



**UK Trade
& Investment**



UK Trade & Investment

**Internationalisation Strategies, Barriers & Awareness
Survey 2014**

Research Report

August 2014

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1. Executive Summary

UKTI's International Business Strategies, Barriers, and Awareness Survey is an annual telephone-based survey of c.900 internationalising UK firms who are exporting or intending to begin doing so within the next year. The sample is representative of the UK exporter population and includes users and non-users of UKTI.

Throughout this report, any differences referred to in the commentary are statistically significant at the 95% level of confidence unless otherwise stated.

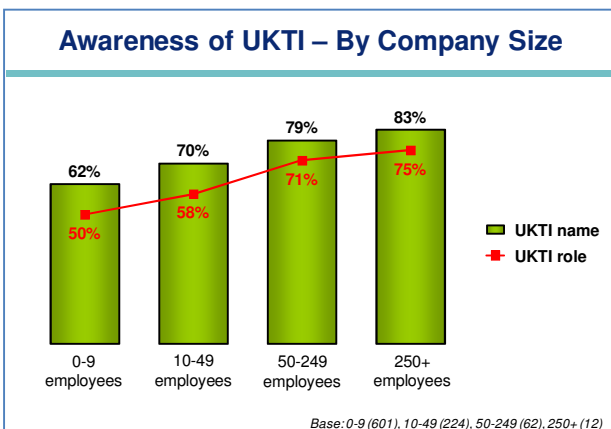
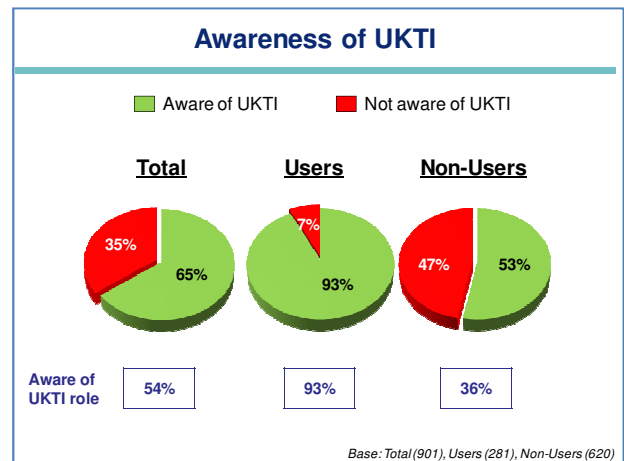
1.1 Awareness of UKTI

- Awareness of UKTI has increased significantly over the past 6 years, from 51% in 2008 to 65% in 2014. This falls to 53% among firms that have not used UKTI services.
- However, some companies recognise the UKTI name but have no knowledge that it provides assistance to help UK firms do business overseas – just 54% of internationalising firms (and only 36% of non-users) are aware of UKTI's role.
- Awareness levels are lowest among micro SMEs and those less engaged in overseas markets.

Awareness of the UKTI name itself stands at 65%, although only 54% of firms know that UKTI provides assistance to help UK firms do business overseas (i.e. UKTI's role).

Only 53% of non-users recognise the UKTI name and just a third are aware of its role. This suggests that there are many internationalising firms that could benefit from UKTI's services but have never heard of the organisation or do not equate it with export support.

A significant minority (7%) of UKTI users have not heard of 'UK Trade & Investment' – these firms had accessed support from overseas posts but not realised the link to UKTI.



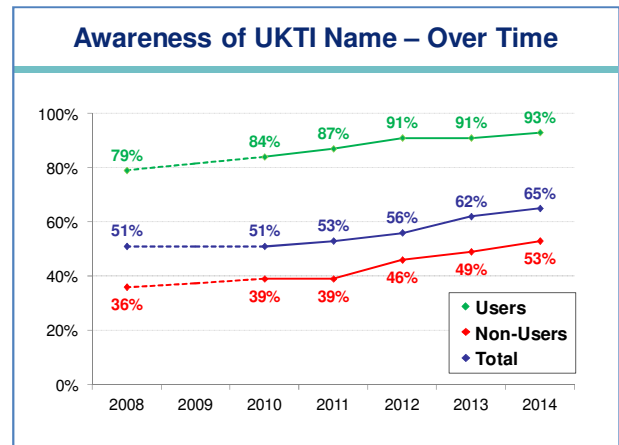
Awareness of UKTI and understanding of its role is lowest among micro SMEs, and increases as firms become larger.

There is also clear evidence that more engaged exporters (i.e. in more markets, where exports account for a greater proportion of total sales), innovative firms and those with more ambitious growth plans are all more likely to be aware of UKTI and its role (see Section 5.1 of the full report).

Awareness of the UKTI name has risen steadily over the past 6 years, from 51% in 2008 to 65% currently.

This increase in awareness is evident for both users and non-users of UKTI.

Although the upward trend has continued between 2013 and 2014, it should be noted that this apparent increase over the last 12 months (from 62% to 65%) is not statistically significant.



1.2 Business Profile & Growth

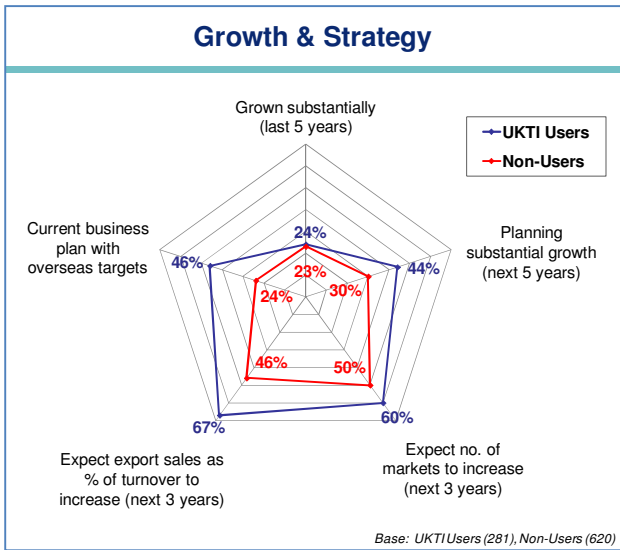
- **UKTI clients tend to be older and larger than non-users, although over half are still micro SMEs.**
- **UKTI users are more likely to anticipate substantial growth than non-users. Most plan to enter new markets in the next 3 years and to increase the proportion of their turnover accounted for by overseas sales.**
- **There is a relationship between overseas activity and financial performance, with experienced exporters significantly more likely to be profitable.**

Half of all internationalising firms have been established for more than 10 years and most operate in the services sector. UKTI users tend to be somewhat older than non-users and are slightly more likely to be in the production sector.

UKTI clients are also significantly larger in terms of employee numbers, although it should be noted that the majority are still micro SMEs with fewer than 10 staff.

A similar picture is seen for turnover, with UKTI users typically reporting higher annual sales. Only 2% of internationalising firms have a turnover of between £25m-£250m and are therefore classified as Medium Sized Businesses (MSBs). However, this proportion does increase slightly among UKTI clients.

	Total	UKTI Users	Non-Users
<i>Base</i>	901	281	620
Age	0-5 years	27%	30%
	6-10 years	21%	23%
	Over 10 years	52%	47%
Sector	Production	29%	27%
	Services	71%	73%
Size (employees)	0-9 employees	66%	71%
	10-249 employees	32%	28%
	250+ employees	1%	1%
Size (turnover)	Up to £500k	49%	54%
	£500k - £2m	24%	23%
	£2m - £10m	14%	12%
	£10m - £25m	3%	2%
	£25m - £250m (MSB)	2%	1%
	Over £250m	<0.5%	<0.5%

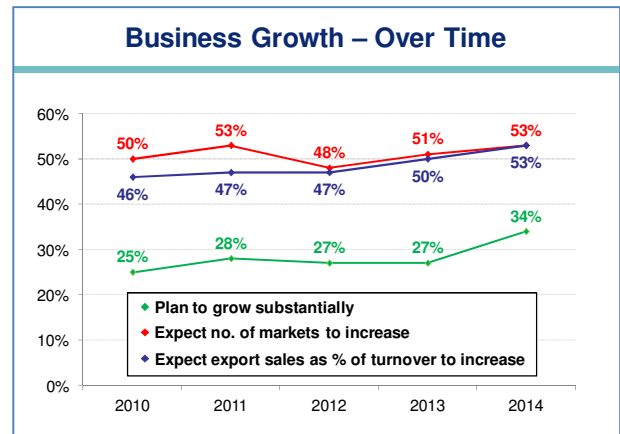


UKTI clients are clearly more dynamic than non-users, particularly when it comes to their overseas development. They are significantly more likely to predict substantial growth over the next 5 years, and to anticipate an increase in both the number of markets they operate in and the proportion of turnover accounted for by exports.

There is also evidence that users are strategically better placed to expand overseas than non-users; they are twice as likely to have a written business plan containing targets for the development of their overseas business.

Just over half of internationalising firms expect to expand into more markets over the next 3 years, with only a very small minority (3%) anticipating a decline in this respect.

The proportion of firms expecting to increase the number of markets they operate in has recovered after a dip in 2012, and the number anticipating an increase in the proportion of turnover accounted for by overseas sales has also risen over the past 2 years. Both of these increases are primarily driven by a significant rise among UKTI clients.



Role of Overseas Markets in Achieving Growth

Whether growth objectives will mainly be achieved through...	Total	Growth Objectives		
		Stay same	Moderate	Substantial
Base	865	112	443	310
New countries	45%	18%	46%	54%
Existing countries	88%	88%	90%	85%
New Customers	84%	66%	85%	90%
Existing customers	63%	80%	64%	55%
New products/services	47%	21%	49%	54%
Existing products/services	83%	94%	81%	83%

To achieve their growth objectives, most firms are primarily looking at expanding in their existing markets and selling more of their current products/services.

