain as they are and he is concerned that the ongoing negotiations may lead to more red tape in future.

However, because standards for aerospace components are global and because many of its defence clients adhere to NATO standards, Active is less likely than other industries to be affected by Brexit unless there is divergence in standards in future.

Visit **www.active-electronics.co.uk** for more information.

ACTIVE ELECTRONICS

As companies grow in size, so too does their likelihood to establish a planned international presence or local distributor.

Section 3: Overcoming barriers Connections are key

In brief

Tax, VAT and duties as well as tariffs and trade barriers are seen as some of the main challenges UK businesses face to international trade. Here, we explore the best ways in which these can be overcome - through the actions of businesses, their advisers, and through government intervention.

One third of business leaders place the establishment and preservation of free trade deals as the principal thing that will help them to increase international trade.

This clearly has implications for the type of relationships business leaders would hope the UK has with other countries when Britain leaves the European Union, and with EU member states.

While free trade is clearly something most business leaders want, one of the most striking findings is the important role that non-financial support that's independent of the actions of governments is among the most highly sought and beneficial means of helping businesses to reach international markets.

In identifying the ways businesses are forging profitable trading connections in today's trading environment, we found that direct professional relationships are still the key to connecting businesses and customers around the world, with 49% of businesses trading internationally doing so directly with the consumer/ end user.

Although business leaders most commonly seek the advice of professional or trade bodies and the Department for International Trade, the advice they give isn't felt to be as useful as advice from lawyers, local chambers of commerce, or accountants / financial advisers.

Findings

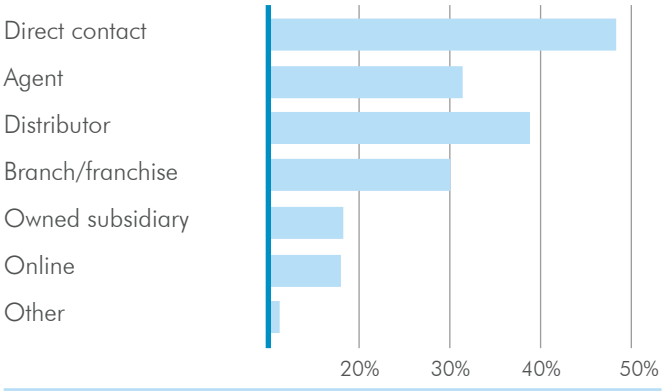
49% of businesses trading internationally do so directly with the consumer/end user.

As companies grow in size, so too does their likelihood to establish a planned international presence or local distributor. The pattern for appointing agents was much more diverse. For many, an agent provides the chance for access and scale. The most common way of trading internationally for respondents (49%) was via face-to-face contact. With only 54% of businesses between £6m and £16m turnovers having a physical presence or subsidiary internationally, businesses of all sizes have yet to commit tangibly to other markets.

Reliance upon personal contact as a means of building international business, using UK as a base, also explains why free trade deals were easily the most popular (at 32%) mechanism for increasing their international revenues. Despite this, over half (56%) of respondents believe they will also increase their EU trade in the next five years.

Businesses that don't trade internationally have been removed from the charts in this section.

How do you access international markets?



Regional highlights

- Businesses in the South West (59%), West Midlands (58%) and the East Midlands (53%) are the most likely to access international markets via direct contact.
- More businesses in the East Midlands (27%) access international markets online than in any other region.

One third of business leaders say free trade deals would help them increase international trade the most.

International trade can be extremely valuable to a wide range of businesses, but what would encourage or help more businesses to increase the amount of international trade they carry out?

What would encourage or help more businesses to increase the amount of international trade they carry out?

Given a choice of possible means of support 32% said that 'free trade deals' would help them to increase international trade the most.

The next most popular, tax breaks, was chosen by significantly fewer respondents (26%), with partnering opportunities being the third most chosen answer (25%).

There is significant variance between the types of support sought by differently sized companies. There is a clear correlation between company turnover and their preference for 'financial incentives', which are the preference of 29% of businesses with turnover of more than £16m, compared to just 16% of businesses with turnover less than £1m. Instead, these smaller businesses favoured 'partnering opportunities' (39%).

Mid-sized businesses, with turnover of £1m-£15m, favoured 'free trade deals', which was selected by one third of respondents (33-34%) in each of these turnover categories. Free trade deals were also popular among larger and smaller companies.

One third of respondents see government action to create free trade as the priority.

Given that businesses tell us that 'tax, VAT and duties', 'currency fluctuations and 'tariffs and trade barriers' are the biggest challenge to international trade, it's clear that government actions in this regard would be well received. This would include the offering of tax breaks, the removal of trade tariffs and import/export duties under free trade deals.

"Post-Brexit, AEO (Authorised Economic Operator) certification will become even more desirable as an internationally recognised tool to keep cargo moving. The EU and UK are expected to recognise each other's AEO schemes in a post-Brexit environment.

AEO status effectively demonstrates that a company's role within the international supply chain is secure, and that their customs controls and procedures are efficient and compliant.

Registration is open to all businesses in the EU that are involved in the international trade of goods with non-EU countries, including logistics operators, carriers, freight forwarders, customs agents, importers, exporters and manufacturers."

Andrew Griggs, Senior Partner and Head of International, Kreston Reeves

Professional or trade bodies are the most commonly used source of advice and guidance regarding international trade.

Which, if any, of the following has your business ever taken advice or guidance from regarding trading internationally?

The right advice is important in international trade and professional or trade bodies and the Department for International Trade (DIT) are the most popular sources of advice and guidance.

It may be surprising that only 39% of companies approached the DIT for advice and that 9% of businesses have not taken any advice on international trade at all.

Regional highlights

- Business leaders in the East Midlands (37%) and Yorkshire & Humber (36%) marginally favour seeking trade advice from accountants or financial advisers, over that from the DIT.
- Business leaders in the North East (53%), North West (42%), South East (42%), Wales (48%) and the West Midlands (48%) tend to seek advice from the DIT first - with professional or trade bodies second, complemented by accounting and legal advice.

Chambers of Commerce, legal and financial experts are seen as providing the most useful advice and guidance regarding international trade.

When business leaders were asked which sources of advice were useful, the most commonly used organisations were not necessarily seen as the most helpful.

Although overall satisfaction levels were high, fewer of those who were advised by a professional or trade body (80%) or who were advised by the DIT (82%) said this advice was helpful compared to 87% of those who got advice from their lawyer, 84% who used their local chamber of commerce and 83% who gained advice from their accountant or financial adviser.

Those who were advised by professional or trade bodies were also more likely to say the advice was unhelpful (12%), more than any of the other named sources of advice.

"Although public and trade bodies clearly do provide helpful advice, in many cases, businesses which seek to trade internationally would do well to speak to their accountants, financial advisers, lawyers and their local chambers of commerce. This may be because of the value of specific, detailed advice from a professional who truly knows their client and their business.

Sadly, many companies do not seek advice from the right sources on the very issues where they say they lack support and a significant proportion of businesses have never sought advice from any source. When it comes to international trade, knowledge can make all the difference, so it helps to get the right guidance."

Adrian Reynolds, Managing Director, Duncan & Toplis

Chambers of Commerce, legal and financial experts are seen as providing the most useful advice and guidance regarding international trade.

Case study: Global Invacom

Turnover: $130m
Employees: c.1,000
Head office: Canterbury & Singapore

The satellite broadcast industry is a global business. It is led by media and technology giants delivering content and data into millions of homes around the world.

Many broadcasters rely on the technology developed and provided by Global Invacom, a worldwide leader in satellite broadcast solutions. If you have a Sky dish sitting on the outside of your home or office, watched TV or streamed content at The Shard in London or at Windsor Castle, it has been made possible because of the technology developed by Global Invacom.

Global Invacom is jointly headquartered in the UK and Singapore and holds a dual listing on the Singapore Exchange and the London AIM market.

It is the only company in the world that offers satellite ground equipment technology solutions bridging both broadcast and data providers.

"Global Invacom is at the very heart of today's distribution networks," explains Matt Garner, Chief Financial Officer. "From the satellite dishes that sit on the side of a building, transmitters and switch technology, fibre networks, video distribution and complex electronics manufacturing, we will be involved and leading the market."

It is a market that is constantly changing, driven by new technology, changing viewer demands and, of course, global politics, and that has shaped the way Global Invacom has grown its own business internationally.

"We have grown largely through acquisition," says Matt, "acquiring the expertise, relationships and technology needed to continue to meet customer demands and develop new technology. Today, we have business operations in UK, Israel, Malaysia, Singapore, China, the US and the Philippines."

But those positions are under constant review. Manufacturing has, for example, traditionally sat in China, but as costs have increased the company is moving its manufacturing to the Philippines.

"Global demand for components from broadcast and data companies is growing year on year and that can present us with some very real challenges," explains Matt. "We need to not only keep an eye on costs, but on quality and on security of supply. Building strong relationships with manufacturers in locations where the skills are there is critical."

Another challenge facing Global Invacom has been its ability to attract talented engineers across the globe.

"Our products involve complex electronic engineering and we need talented engineers across all our locations," says Matt. "Yet the demand from and the perceived glamour of digital businesses against RF (Radio Frequency) has made recruitment that much harder."

"Our widely diversified graduates are given a high degree of autonomy very quickly, together with the ability to travel the world. We have a terrific team of people, but it is inevitable that we will lose some of them to much larger businesses. It is something we plan for, but which is still frustrating. Flexible, business-orientated immigration policies that give us the ability to recruit from anywhere in the world would be desirable."

Government policy in the UK, such as R&D tax credits and Patent Box, and similar measures in other jurisdictions have helped Global Invacom grow and develop its business in the UK and around the world, but there is more the UK government could do.

"Manufacturing in the UK doesn't get the support it needs to compete on the global stage," says Matt, "yet we have a terrific reputation for developing great people and ideas. It would be really beneficial if the government were able to provide further grants for the development of technology and further tax advantages to support high value manufacturers as they grow into global businesses."

Visit **www.globalinvacom.com** for more information.