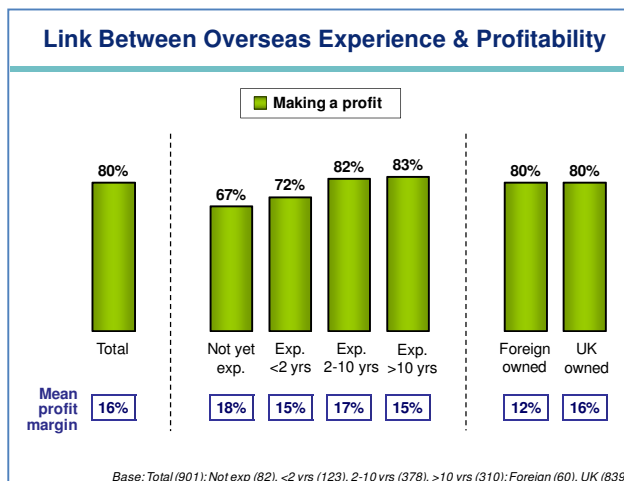
However, a different situation is seen when it comes to the customer types that firms will be focussing on, with firms more likely to be targeting new customers than existing ones.

The more ambitious a firm's growth objectives, the more likely they are to be focussing on new markets, customers and products/services.

Over three-quarters of internationalising firms are currently making an annual profit, and the average profit margin is 16% (up from 14% in 2013).

Once firms have been exporting for 2 years they are significantly more likely to be profitable, which might suggest that this is the typical period required for overseas activity to start having a notable impact on overall business performance.

Although foreign and UK-owned firms are equally likely to be profitable, the former report significantly lower margins (12% vs. 16%).

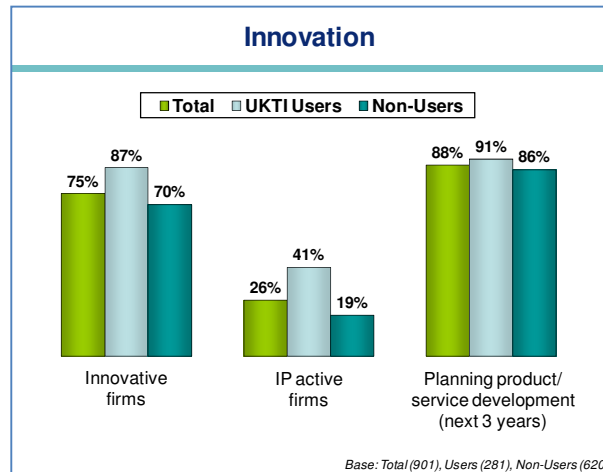


1.3 Innovation

- There are strong links between exporting and innovation. The vast majority of internationalising firms intend to undertake product/service development activity in the next few years, and this activity is typically targeted at overseas markets as well as the UK.
- UKTI clients are significantly more likely to be innovative and IP active than non-users.

One of the most notable differences between users and non-users of UKTI services is in the area of innovation. The former are significantly more likely to be classed as 'innovative' and to hold patents, trademarks or other legal protection for their products/services (i.e. be 'IP active').

The vast majority of internationalising firms are planning to undertake product or service development activity over the next 3 years (covering both creating new products/services and improving or modifying existing ones). Again, this is more likely to be the case among UKTI clients.



Focus of Product/Service Development

	Total	UKTI Users	Non-Users
Base: All planning NPD	901	281	620
UK customers only	15%	5%	19%
Overseas customers only	6%	9%	5%
Both	79%	85%	76%
Net: UK customers	94%	91%	95%
Net: Overseas customers	85%	95%	81%

Innovation is typically a customer-focused process. In the case of internationalising firms, product/service development activity is most often targeted at both UK customers and overseas customers.

UKTI clients are comparatively more likely to focus their product/service development activity on overseas markets (95% vs. 81% of non-users).

1.4 Overseas Activity & Experience

- UKTI clients generally have more overseas experience than non-users. They have typically been operating overseas for longer, are active in more markets, and export sales account for a higher proportion of their total turnover.
- Larger firms and those with more overseas experience tend to be active in a greater number of markets. However, export development patterns are extremely diverse; some micro SMEs are active in many different markets and regions, while some large firms only operate in a few overseas countries.
- 38% of internationalising firms sell to at least one high growth market. These markets are not solely the preserve of larger, more established exporters; 33% of micro SMEs and 27% of firms with less than 2 years export experience are active in high growth markets. However, the proportion of firms selling to high growth markets has been declining since 2010.
- Although the vast majority of firms sell direct to overseas customers, almost half also adopt other internationalisation modes such as using agents/distributors, licensing/franchising or setting up overseas sites. Outward investment is strongly associated with more intensive export activity; the more overseas experience a firms has and the more markets it is doing business in, the more likely it is to operate overseas sites.

UKTI users tend to have significantly greater overseas experience than non-users. They have been operating overseas for longer, are typically active in a greater number of markets, and exports contribute more to total turnover.

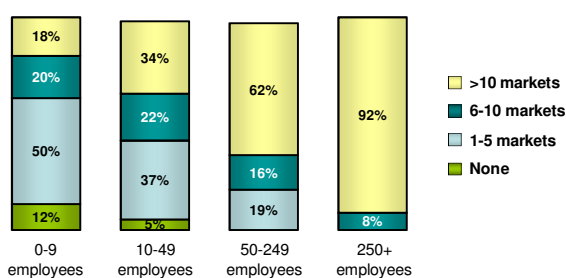
However, that is not to say that all UKTI clients are experienced exporters, with 17% having been doing business overseas for less than 2 years. Furthermore, 41% indicate that overseas sales contribute less than 10% of their annual turnover and a similar proportion are selling to 5 markets or less.

UKTI users are also less likely to be 'intermittent exporters' (defined as those that have export sales some years but not others).

Overseas Experience

		Total	UKTI Users	Non-Users
<i>Base</i>		901	281	620
Years exporting	Less than 2 yrs	22%	17%	25%
	2-10 yrs	42%	37%	44%
	Over 10 yrs	35%	46%	30%
Intermittent exporters	Yes	21%	15%	24%
	No	79%	84%	76%
Number of markets (last 5 yrs)	None	9%	6%	10%
	1-5 mkts	44%	32%	50%
	6-10 mkts	21%	24%	19%
	Over 10 mkts	26%	38%	20%
Overseas sales (% of turnover)	Up to 10%	52%	41%	57%
	11-25%	12%	17%	10%
	26-50%	14%	17%	12%
	Over 50%	18%	21%	16%

Export Development Patterns – No. of Markets



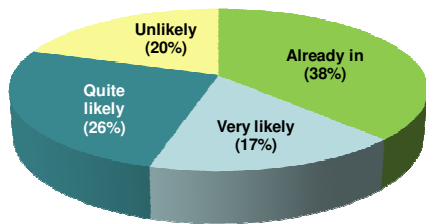
Base: 0-9 (601), 10-49 (224), 50-249 (62), 250+ (12)

It is undoubtedly the case that larger firms tend to be active in a greater number of markets than those with fewer employees.

However, it is also clear that export development patterns are diverse. A significant minority of micro SMEs are already selling to a wide range of markets and, conversely, some large firms still have fairly limited overseas operations.

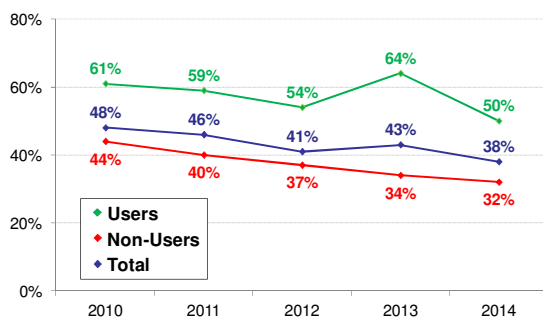
Export Development Patterns – HGMS

Likelihood of entering a high growth market in next 2 years



Base: All respondents (901)

Proportion Selling to HGMs – Over Time



Most internationalising firms sell direct to businesses or individuals overseas. However, a significant minority also adopt more 'advanced' modes such as selling through agents/distributors, licensing/franchising or setting up overseas sites

Most of those with overseas sites classify these as sales/service delivery offices, and only 4% of all firms operate an overseas manufacturing/assembly site.

38% of internationalising firms are already doing business in at least one high growth market (HGM), and most of the remainder feel that they are very or quite likely to do so in the next 2 years*.

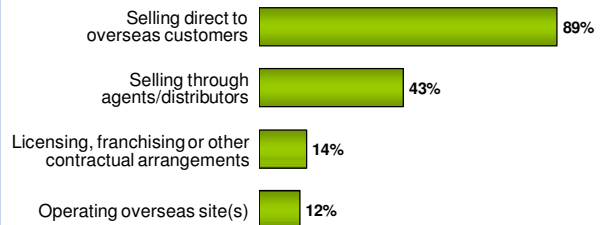
UKTI clients are much more likely to be active in HGMs than non-users (50% vs. 32%) – see Section 10.1 of the full report for details.

The likelihood of a firm trading in HGMs also increases with size and export experience. However, it is certainly not the case that these markets are only targeted by more established firms, as 33% of micro SMEs and 27% of firms with less than 2 years export experience are already doing business in these countries.

Since 2010, there has been a significant and relatively steady decline in the proportion of firms selling to HGMs. Whereas 48% of internationalising firms were doing business in at least one HGM in 2010, this has fallen to just 38% currently.

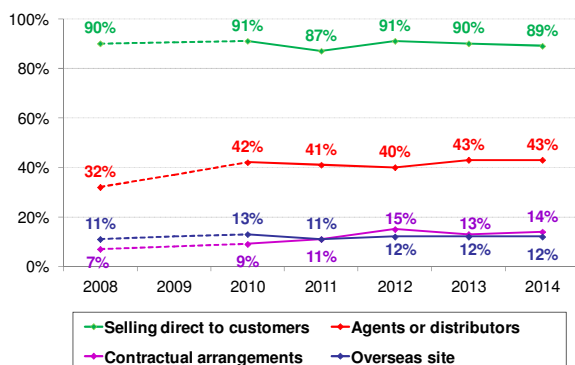
This overall pattern is evident for both users and non-users of UKTI.

Internationalisation Modes Used



Base: All respondents (901)

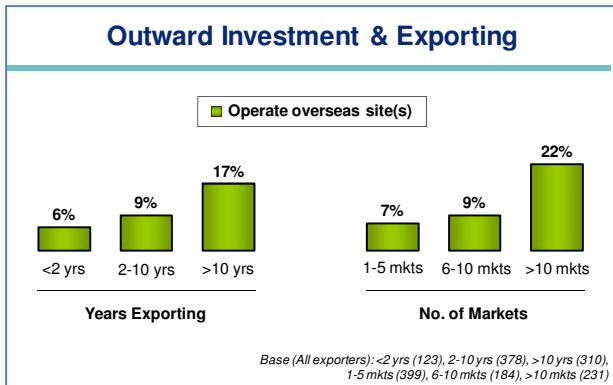
Internationalisation Modes – Over Time



Aside from a significant jump for agents/distributors between 2008 and 2010, there has been little change in the proportion of firms using each of the internationalisation modes over time.

That said, there was a small but steady increase in the proportion of firms using contractual arrangements overseas, but this appears to have levelled out in the last 3 years.

* Due to interview length constraints this survey used a fairly narrow definition of high growth markets consisting of Russia, Turkey, South Africa, UAE, Saudi Arabia, Brazil, Mexico, China and India.



There is clear evidence that outward investment is associated with more intensive export activity.

Generally, the longer a firm has been exporting and the more markets it is selling to, the more likely it is to operate overseas sites. This is particularly true of those with over 10 years export experience and those selling to more than 10 different markets.

1.5 Overseas Business Risks & Deterrents

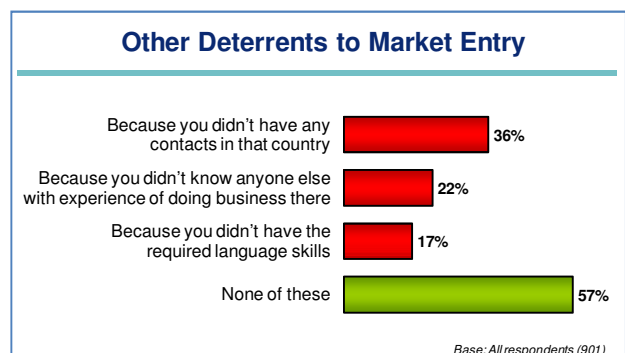
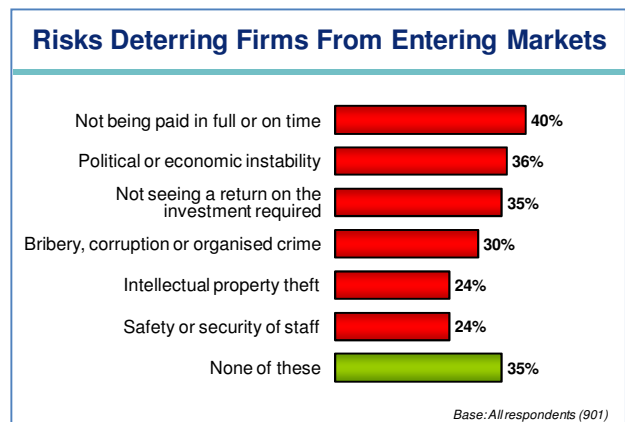
- **Two-thirds of firms (64%) have been put off from entering an overseas market due to the risks involved. The risk of not being paid (in full or on time) is the most significant deterrent to overseas expansion.**
- **Lack of contacts is also a significant deterrent to overseas expansion, with over a third of firms deciding against entering a particular market for this reason.**

Two-thirds of firms have been *put off from entering* an overseas market due to the risks involved.

The risk of not being paid (in full or on time) is the most significant deterrent to overseas expansion, followed by political/economic instability and fears of not realising an adequate return on the investment required to enter the market.

UKTI users are more likely than non-users to have decided against entering overseas markets because of the risks involved (75% vs. 60%). However, this may be because users tend to have been exporting longer and operate in more markets, and hence have had more opportunity to encounter these risks.

The most significant other deterrent is a lack of contacts, with over a third of firms reporting that they have been put off from entering a market for this reason. This highlights the importance of those UKTI contact facilitation services such as OMIS.



1.6 Barriers to Overseas Trade

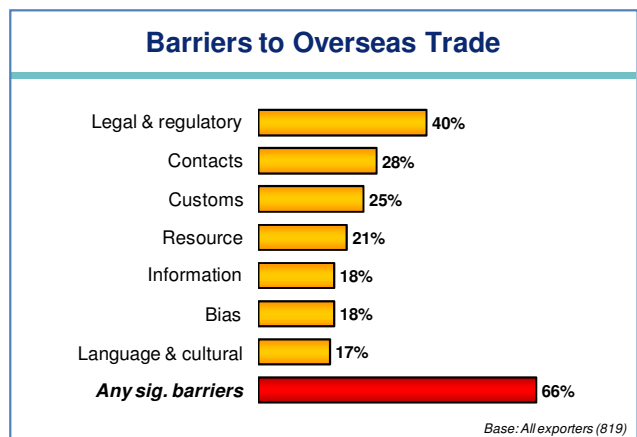
- 66% of exporters have encountered significant barriers to their overseas development.
- Barriers are common among all types of firm, irrespective of size or overseas experience.

Whereas the previous section focussed on risks that have deterred firms from entering overseas markets, this section concentrates on the *barriers experienced when firms are actually doing business in overseas markets*. For these questions, firms were asked to focus on the 'most challenging' market that they had done business in.

Two-thirds of exporters have experienced at least one significant barrier, confirming that there is a clear need for external assistance to help firms overcome these barriers and successfully trade overseas.

Reflecting the results from previous UKTI studies, legal and regulatory barriers prove the most common barrier experienced.

Contacts barriers and customs barriers also both emerge as significant problems for around a quarter of internationalising firms.



Barriers to Overseas Trade – By Profile

Experiencing <u>any</u> significant barriers		
UKTI usage	User	79%
	Non-user	60%
Size (employees)	0-9	64%
	10-49	69%
	50-249	79%
	250+	75%
Years exporting	All SMEs	66%
	<2 years	55%
	2-10 years	68%
Growth objectives (next 5 years)	>10 years	70%
	Grow substantially	74%
	Grow moderately	67%
	Stay same size	54%

UKTI users clearly come across more significant barriers than non-users. Users tend to have been doing business overseas longer and be operating in more markets and, as a result, have a higher chance of having encountered a particularly 'challenging' market which involves significant barriers.

While it might be expected that larger and more experienced exporters are less likely to encounter barriers due to their greater resources and knowledge, the opposite is in fact true.

The more ambitious a firm's growth objectives the more likely they are to encounter barriers, perhaps because these firms tend to be exporting to more (and more challenging) markets to help achieve their growth aims.

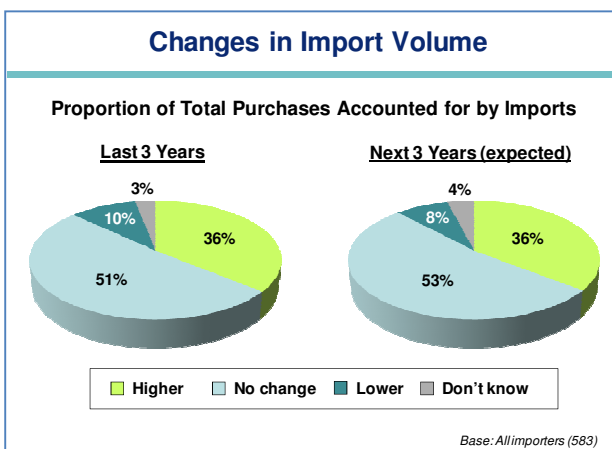
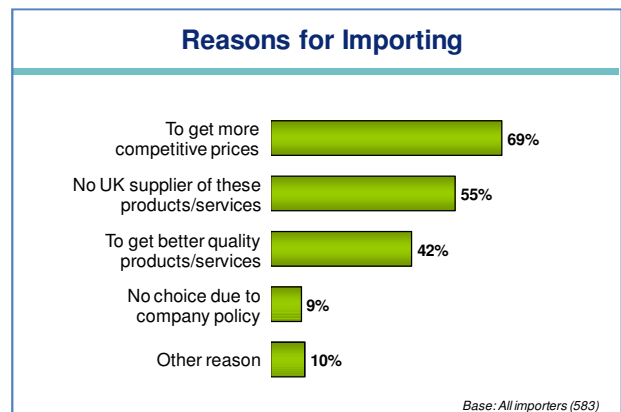
1.7 Importing

- Two-thirds of exporters also import goods or services.
- There is evidence that these firms are importing more (as a proportion of total purchases) and will continue to do so over time.

Overall, 65% of exporters had also imported goods or services into the UK. In most cases these firms were simply purchasing goods/services from overseas suppliers. However, over a third were (also) having goods manufactured overseas on their behalf or, in a minority of cases, at their own site (i.e. 'off-shoring'). The analysis in this section is based just on firms that have imported in the last 5 years.

The main drivers of import activity are cost and a perceived lack of UK alternatives, although product/service quality is also a significant factor.

At the total level, only a small minority of firms (9%) indicated that they import because they have no choice (i.e. their procurement channels are dictated by their parent company). However, this proportion rises sharply to 25% among foreign-owned firms.

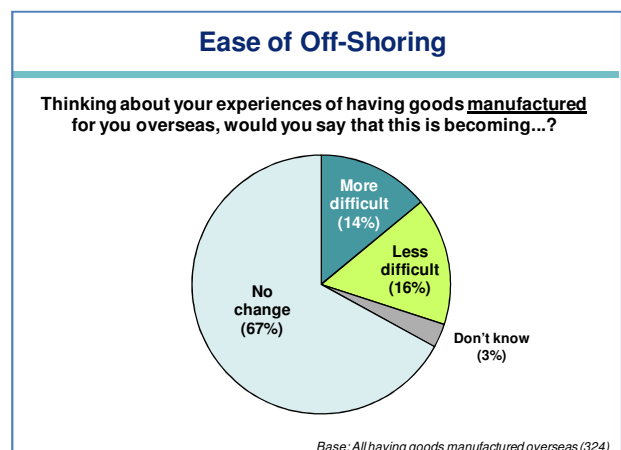


On balance, import activity appears to be growing. Over a third of firms indicated that the proportion of purchases accounted for by imports had increased over the last 3 years, whereas only 10% reported a decrease. A similar picture was seen when firms made prediction for the next 3 years.

Most of these firms currently import less than 20% of their total purchases (see Section 14.5 of the full report). However, around a quarter are very substantial importers who source more than half of all the good/services they buy from overseas.

Those firms involved in off-shoring were asked whether it was becoming any more or less difficult to have goods manufactured overseas. The majority reported no change in this respect and, of the remainder, there was an even split between those finding it more and less difficult.

The 14% that did report increasing difficulty with off-shoring were asked whether they would source/manufacture more in the UK as a result. Half of this group indicated that they would, equating to 7% of all firms engaged in off-shoring.