Section 4:
International trade - by industry

In brief

When we analyse how different industries answered our questions it's clear that the trading experience varies according to the respondent's sector.

The industries with the largest sample sizes in our survey were construction, financial and business services, manufacturing, professional services, technology and wholesale and retail. These industries often have very different views and experiences regarding international trade.

Across these results, the variety of views between sectors seems to reflect whether they produce physical goods or products (manufacturing and construction), whether they have products whose operating platforms may transcend national boundaries (technology and professional services), or where they may be part of projects whose long lead times demand clear forward plans.

There is no generic solution suitable for all sectors - and any future trade deals will clearly have to balance the pros and cons for the UK, sector by sector.

97% of businesses in the technology sector and 95% of manufacturers trade internationally in some way.

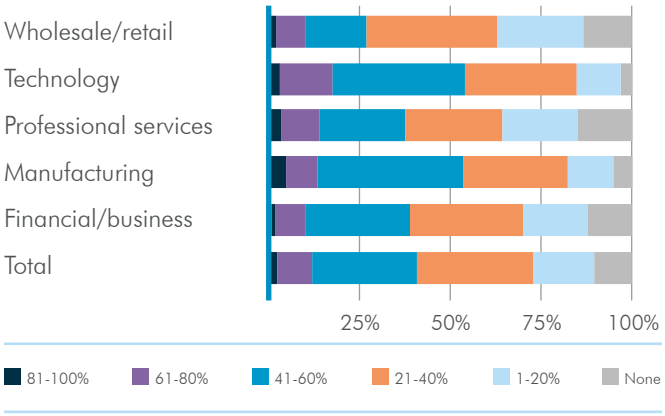
On average, we found that 90% of businesses trade or export internationally in some way but only four in ten businesses obtain more than 40% of their income in this way.

The professional services sector was least likely to obtain any income from international trade or exports, with 15% saying it accounted for none of their sales, while the technology and manufacturing industries are by far the most likely, with just 3% of technology businesses and 5% of manufacturers having no international income.

Technology and manufacturing businesses are the most likely to derive significant income from trading internationally with more than half (53%) of manufacturers and technology businesses (54%) obtaining more than 40% of sales income from international trade.

For more analysis on this subject see section 1.

% of sales income from international trade/exports



Retailers and professional services are most likely to believe the reputation of UK business abroad has worsened.

While all business types believed that the reputation of UK business has improved in the past three years, services companies were most likely to indicate the UK reputation has worsened with 28% of respondents in professional services and retail sectors saying it has worsened, while the technology and construction sectors were most likely to believe it has improved, with 63% and 58% respectively saying so.

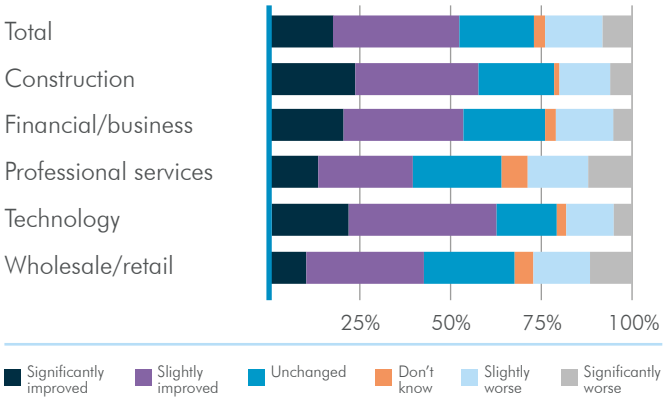
For more information on this topic, see section 1.

More than half of technology, financial services and business services businesses cancelled or delayed plans to export in the last three years.

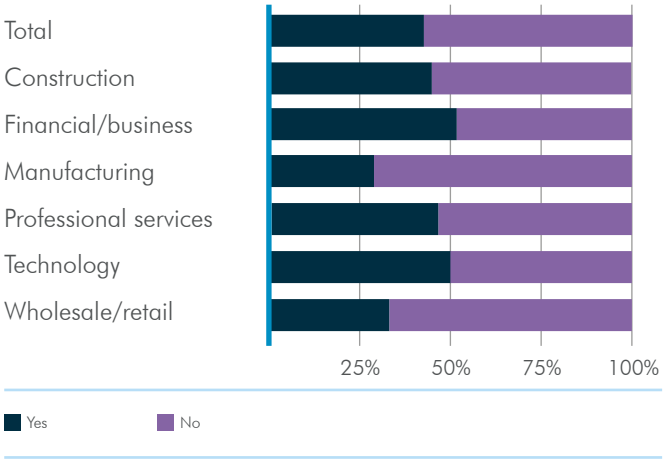
39% of respondents have had plans for international trade cancelled or delayed in the last three years, most notably in the financial, business services and technology sectors: with 52% of those in financial and business services and 50% of those in technology having cancelled or delayed plans. Manufacturers were the least likely to have cancelled or delayed plans to export or trade internationally.

More information on this subject can be found in section 2.

To what extent do you believe the reputation of UK business abroad has changed in the past three years?



Has your business delayed or cancelled plans to export to a new market or trade internationally in the past three years?