2. Introduction

UK Trade & Investment (UKTI) commissioned this research in order to gather evidence about trends in UK businesses' international strategies, the barriers faced by internationalising firms, awareness and usage of UKTI, and related issues. The study was designed to inform UKTI policy development and other aspects of UK Government policy relating to international trade and investment and the ability of British business to optimise opportunities in global markets.

The survey was intended to complement evidence already available from other surveys of UK business, in particular:

- The Community Innovation Survey, which is nationally representative of firms with at least 10 employees, and captures some evidence about international aspects of innovation activity, including international partnerships and other linkages, as well as export activity;
- UKTI's Performance & Impact Monitoring Survey (PIMS), which covers businesses that have recently used UKTI trade services and, in addition to monitoring the impact of UKTI support, also captures some contextual evidence about overseas business experience and aspects of strategy;
- UKTI's annual survey of exporters who have not used UKTI trade services, which gathers evidence about some aspects of overseas business strategy as well as evidence about barriers to overseas business and associated needs for external help.

The 'Internationalisation Strategies, Barriers & Awareness Survey' (henceforth referred to as the Internationalisation Survey) is undertaken on an annual basis, and this is the seventh wave conducted to date. Whilst the core content of the survey is kept consistent each year, there is variation in some of the topics covered. This ensures that the survey provides consistent annual monitoring data where needed, but also captures data on other topical issues at less frequent intervals.

The 2014 survey provides new, interesting and robust evidence on:

- Motivations for entering new markets (including the impact of foreign language skills – or the lack of them);
- Deterrents to entering new markets (including lack of language skills);
- Likely future use of UKTI services;
- Importing activity (including off-shoring and re-shoring);
- The characteristics and behaviour of Medium Sized Businesses (MSBs).

It also continues to track the following key areas:

- Awareness and use of UKTI among internationalising firms
- Activity and interest in high growth markets
- Barriers to overseas development
- The business characteristics of UKTI users and non-users, including business profile, growth, innovation and export experience/approach

3. Research Objectives

In terms of the specific research aims, the 2014 Internationalisation Survey was required to provide robust evidence to:

- Understand the role of international markets in business development strategies, including the perceived benefits of international engagement and its effects on growth, profitability, innovation and investment in R&D and new product development;
- Track the extent to which internationalising firms may be engaging in sourcing abroad, and to understand the drivers of these trends;
- Track use of diverse modes of overseas business among internationalising UK businesses;
- Understand the extent to which choice of market may be influenced by established personal contacts, by the experience of UK based business associates or by knowledge of the language;
- Track awareness of, and potential interest in, selected emerging and high growth markets;
- Understand the barriers and risks encountered by UK businesses in seeking to develop overseas business, and what impact these may have on export market entry, both for new exporters and for firms seeking to enter new markets;
 - And identify how these barriers and risks may vary across markets and by firm characteristics, such as innovation, size and export experience.
- Track awareness and use of UKTI support;
- Capture evidence about the characteristics of users and non-users of UKTI services, including innovation activity, scope of international business and modes of internationalisation.

This study built on the six previous survey waves, replicating the previous methodology so as to provide consistent year-on-year data, whilst developing the previous questionnaire to ensure that the 2014 objectives were fully addressed.

4. Methodology

4.1 Coverage

A total of 951 interviews were conducted, consisting of a 'core sample' of 901 internationalising firms and an additional 'boost' of 50 Medium Sized Businesses (MSBs).

The 901 'core sample' interviews were conducted with a random sample of firms involved in overseas business activities, covering the full range of outward internationalisation modes (i.e. selling to overseas customers directly, selling through agents or distributors, doing business overseas via licensing, franchising and other contractual agreements, and operating overseas sites). The majority of the sample (819 of the 901 interviews) had undertaken at least one of these activities in the previous 5 years. However, a small number of firms (82) were not yet doing business overseas but qualified for interview on the basis that they were planning to start selling overseas in the next year. It should also be noted that although the survey collected data on import activity, only those firms also involved in the outward internationalisation activities mentioned above were eligible for interview.

As mentioned above, an additional 50 interviews were conducted with Medium Sized Businesses (MSBs). MSBs were defined as firms with an annual turnover of between £25million and £250million. The purpose of this 'boost' was to enable more detailed and robust analysis to be conducted amongst this key sub-group. Only a small minority of internationalising firms are MSBs (c.2%), with 18 of the firms covered in the main random sample falling into this category. The boost interviews therefore increased the analysis base to 68 for this group.

4.2 Sample Design

The sampling approach differed for the 'core' sample of 901 internationalising firms and the additional 'boost' of 50 MSBs. Details of each approach are set out below:

4.2.1 Core Sample

Since one of the key objectives of this research was to ensure coverage of firms doing overseas business via the full range of modes, and not just simply exporting in the traditional sense, the sample frame was built from a random sample of UK businesses which was then screened to identify those engaged in overseas business. This approach had the further advantage of allowing the identification and inclusion of firms that were not yet exporting (but planning to start in the next year).

The initial sample frame was sourced from a Companies House-based list provided by Experian. In order that the incidence within the sample frame of firms eligible for interview (i.e. engaging in international business activity) was kept to within sensible limits, a small number of industry sectors where export propensity is very low were excluded from the initial sample frame. The exclusions were made on the basis of analysis of data from the Community Innovation Survey (CIS) on the incidence of exporting for individual industry sectors by age group¹. The available data only enabled exclusions to be made at the level of 2-digit SIC codes, but a number of

¹ Based on analysis by Professor Richard Harris, University of Glasgow.

more detailed sub-sectors were also excluded based on both common sense and the research team's experiences of the previous surveys and pilot sessions (e.g. sub-post offices, taxi firms, dispensing chemists, etc).

Both users and non-users of UKTI were included in the research, but the initial sample was screened against a list of firms that had been interviewed in the most recent UKTI Performance & Impact Monitoring Survey (PIMS) so as not to over-burden these businesses.

In order to ensure sufficient coverage of younger firms (including 'born global' exporters) we adopted a disproportionate sample design that involved stratifying the sample by 3 age bands (<4 years, 4-9 years and 10+ years). Firms established within the last 4 years were slightly over-sampled to enable robust analysis of this group. This disproportionate sampling approach was addressed in the analysis phase through weighting the data back to the true age profile of UK exporters (for more details please refer to Chapter 4.5 of this report).

4.2.2 Boost Sample

Based on previous survey evidence, we believe that only around 1-2% of internationalising UK firms have an annual turnover of between £25million and £250million and are therefore classified as MSBs. In order to increase the analysis base for this key group, a separate sample of UK firms known to have a turnover within this range was sourced from Experian.

An initial 'screening' question was added to the start of the survey to ensure that these firms did indeed have a turnover of between £25million and £250million (in addition to the standard screening questions used to exclude non-exporters, etc).

In order to avoid skewing the overall survey results, data from the 50 additional MSB interviews has only been included when running sub-analysis by turnover band (i.e. they are excluded from the main bulk of the analysis that is used to report on the characteristics and behaviour of internationalising firms as a whole).

4.3 Questionnaire Design

Strong emphasis was placed on questionnaire design in the early stages of this project to ensure that the questionnaire was easily understandable, flowed logically, was of an acceptable length and was capable of delivering high quality data across all the areas necessary to answer the research objectives.

Given that some of the question areas had not been covered in previous studies, a comprehensive 'live' pilot was conducted prior to the start of main fieldwork. This took place over the course of 2 days and involved OMB executives and UKTI representatives listening to live interviews conducted by the telephone research team. Following this session, a number of changes and improvements were made to the questionnaire script. A copy of the final questionnaire is appended to this report.

4.4 Fieldwork

The research was conducted via quantitative CATI² interviews, administered by a specialist team of business-to-business researchers with extensive experience of conducting similar studies with this type of audience. Interviews were conducted between February and March 2014, and lasted an average of c.20 minutes.

The following table summarises the number of sample records selected for CATI, the number of records lost due to screening-out or incorrect contact details, and the number of interviews completed along with the associated response rate.

Table 4.4 Sample Analysis

CATI SCREENING	
Selection for CATI	20,392
- <i>Unusable: No overseas business activity</i>	13,322
- <i>Unusable: Other reason (e.g. contact details incorrect)</i>	3,063
INTERVIEWS / RESPONSE RATES	
Total useable sample	4,007
Interviews achieved	951
Response rate (%)	24%

As detailed above, an overall response rate of 24% was achieved for this survey (calculated as the number of interviews as a proportion of the usable contacts loaded onto CATI).

4.5 Analysis & Weighting

4.5.1 Analysis Approach

For the majority of the analysis in this report (e.g. 'total' figures, analysis by age, analysis by years exporting, etc) only the core sample has been included. The reason for this is that the core sample was based on a random sample of UK firms and hence provides a 'true' and representative picture of internationalising firms (and if the boost sample was included it would skew the data by over-representing MSBs).

However, for all analysis of MSBs the boost sample has been combined with those firms in the core sample that reported a turnover of between £25m-£250m, as this enables more robust analysis of this group.

² Computer Assisted Telephone Interviewing.

4.5.2 Weighting

All of the core sample data has been weighted to account for the skewed nature of the sample design (i.e. the disproportionate sampling by business age). The weighting regime uses data from the ONS Annual Business Survey (ABS) 2011 on the profile of UK exporters, with the survey data weighted to the profile shown below.

Table 4.5.1 Weighting

Age	UK exporters (2011 ABS)	Interviewed firms	Weighting
<4 years	20.9%	21.6%	0.97
4-9 years	27.3%	27.2%	1.00
10+ years	51.8%	51.2%	1.01

4.5.2 Base Size Descriptions

Under each chart in this report is a base description, which provides details of:

- The group of firms that the analysis is based on (e.g. All respondents, All exporters, etc)
- The unweighted number of firms included in the analysis (i.e. the base)
- The percentage falling into any categories that are not shown in the chart itself (e.g. ‘Don’t know/refused’ responses).

For example, the base description shown below indicates that the analysis covers all firms that are currently exporting, the ‘total’ results in the chart are based on 819 firms, and 3% of these answered ‘don’t know’ to this particular question. It also shows that the ‘UKTI users’ results are based on 264 firms (1% of whom answered ‘don’t know’) and the ‘Non-Users’ results are based on 555 firms (4% of whom answered ‘don’t know’)

Example base description

Base: All currently exporting (Base, Don’t know)
 Total (819, 3%), UKTI Users (264, 1%), Non-Users (555, 4%)

4.5.3 Statistical Significance

Throughout this report, **any differences referred to in the commentary are statistically significant at the 95% level of confidence** unless otherwise stated.