62% of businesses leaders in the construction sector have had a positive experience of exporting recently.

Professional services as well as wholesale and retail industries were the least likely to have a positive view about their experience of international trade.

The construction industry had the most positive experience (62% positive), followed by the technology sector (56%), although these businesses were also slightly more likely to have had a negative experience (7%, compared to the average of 4%). This may be because these industries do more international trade than others. For more information on this subject, see section 1.

63% of manufacturers access international markets through direct contact.

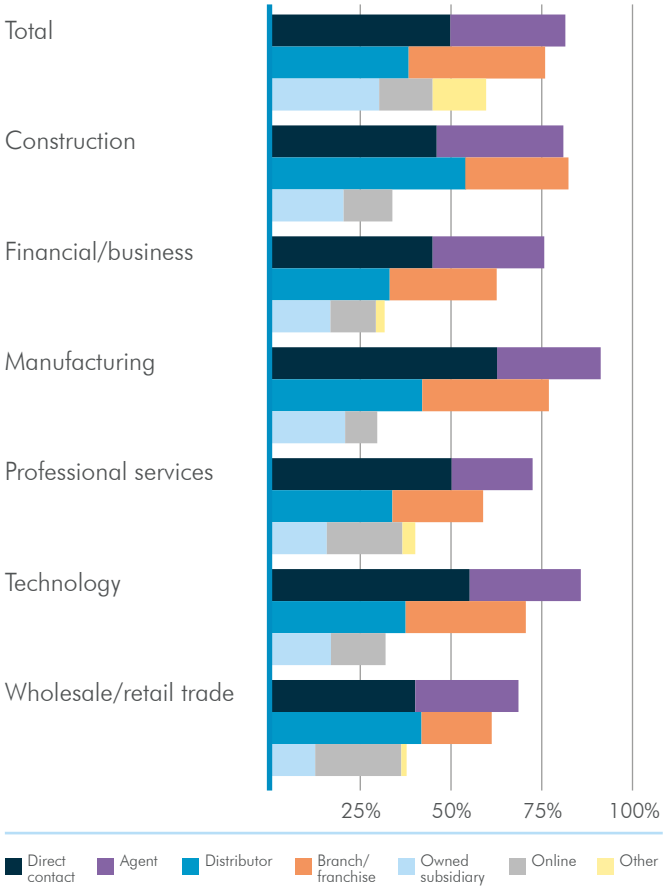
Nationally, the most commonly used route to international markets is through direct contact (49%) with a customer or international client.

This is an especially popular route for manufacturers (63%) and technology companies (55%).

The construction industry and retailers however, appear more likely to use distributors (54% and 42% respectively).

More information on this subject can be found in section 3.

How industries access international markets

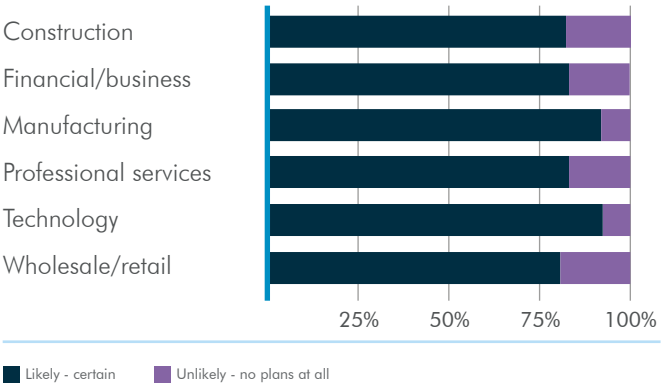


38% of manufacturers say they'll certainly be trading internationally in the next five years.

The manufacturing and technology sectors appear to be the most outward looking industries, with 92% saying they expect to be trading internationally in the next five years - 38% said they were 'certain'.

For more information on this subject, see section 5.

How likely are you to trade internationally in the next five years?



Professional services as well as wholesale and retail industries were the least likely to have a positive view about their experience of international trade.

Section 5:
The future of international trade

"It appears the larger a company, the more likely it is to have formal plans to enter a specific market or markets. Feedback from the DIT shows that many 'passive' international trading companies' exports arise from unplanned international enquiries. Very often this leaves little time to evaluate market, cultural or price factors - let alone tax, VAT and duties. In our experience these approaches are more likely to cause tax, duty and profitability issues - unless early professional advice is sought."

Lisa Leighton, Joint Managing Partner, BHP

In brief

Our survey paints an encouraging picture of the future of UK business and the country's role as an internationally trading nation.

We've found that while most (61%) of businesses see the domestic UK market as their priority for growth in the next 12 months, the vast majority of business leaders expect their business to be trading internationally within the next five years.

While the Brexit transition period and trade negotiations may have just begun, most business leaders (58%) also believe that Europe will continue to be the international market most likely to deliver growth for their business over the next five years.

As the Government seeks to negotiate Britain's new trading relationship with the EU and create and build new trading relationships around the world, this section explores the priorities and expectations of business leaders across the country.

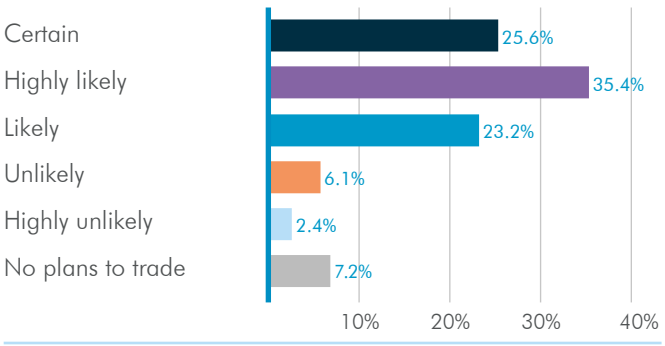
Findings

84% of business leaders expect to be trading internationally in the next five years.

This encouragingly high result embraces those with both 'passive' and 'active' (as identified by the DIT) international trading ambitions. The clear priority must be to convert 'passive' exporters into 'active' ones - having clear, focused and proactive plans for international trade.

Short term focus remains very much on domestic markets. 51% believe growth will come from UK markets in 2020. 10% of businesses told us growth will come exclusively from their immediate region - the 'hyper-local' businesses.

How likely are you to trade internationally in the next five years?



Regional highlights

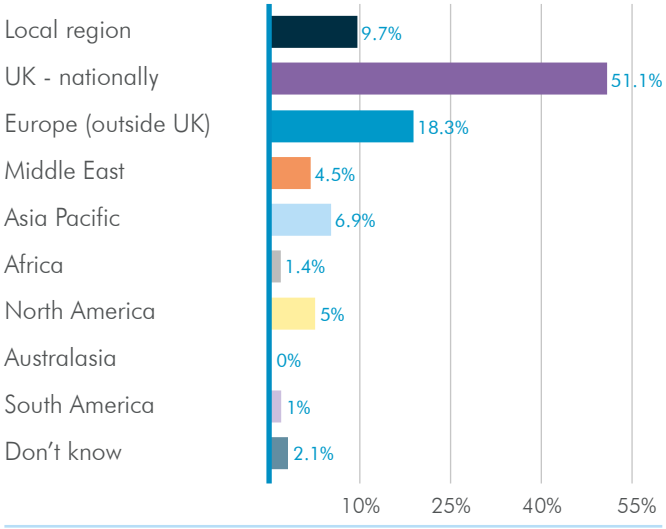
- Business leaders in the East Midlands were most likely to say they were 'certain' to trade internationally (35%) although overall positivity was higher in Northern Ireland, as well as London, the South West and the West Midlands.
- 94% of business leaders in London said they were likely to trade internationally in the next five years.
- Business leaders in Scotland were the most likely to be pessimistic regarding international trade, (with 29% selecting unlikely/highly unlikely/have no plans), and business leaders in Wales were most likely to say they have no plans (18%).

61% of business leaders see the domestic market as their priority for growth in the next 12 months.

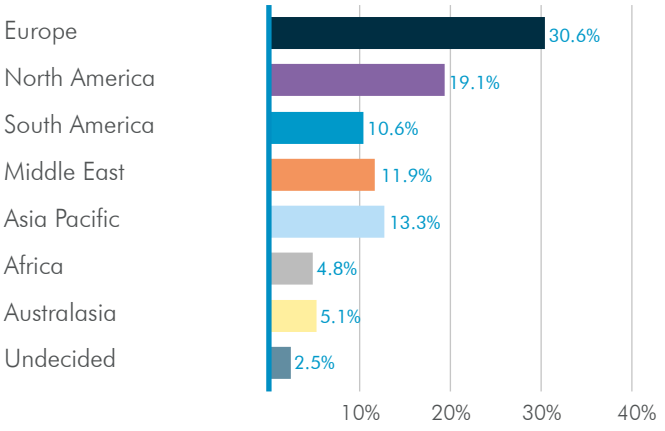
51% of respondents selected the UK domestic market, with an additional 10% selecting their own local region. 18% said Europe was their priority, with all other regions of the globe combined totalling just 19%.

As well as showing how business leaders are now focusing on the domestic UK market in the short-term, this goes to show the degree to which business leaders prioritise trade with countries in Europe over the Americas (6% combined), Asia (7%), Middle East (5%), Africa (1%) and Australasia (which was chosen by just five respondents).

Which market do you see as your priority for growth in the next 12 months?



Which international market(s) do you expect to grow for your business in the next five years?



Regional highlights

- The domestic UK market is of particular importance to businesses in the North East (65%), Northern Ireland (64%) and Yorkshire and the Humber (62%).
- While they still prioritise the UK market, businesses in London (22%), North West (19%) and the East/East Anglia (19%) are the most European-focused regions.
- Businesses in the East Midlands have significantly more interest in the Middle East and North America than any other region (11% and 12% vs 5% national average).

Most business leaders (58%) see Europe as the overseas market most likely to grow for their business, followed by North America (36%).

Looking exclusively at international markets over a longer time frame, we asked respondents 'which international market(s) do you expect to grow for your business in the next five years?'

Again, Europe emerged as the international market which business leaders expect to grow over the next five years and this may explain why 58% of them said they would continue to prioritise it over the next five years.