4.5.4 Rounding

Throughout this report results are typically presented to the nearest whole number (e.g. 24.7% will be rounded up and displayed as 25%). For this reason there can be apparent discrepancies between the charts/tables and the commentary when several figures are combined. For example, values of 8.4% and 15.3% would be shown as 8% and 15% respectively in a chart, but the combined value if referred to in the commentary would be 23.7% and hence displayed as 24%.

4.5.5 Analysis Definitions

Throughout this report, sub-analysis has been provided by a number of variables relating to key business characteristics. Some of these are constructed from a number of different survey questions, and the following provides details of how these variables have been defined.

<p style="text-align: center;">Innovative Firms</p> <p>Firms have been defined as ‘innovative’ if they...</p> <ul style="list-style-type: none">• Have more than one employee engaged in R&D or new product/service development activity• <u>Or</u>, have commissioned external R&D or new product/service development activity in the last year• <u>Or</u>, have introduced new products or services in the last 3 years <i>except firms established in the last 2 years</i>
<p style="text-align: center;">Innovative Firms (Alternative, Tighter Definition)</p> <p>Firms have been defined as ‘innovative’ under the alternative, tighter definition if they ...</p> <ul style="list-style-type: none">• Have more than one employee engaged in R&D or new product/service development activity <u>and</u> at least some employees are involved in the development of scientific or technical knowledge not commonly available• <u>Or</u>, have commissioned external R&D or new product/service development activity in the last year• <u>Or</u>, have introduced new products or services in the last 3 years <u>and</u> these are ‘new to the world’ or ‘new to the sector’
<p style="text-align: center;">IP Active Firms</p> <p>Firms have been defined as ‘IP Active’ if they...</p> <ul style="list-style-type: none">• Have applied for or obtained any patents, trademarks or other legal protection for their products or services, either in the UK or overseas
<p style="text-align: center;">Young, Technology Intensive Firms</p> <p>Firms have been defined as being ‘young, technology intensive’ if they...</p> <ul style="list-style-type: none">• Have been established for 5 years or less• <u>And</u> are classified as being innovative using the alternative (tighter) definition <u>or</u> are classified as IP active

Born Global Firms

Firms have been defined as being 'born global' if they...

- Have been established for 5 years or less
- And have been doing business overseas for as long as they have been established

Born Global Firms (Alternative, Tighter Definition)

Firms have been defined as being 'born global' under the alternative (tighter) definition if they...

- Have been established for 5 years or less
- And have been doing business overseas for as long as they have been established
- And the proportion of turnover accounted for by overseas sales is over 25%

5. Awareness & Usage

5.1 Awareness & Use of UKTI

All firms were asked whether, prior to the interview, they had heard of either:

- UK Trade & Investment or UKTI (*i.e. the UKTI name*)
- The commercial services provided by British embassies and consulates overseas (*i.e. posts services*).

Those firms that recognised the UKTI name were also asked if they were aware that UKTI provide assistance to help UK firms do business overseas (*i.e. UKTI's role*).

Finally, firms that were aware of either UKTI and/or the services provided by overseas posts were asked whether they had ever used either of these.

The table below provides details of awareness and usage levels, at the total level and shown separately for users and non-users of UKTI.

Table 5.1.1 Awareness & Use of UKTI – By UKTI Usage

	Total	UKTI Usage	
		UKTI User	Non-User
<i>Base</i>	901	281	620
Aware of UKTI and/or posts	77%	100%	66%
- <i>UKTI name</i>	65%	93%	53%
- <i>Posts services</i>	58%	90%	43%
Aware of UKTI's role	54%	93%	36%
Used UKTI and/or posts	31%	100%	0%

Overall, 77% of internationalising firms had heard of either UKTI or the commercial services provided by overseas posts. Recognition of the UKTI name itself stands at 65%, with a slightly lower awareness level (58%) recorded for the services provided by overseas posts.

However, although 65% of firms had heard of UKTI, only 54% were aware of the organisation's role (i.e. that it provides assistance to help UK firms do business overseas).

Almost a third of firms (31%) claim to have used UKTI or the commercial services provided by British embassies and consulates overseas, and throughout this report this group have been referred to as 'UKTI users'. It should be noted that no time frame was put on this question, so it should not be assumed that firms classified as UKTI users have necessarily accessed UKTI services recently.

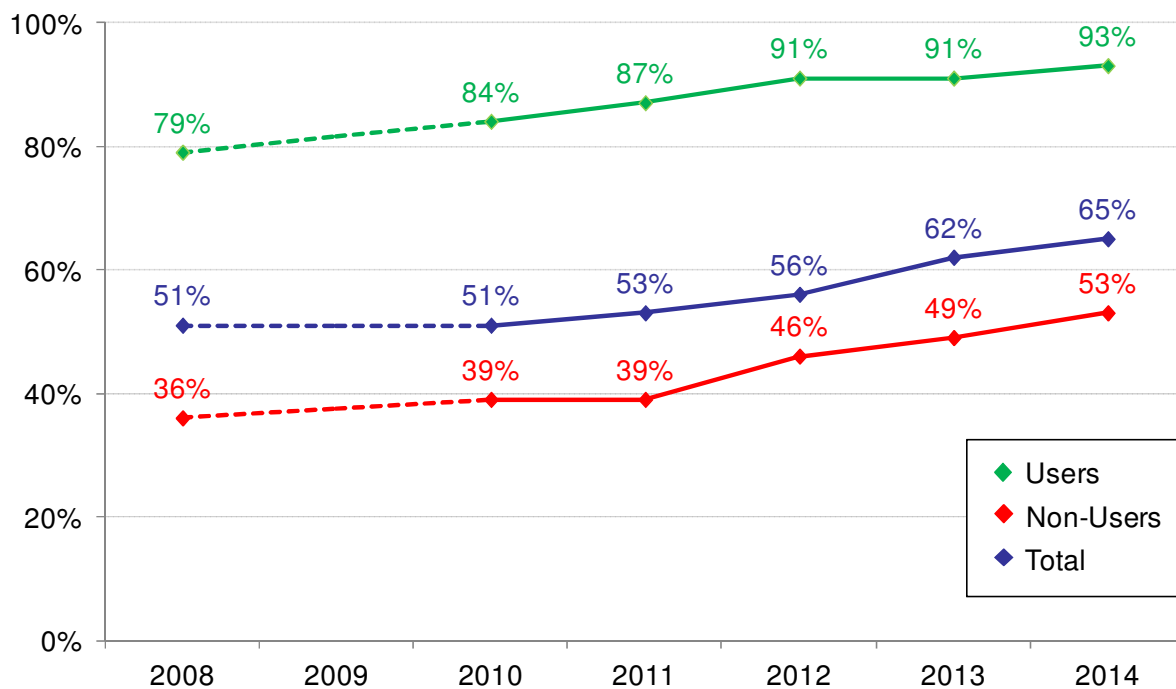
It is also worth noting that only 93% of UKTI users have actually heard of 'UK Trade & Investment' itself, meaning that 7% have used the services provided by overseas posts but not realised the link to UKTI.

Awareness of the UKTI name amongst non-users stands at 53% (although 66% have heard of either UKTI or the services provided by overseas posts). However, significant numbers of non-user firms that recognise the UKTI name still have no understanding of what the organisation does, with only 36% of non-users aware of UKTI's role.

This clearly demonstrates that there are many internationalising firms that could benefit from UKTI's services but have either never heard of the organisation or do not equate it with export support. It also suggests that as well as focusing on increasing awareness of the UKTI name, it is also critical that UKTI also seeks to *improve understanding* of what it does.

The following chart tracks awareness of UKTI over time. Please note that this just shows recognition of the *UKTI name* itself (rather than the combined measure of awareness of either UKTI or the commercial services provided by posts).

Chart 5.1.1 Awareness of UKTI Name – Over Time



Base: All respondents (Base)
2008 (900), 2010 (902), 2011 (903), 2012 (900), 2013 (950), 2014 (901)

Awareness of the UKTI name has risen steadily over the past 6 years, from 51% in 2008 to 65% currently. This increase is evident for both UKTI users and non-users.

Although this upward trend appears to have continued between 2013 and 2014, it should be noted that the increase over the last 12 months is not statistically significant (for users, non-users or at the total level). However, there has been a statistically significant increase in awareness over the *last 2 years* (i.e. between 2012 and 2014) at the total level and for non-users.

The table below provides a more detailed analysis of awareness and usage levels over time. Please note that there is only limited time series data for some of these measures as the question on awareness of UKTI's role was introduced in 2013, and usage of UKTI/posts services was not included in 2008.

Table 5.1.2 Awareness & Use of UKTI – Over Time

	Internationalisation Survey					
	2008	2010	2011	2012	2013	2014
<i>Base</i>	900	902	903	900	950	901
Aware of UKTI and/or posts	68%	68%	71%	70%	75%	77%
- <i>UKTI</i>	51%	51%	53%	56%	62%	65%
- <i>Posts services</i>	55%	53%	56%	51%	56%	58%
Aware of UKTI's role	-	-	-	-	51%	54%
Used UKTI and/or posts	-	27%	29%	24%	31%	31%

While awareness of the UKTI name has risen steadily over time, awareness of posts services has been more erratic although it has increased over the last two years.

The proportion of firms that have used UKTI services also appears to have increased slightly since 2010. However, it should be noted that this increase (from 27% to 31%) is not statistically significant and, furthermore, there has been no change in usage levels compared to a year ago.

The following table compares awareness and usage levels by company age and size of firm (in terms of employee numbers).

Table 5.1.3 Awareness & Use of UKTI – By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	249	191	461	62	539	601	224	62	12	887
Aware of UKTI and/or posts	72%	77%	79%	65%	76%	74%	80%	85%	92%	77%
- <i>UKTI</i>	62%	67%	66%	45%	64%	62%	70%	79%	83%	65%
- <i>Posts services</i>	48%	54%	64%	50%	56%	55%	61%	68%	83%	57%
Aware of UKTI's role	49%	54%	57%	34%	52%	50%	58%	71%	75%	54%
Used UKTI and/or posts	24%	27%	37%	21%	27%	27%	37%	50%	67%	31%

As detailed above, awareness and use of UKTI increase as firms become larger. There are no significant differences by age when it comes to awareness of the UKTI name, but older firms are more likely to be aware of the services provided by overseas posts, aware of UKTI's role and to have used UKTI services.

The table below provides analysis of UKTI awareness and usage by firms' annual turnover. Please note that a very small number of interviews were conducted with firms that had a turnover in excess of £250million but results for this group have not been shown separately due to the low base size (just 4 respondents).

Table 5.1.4 Awareness & Use of UKTI – By Annual Turnover

	Annual Turnover			
	Up to 500k	£500k-£2m	£2m-£25m	£25m-£250m (MSBs)
<i>Base</i>	441	214	154	68
Aware of UKTI and/or posts	72%	80%	84%	90%
- <i>UKTI</i>	60%	70%	72%	78%
- <i>Posts services</i>	51%	63%	66%	84%
Aware of UKTI's role	48%	59%	63%	72%
Used UKTI and/or posts	23%	35%	44%	49%

The higher a firm's annual turnover, the more likely it is to be aware of UKTI and to have accessed UKTI support. Awareness of the UKTI name stands at 78% among Medium Sized Businesses (MSBs), with almost half of this group (49%) having used UKTI services.

The following table provides analysis of UKTI awareness and usage by firms' overseas experience.

Table 5.1.5 Awareness & Use of UKTI – By Overseas Experience

	Years Exporting					Exports as % of Turnover				
	0-2			2-10	>10	0%	1-10%	11-25%	26-50%	>50%
	0	<2	Total							
<i>Base</i>	82	123	205	378	310	104	368	111	124	161
Aware of UKTI and/or posts	68%	80%	75%	75%	80%	67%	77%	80%	82%	80%
- <i>UKTI</i>	57%	68%	64%	64%	68%	53%	62%	74%	73%	71%
- <i>Posts services</i>	46%	53%	50%	53%	69%	49%	54%	66%	65%	65%
Aware of UKTI's role	44%	52%	49%	53%	60%	42%	49%	66%	63%	60%
Used UKTI and/or posts	21%	25%	23%	27%	41%	20%	26%	42%	40%	37%

Although not statistically significant, there is some indication that awareness of UKTI and posts services is lowest among firms that have not yet started exporting (but plan to do so in the next year). It could be argued that this group is potentially most in need of external assistance to help them start their export journey on the right footing, so raising awareness of UKTI among these firms should be a priority.

Awareness of the UKTI name and role also increase notably once overseas sales account for more than 10% of a firm's turnover. However, once exports have exceeded 10% of turnover then awareness and usage levels hit a plateau, with no notable differences between firms where exports contribute 11-25%, 26-50% or over 50% of total sales. A similar picture is seen when it comes to the proportion of firms actually using UKTI or posts services.

As shown below, the greater the number of markets a firm is doing business in, the more likely they are to be aware of UKTI and services provided by overseas posts, be aware of the organisation's role and to have accessed UKTI support. There is also a broadly linear relationship between the number of regions firms are doing business in and their likelihood of being aware of UKTI and accessing UKTI services.

Table 5.1.6 Awareness & Use of UKTI – By Number of Markets & Regions

	Number of Markets				Number of Overseas Regions					
	0	1-5	6-10	>10	None	One	Two	Three	Four	Five
<i>Base</i>	82	399	184	231	82	228	165	193	129	102
Aware of UKTI and/or posts	68%	73%	78%	85%	68%	74%	71%	80%	80%	88%
- <i>UKTI</i>	57%	59%	68%	77%	57%	61%	59%	67%	69%	81%
- <i>Posts services</i>	46%	54%	59%	68%	46%	52%	53%	63%	64%	71%
Aware of UKTI's role	44%	47%	59%	67%	44%	47%	49%	58%	62%	70%
Used UKTI and/or posts	21%	23%	37%	46%	21%	21%	26%	36%	45%	46%

There is also clear evidence that innovative and IP active firms are more engaged with UKTI, with both awareness and usage levels significantly higher among these groups.

Table 5.1.7 Awareness & Use of UKTI – By Innovation

	Innovative			IP Active	
	Yes (alternative)	Yes	No	Yes	No
<i>Base</i>	406	676	225	230	663
Aware of UKTI and/or posts	85%	81%	64%	84%	74%
- <i>UKTI</i>	75%	71%	49%	77%	62%
- <i>Posts services</i>	65%	62%	45%	65%	55%
Aware of UKTI's role	64%	60%	35%	68%	50%
Used UKTI and/or posts	39%	36%	17%	50%	25%

Awareness and usage of UKTI is also higher among firms that plan to grow over the next 5 years (particularly those anticipating substantial growth). This is encouraging given that this group may well need assistance to help realise their growth ambitions.

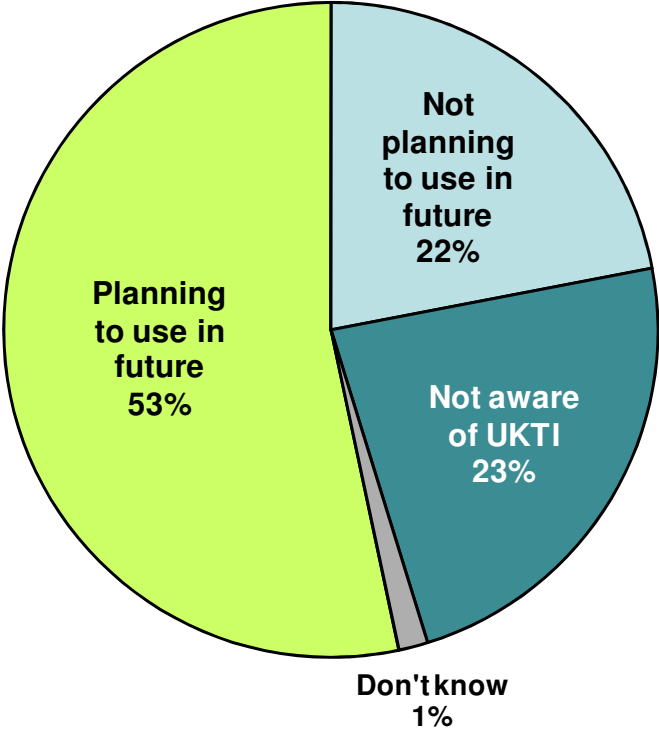
Table 5.1.8 Awareness & Use of UKTI – By Innovation & Growth

	Growth Objectives			Innovation & Growth		
	Stay same	Mod. growth	Sub. growth	Innovative		Non innovative
				Expect sub. growth	Other	
<i>Base</i>	112	443	310	269	407	225
Aware of UKTI and/or posts	70%	74%	86%	87%	77%	64%
- <i>UKTI</i>	51%	63%	77%	80%	65%	49%
- <i>Posts services</i>	52%	56%	63%	65%	60%	45%
Aware of UKTI's role	37%	53%	64%	67%	56%	35%
Used UKTI and/or posts	18%	30%	40%	43%	31%	17%

5.2 Future Use of UKTI

Those firms who were aware of UKTI and/or the services provided by overseas posts but had not previously used them were asked whether they planned to do so in future. Those firms who had used UKTI's services previously were asked whether they thought they would use them again in future. These results are summarised in the chart below.

Chart 5.2.1 Future Use of UKTI – Summary



Base: All respondents (901)

Encouragingly, over half of all internationalising firms think that they will use the services provided by UKTI or overseas embassies/consulates in future.

The table below provides a more detailed breakdown of this data, showing results separately for UKTI users and non-users.

Table 5.2.1 Future Use of UKTI – By UKTI Usage

	Total	UKTI Usage	
		UKTI User	Non-User
<i>Base</i>	901	281	620
Planning to use UKTI/posts in future	53%	87%	38%
- Used & plan to use again	27%	87%	-
- Not used & plan to use in future	26%	-	38%
Not planning to use UKTI/posts in future	22%	10%	27%
- Used & do <u>not</u> plan to use again	3%	10%	-
- Not used UKTI & do <u>not</u> plan to use in future	19%	-	27%
Don't know if will use UKTI/posts in future	1%	3%	1%
Not aware of UKTI/posts	23%	-	34%

The vast majority of previous UKTI clients (87%) intend to access more support at some point in the future.

It is also encouraging that more non-user firms expect to use UKTI in future (38%) than think they will not do so (27%). However, future uptake of UKTI support is limited by the significant proportion of non-user firms that are not aware of UKTI/posts services (34%).

As detailed above, only a small proportion of UKTI users (10%) do not expect to use UKTI again. This group were asked if there was any particular reason why they would not access UKTI support again in future. This was asked as an open question and responses have been coded into common themes, with the most frequently mentioned shown below.

Table 5.2.2 Reasons for Not Using UKTI Services Again in Future

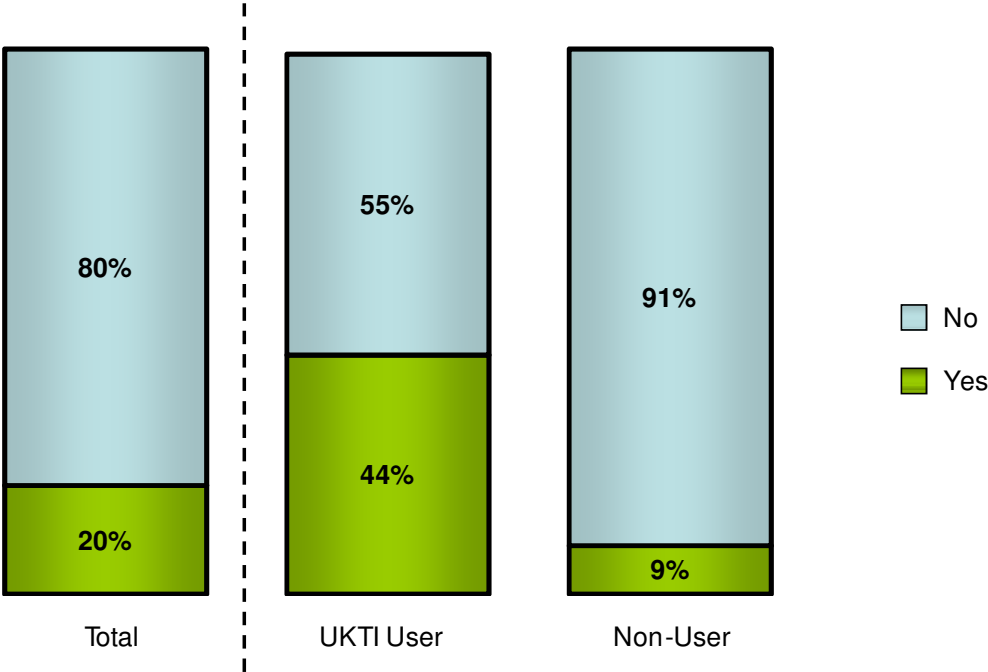
Top Mentions	Total
<i>Base: UKTI users not planning to use again</i>	28
Previous bad experience of UKTI support	21%
Already have experience/expertise within the company	18%
Company too niche/specialised for support to be relevant	14%
Manage fine as we are/don't need help	11%

The most common reasons given either related to previous bad experiences of UKTI support or a perception that further support was unnecessary (due to in-house capabilities or the company being too specialist for support to be useful).