North America was selected by 36% of respondents, making it the second most chosen region with 19% of the overall count.

"The UK's transitional status with the EU, and our impending trade negotiations with other territories, places even more emphasis on the need to take short and medium term advice on tax, VAT and duties, and on the contractual/legal provisions needed for these periods."

Andrew Sandiford, Managing Partner, Bishop Fleming

Regional highlights

- The North East is the only region in which more business leaders expect growth in North America (52%) than in Europe (45%).
- In all other UK regions, Europe is the international market in which most businesses expect to grow in the next five years.
- North America was the second most commonly chosen growth market in all UK regions except the South West, where 50% expect growth in the Asia Pacific region.

Case study: Ruroc Ltd

Turnover: £11m
Employees: 57
Head office: Gloucester, Gloucestershire

Ruroc Ltd is one of the world's leading action sports brands based in Gloucester. Originally started as a manufacturer of Ski and Snowboarding Helmets, Ruroc's mission is to construct the most insane gear to enhance protection in extreme environments.

Ruroc created the world's first helmet system with integrated goggles and detachable face mask to protect from rocks, rails and sub-zero wind-chill. The system seamlessly connects the goggles, mask, the visor as one single piece, resulting in one of the highest-certified helmets for skiing and snowboarding. It has gone on to expand into other areas such as motorcycle helmets and other action sports.

In 2018, the company received a £3 million investment from The Business Growth Fund (BGF) and has received advice on R&D tax credits that has enabled the business to expand into new product areas such as motorcycle helmets and assist with cashflow during seasonal peaks.

Since it was incorporated in 2010, Ruroc has gained rapid traction across the globe as the go-to brand for action sports protective gear. Over the past decade Ruroc's high-quality, high-specification designs have had a constant presence in the pit lanes of the Formula 1, NASCAR, Aussie V8 and MotoGP competitions.

From its Gloucester base, Ruroc currently exports to more than 88 countries, with only 10% of revenue coming from the UK. Over recent years, it has experienced strong growth in Asia, with significant online sales growth in South Korea and China.

With most of its sales direct to consumers, social media has been key to the growth of Ruroc and significant investment has been made into branding and online marketing. With over 1.2million facebook and nearly half a million Instagram followers, it is part of a wave of new companies driven by a younger demographic using a range of online platforms – including detailed YouTube videos and tutorials – to reach global audiences and increase brand awareness.

The business also invested heavily in core infrastructure such as premises, systems and staff to enable significant future growth, especially with the addition of the motorcycle range. In 2016 Ruroc had just 7 people, which rapidly grew to 20 in 2018 and has 57 staff in house today, with another 17 International Ambassadors working in 16 different countries around the world.

With new products being launched, and the brand gaining global traction, the company is well placed to fulfil its mission to be the leading e-commerce supplier of uniquely designed helmets to consumers around the world.

Visit **www.ruroc.com** for more information.

Businesses mainly blame Brexit (directly or indirectly) when plans to trade internationally have been cancelled or delayed.

Section 6:
The future of UK business in Europe

In brief

The UK's trading relationship with Europe has been a significant factor in the way in which respondents have answered our questions and wherever respondents have been able to elaborate on their answers, Brexit and free trade with Europe have been recurring themes.

In other sections, our findings have shown that business leaders believe that Brexit has had the greatest negative impact on the reputation of UK businesses abroad, but overall, that reputation has improved in the period since the UK's referendum on European Union membership in 2016.

We've found that businesses mainly blame Brexit (directly or indirectly) when plans to trade internationally have been cancelled or delayed.

We've also found that most business leaders see Europe as the international market most likely to grow for their business in the next five years but in the short term, they're more likely to prioritise the domestic UK market.

In this section, we asked business leaders about Britain's membership of the European Union. Rather than asking about what they think should happen, we asked business leaders about what they expect will happen.

Just 13% of business leaders expect to be doing less trade with the EU in the next five years and larger companies are more confident in their ability to trade with the EU going forwards.

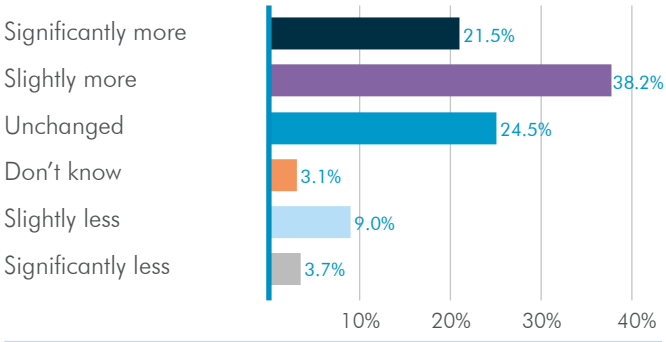
31% of business leaders think the UK will rejoin the EU in future, which suggests a significant divergence in opinion on the UK's future global trading relationship.

Findings

Just 13% of business leaders expect to be doing less trade with the EU in the next five years.

59% of business leaders expect to be doing more trade with the EU in five years' time. Meanwhile, just 13% expect to be doing less trade with the EU in future, while 25% expect the level of trade to be unchanged.

Do you expect to be doing more or less trade with the EU in the next five years?



Regional highlights

- In all regions, business leaders generally expect to be doing more trade than presently with the EU in the next five years, led by Northern Ireland (80%) and London (73%).
- Business leaders in the South West (41%) and Scotland (44%) have the least confidence about increasing trade with the EU.

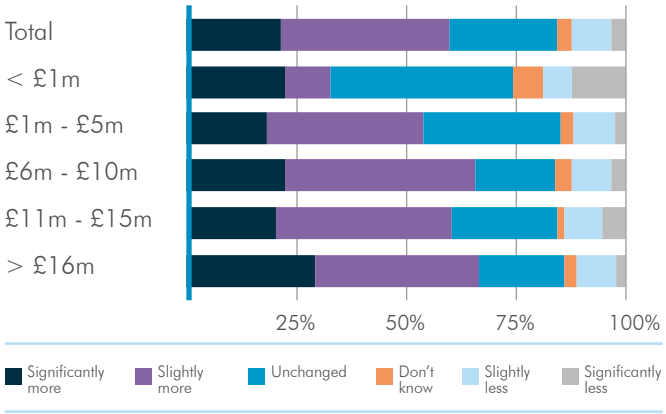
Larger companies are more confident about their ability to trade with the EU in future than smaller companies.

There is a strong correlation between both turnover and employee headcount and the expectation that their trade with the EU will increase.

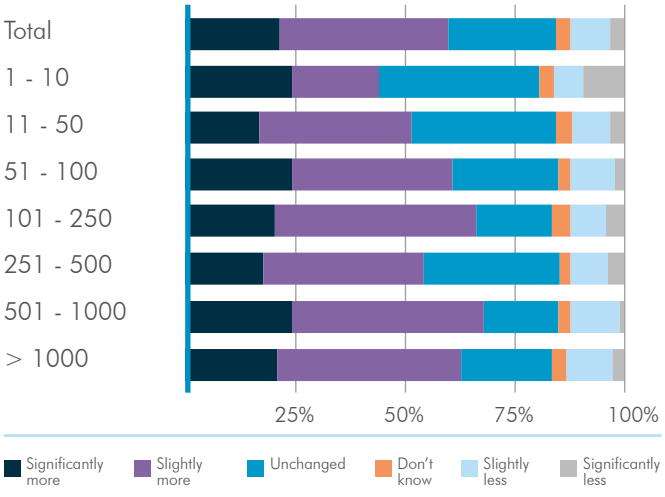
Smaller companies are most pessimistic about their ability to trade with the EU in future with 19% of businesses turning over under £1m expecting to be doing 'slightly less' or 'significantly less' along with 17% of microbusinesses.

Conversely, larger companies are more positive; 66% of companies with a turnover of more than £16m and 63% of companies with more than a thousand employees expect to do more trade. This compares to just 33% of businesses with a turnover of less than £1m and 45% of microbusinesses.

Do you expect to be doing more or less trade with the EU in the next five years? - By turnover



Do you expect to be doing more or less trade with the EU in the next five years? - By number of employees



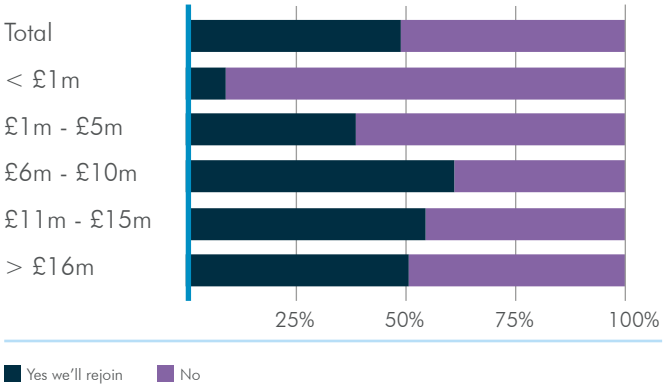
Business leaders are divided 51:49 on whether the UK will have left the EU permanently or if it will rejoin in future.

Just as the Brexit referendum and subsequent debate divided our nation, so too does the question of whether business leaders believe we will rejoin or stay out of the EU. Our long-term future relationship with the EU appears far from decided.

Asked whether they think the UK will be a member of the EU in future, the split between those who think the UK will have left for good and those who think the UK will rejoin the EU in future is 51:49.

This suggests a fundamental disagreement among business leaders over their expectations for the UK's future trading relationship with the EU.