5.3 Use of Open to Export

All respondents were asked whether they had ever visited the Open to Export website, with results summarised below.

Chart 5.3.1 Proportion Visiting Open to Export – By UKTI Usage



Base: All respondents (Base, Don't know/refused)
 Total (901, 0%), UKTI Users (281, 1%), Non-Users (620, 0%)

Encouragingly, a fifth of all internationalising firms (20%) claim to have visited the Open to Export website. UKTI clients are around five times more likely than non-users to have visited Open to Export, which suggests that referrals by UKTI staff are a major driver of traffic to the site. This is consistent with the findings of the recent Open to Export Evaluation, which found that the most common awareness channel was recommendations by UKTI staff such as international trade advisors³.

The 20% figure shown above indicates that the number of firms using Open to Export is significantly higher than that suggested by the number of *registered* users (c.4,000 as of December 2013). It is therefore likely that a considerable number of firms are making use of the information available on the site without feeling the need to register. However, it is worth noting that we have no data on how many times, or how frequently, these 20% of firms have visited Open to Export.

There has been no significant change in use of Open to Export since the 2013 Internationalisation Survey, when 19% of firms claimed to have visited the site.

³ UKTI Open to Export Evaluation, London Economics & OMB Research (March 2014)

As seen below, there is little difference in usage of Open to Export by age of firm. However, it does appear that the likelihood of visiting the site increases as firms become larger.

Table 5.3.1 Proportion Visiting Open to Export – By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	249	191	461	62	539	601	224	62	12	887
Yes	21%	20%	19%	13%	18%	18%	22%	29%	25%	20%
No	78%	80%	81%	87%	81%	82%	77%	71%	75%	80%
Don't know	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Similarly, firms with higher annual turnovers are more likely to have visited the Open to Export website, with a third of MSBs having done so.

Table 5.3.2 Proportion Visiting Open to Export – By Annual Turnover

	Annual Turnover			
	Up to 500k	£500k-£2m	£2m-£25m	£25m-£250m (MSBs)
<i>Base</i>	441	214	154	68
Yes	19%	18%	23%	34%
No	81%	81%	77%	66%
Don't know	0%	1%	0%	0%

There are no statistically significant differences by export experience when it comes to the likelihood of visiting the Open to Export site. There is also no clear pattern in this respect when looking at export intensity, although those firms where overseas sales account for 11-25% of turnover are most likely to have visited the site.

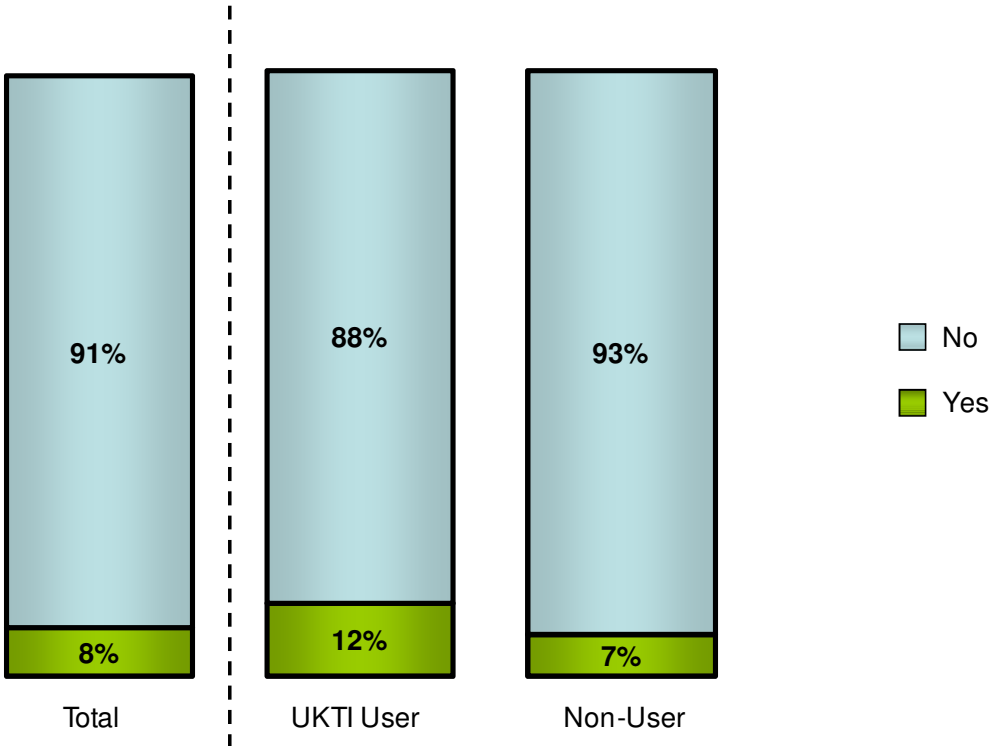
Table 5.3.3 Proportion Visiting Open to Export – By Overseas Experience

	Years Exporting					Exports as % of Turnover				
	0-2			2-10	>10	0%	1-10%	11-25%	26-50%	>50%
	0	<2	Total							
<i>Base</i>	82	123	205	378	310	104	368	111	124	161
Yes	21%	25%	23%	19%	18%	20%	17%	32%	25%	14%
No	79%	75%	77%	80%	81%	80%	83%	68%	74%	85%
Don't know	0%	0%	0%	0%	1%	0%	0%	1%	1%	1%

5.4 Awareness of the Intellectual Property Attaché Network

The UK government has a network of Intellectual Property attachés based in China, India, Brazil and South East Asia, with the aim of strengthening advice and support on intellectual property protection and further developing trade for UK companies in these markets. Firms were asked whether they had heard of the UK Government’s Intellectual Property Attaché network, and results are summarised below.

Chart 5.4.1 Awareness of the IP Attaché Network – By UKTI Usage



Base: All respondents (Base, Don't know/refused)
 Total (901, 0%), UKTI Users (281, 1%), Non-Users (620, 0%)

Overall awareness of this network is relatively low at just 8%, although this does increase to 12% among UKTI users.

As seen below, awareness levels have remained fairly static since this question was first asked in 2012.

Table 5.4.1 Awareness of the IP Attaché Network – Over Time

	Internationalisation Survey		
	2012	2013	2014
Base	900	950	901
Yes	8%	9%	8%
No	92%	91%	91%

As might be expected, awareness of the Intellectual Property Attaché Network is higher among IP active firms, although it still only stands at 11%. Innovative firms are also significantly more likely to have heard of the network than their non-innovative counterparts.

Table 5.4.2 Awareness of the IP Attaché Network – By Innovation

	Innovative			IP Active	
	Yes (alternative)	Yes	No	Yes	No
<i>Base</i>	406	676	225	230	663
Yes	11%	10%	4%	11%	7%
No	89%	90%	96%	89%	92%

The Intellectual Property attachés are based in China, India, Brazil and South East Asia and it is possible to examine awareness levels among firms that are active in these markets. As seen below, awareness of the Intellectual Property Attaché Network is higher than average amongst firms that are doing business in China and marginally higher among firms active in India. However, only 8% of firms that sell to Brazil are aware of the network, which is in line with the overall average of all internationalising firms.

Table 5.4.3 Awareness of the IP Attaché Network – By Key Markets

	Markets Doing Business In		
	China	India	Brazil
<i>Base</i>	139	129	76
Yes	14%	10%	8%
No	86%	89%	92%
Don't know	1%	1%	0%

As seen below, awareness is lowest among firms that are not doing business in any overseas markets (i.e. not yet exporting), and highest among firms who are doing business in more than 10 markets. There are no significant differences by the broad geographic regions in which firms are operating.

Table 5.4.4 Awareness of the IP Attaché Network – By Number of Markets & Regions Doing Business In

	Number of Markets				Regions				
	0	1-5	6-10	>10	Europe	North America	Latin America	M.East / Africa	Asia Pacific
<i>Base</i>	82	399	184	231	738	419	198	367	441
Yes	4%	8%	7%	12%	9%	9%	10%	9%	11%
No	96%	92%	93%	87%	91%	91%	89%	90%	88%
Don't know	0%	0%	0%	1%	0%	0%	1%	1%	0%

6. Profile

6.1 Age of Business

The sample for this survey was stratified by age of firm to enable robust analysis to be conducted by 3 different age groups (firms established <4 years, 4-9 years and 10+ years). To account for this disproportionate sampling approach, the final data has been weighted back to the true age profile of internationalising firms using data from the ONS Annual Business Survey (ABS)⁴.

The table below provides details of the actual (unweighted) age distribution of interviewed firms, the weighting regime applied, and the weighted proportion of firms in the final sample.

Table 6.1.1 When Business Established – Stratification & Weighting

	No. of interviews	% of interviews (unweighted)	True profile of exporters (ABS data)	Weight applied	% of interviews (weighted)
Not yet trading	7	0.8%	20.9%	0.966	0.8%
< 2 years ago	60	6.9%			6.6%
2-4 years ago	122	14.0%			13.5%
4-5 years ago	54	6.0%	27.3%	1.004	6.0%
5-10 years ago	192	21.2%			21.3%
10-20 years ago	199	21.9%	51.8%	1.012	22.1%
Over 20 years ago	267	29.3%			29.7%
Total	901	100.0%	100.0%	-	100%

As detailed above, young firms established in the last 5 years were slightly over-represented in the achieved sample for this survey, and as a result have been down-weighted in the final analysis. In contrast, firms established 6-10 years and over 10 years have both been marginally under-represented and have therefore been up-weighted.