Do you think the UK will be a member of the EU in future? - By turnover



Regional highlights

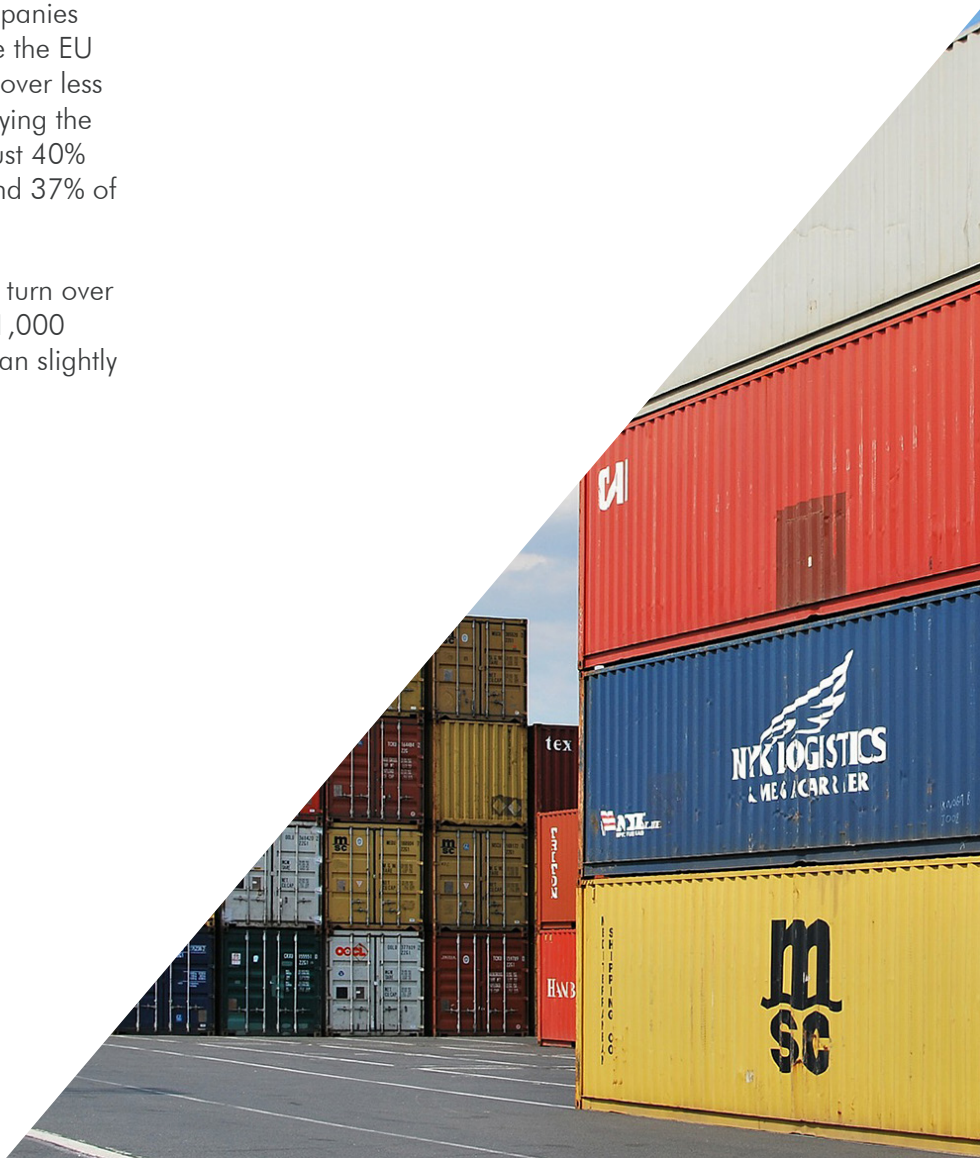
Regional highlights

- Business leaders in London are most likely to think the UK will rejoin the EU in the future.
- Business leaders in the South West are the most likely to think the UK has left the EU for good (71%).
- The majority of business leaders in the majority of UK regions think the UK's departure from the EU is permanent.

Mid-sized and large companies by both turnover and headcount are more likely to think that Britain will rejoin the EU in future than smaller businesses.

Excluding other answers, the smallest companies are more likely to believe the UK will leave the EU for good with 91% of companies with turnover less than £1m and 79% of microbusinesses saying the UK will leave permanently, compared to just 40% of companies with turnover £6m-£10m and 37% of those employing 501-1,000 people.

Interestingly, the largest companies (which turn over more than £15m and employ more than 1,000 people) were more divided on the issue than slightly smaller companies.



Where to now?

For some companies, that should literally be the question.

If the UK is to achieve the 'Global Britain' aspiration, companies need to be actively planning their international venture - not, as many UK companies do - merely rely on responding to approaches from prospective overseas customers. Our case studies are great examples of companies which are successfully trading internationally.

Companies' and the UK's economic expansion will increasingly need to be driven by well researched, focused and well-managed international trading relationships. Only then are they likely to reap the rewards and benefits that international trade can bring.

Whatever the outcomes of the UK Government's negotiations with their EU and non-EU counterparts, any company considering a robust approach to international trade needs to take advice where it can, and decide upon plans that allow it to respond to the new opportunities and challenges that will arise.

"Twenty years from now you will be more disappointed by the things that you didn't do than by the ones you did do. So throw off the bowlines. Sail away from the safe harbor. Catch the trade winds in your sails. Explore. Dream. Discover. "

Mark Twain

This report has been prepared from a survey conducted by Atomik Research and among the clients of BHP, Bishop Fleming, Duncan & Toplis, James Cowper Kreston and Kreston Reeves, on behalf of the 13 firms comprising Kreston UK.

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