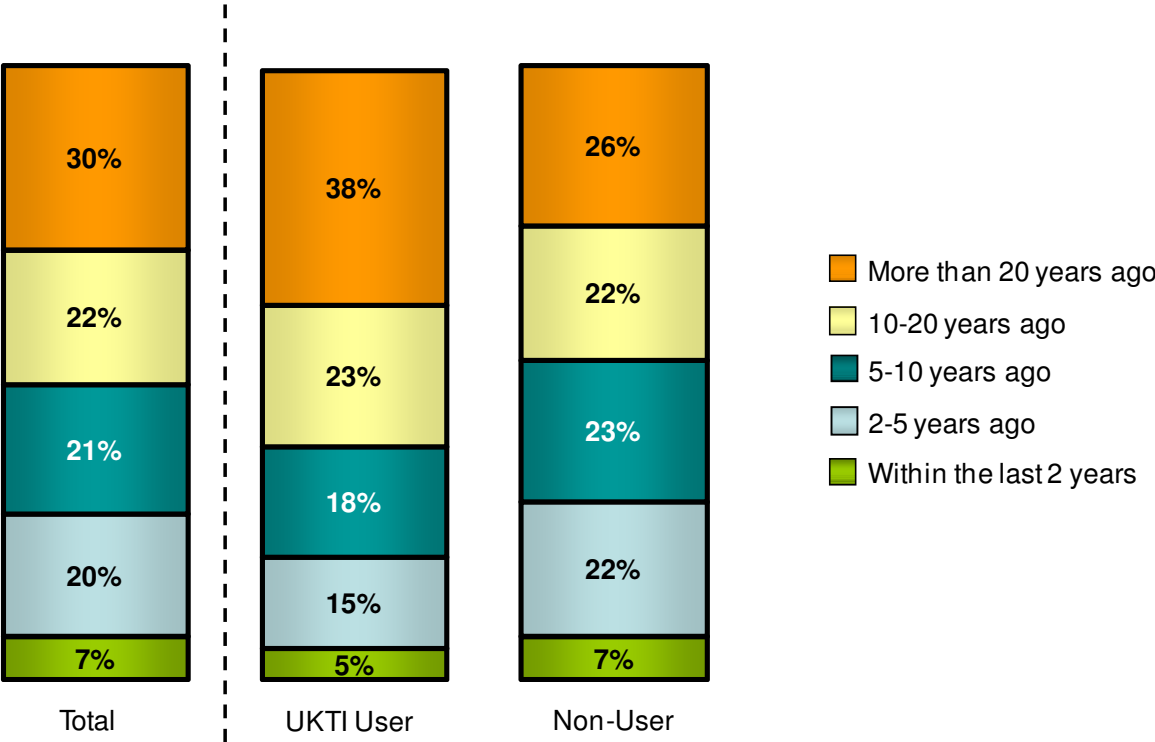
Please note that all results shown in this report have been weighted⁵.

⁴ Using data on the age profile of UK exporters from ABS 2011.

⁵ Other than when analysis is shown for MSBs, for whom the core random sample was supplemented with a 'boost' of firms known to have a turnover of between £25m-£250m. Further details can be found in Section 4 of this report.

The chart below shows the weighted profile of internationalising firms in terms of their age, at both the total level and by UKTI users and non-users.

Chart 6.1.1 When Business Established – By UKTI Usage



Base: All respondents (Base, Not yet trading)
 Total (901, 1%), UKTI Users (281, 1%), Non-Users (620, 1%)

Overall, UKTI users have a slightly older profile than non-users, with 38% and 26% respectively established for more than 20 years.

Unsurprisingly, larger firms tend to be older than their smaller counterparts. However, it should be noted that 42% of the smallest internationalising firms (with less than 10 employees) have still been established for more than 10 years.

Table 6.1.2 When Business Established – By Size of Firm

	Size (Number of Employees)						
	0-9			10-49	50-249	250+	All SMEs
	0	1-9	Total				
Base	62	539	601	224	62	12	887
Not yet trading	3%	1%	1%	0%	0%	0%	1%
Within the last 2 years	13%	8%	9%	3%	2%	0%	7%
2-5 years ago	25%	24%	24%	14%	2%	8%	20%
5-10 years ago	24%	24%	24%	18%	10%	8%	22%
10-20 years ago	15%	21%	20%	28%	23%	0%	22%
More than 20 years ago	20%	22%	22%	38%	65%	84%	29%

The table below provides analysis of firms' age by their annual turnover. Reflecting the results by employee numbers, those firms reporting higher turnover figures tend to be older, with three-quarters of MSBs established more than 20 years ago.

Table 6.1.3 When Business Established – By Annual Turnover

	Annual Turnover			
	Up to 500k	£500k-£2m	£2m-£25m	£25m-£250m (MSBs)
<i>Base</i>	441	214	154	68
Not yet trading	1%	0%	0%	0%
Within the last 2 years	10%	5%	2%	0%
2-5 years ago	26%	15%	9%	7%
5-10 years ago	23%	22%	21%	1%
10-20 years ago	19%	29%	22%	15%
More than 20 years ago	21%	29%	46%	76%

The following table compares the age profile of UK-owned and foreign-owned firms⁶ and demonstrates that the latter are more likely to have been established for over 20 years.

Table 6.1.4 When Business Established – By Company Ownership

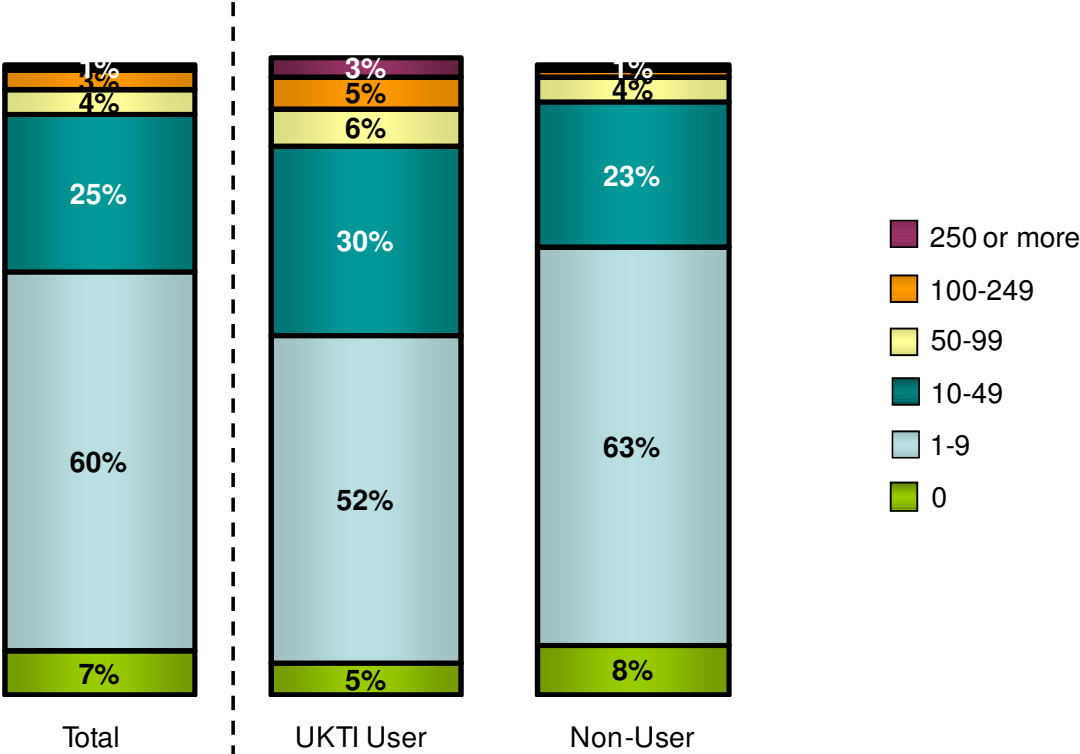
	Ownership	
	Foreign	UK
<i>Base</i>	60	839
Not yet trading	0%	1%
Within the last 2 years	5%	7%
2-5 years ago	10%	20%
5-10 years ago	23%	21%
10-20 years ago	12%	23%
More than 20 years ago	50%	28%

⁶ Please note that firms that are joint UK and foreign owned have been included in the 'foreign owned' category.

6.2 Employee Numbers

The chart below shows the size profile of firms, measured via their number of employees. Analysis has been provided at the total level, and by UKTI users and non-users.

Chart 6.2.1 Number of Employees – By UKTI Usage



Base: All respondents (Base, Don't know/refused)
 Total (901, 0%), UKTI Users (281, 0%), Non-Users (620, 0%)

The majority of internationalising firms are relatively small in terms of staff numbers, with two-thirds having less than 10 employees and most of the remainder having less than 50 employees. This reinforces the importance of considering the needs of smaller firms when formulating policy in the area of trade support.

UKTI users tend to be larger than non-users, although it is still the case that the majority of UKTI clients are micro SMEs with fewer than 10 employees.

The correlation between age and size of firm is again highlighted in the table below. However, it should be noted that over half of the well-established internationalising firms (i.e. those trading for over 10 years) still have less than 10 employees.

Table 6.2.1 Number of Employees – By Age of Firm

	Age (Years Trading)		
	Up to 5	6-10	Over 10
<i>Base</i>	249	191	461
0	10%	8%	5%
1-9	73%	68%	49%
10-49	15%	21%	32%
50-99	0%	3%	7%
100-249	1%	1%	4%
250 or more	0%	1%	2%
Don't know/refused	0%	0%	0%

Unsurprisingly, there is a strong relationship between the size of the firm in terms of turnover and its size in terms of employee numbers. Over a third of MSBs have 250 or more staff (i.e. are not SMEs).

Table 6.2.2 Number of Employees – By Annual Turnover

	Annual Turnover			
	Up to 500k	£500k-£2m	£2m-£25m	£25m-£250m (MSBs)
<i>Base</i>	441	214	154	68
0	13%	0%	1%	0%
1-9	81%	50%	19%	6%
10-49	6%	46%	54%	15%
50-99	0%	2%	18%	12%
100-249	0%	1%	7%	31%
250 or more	0%	0%	2%	35%
Don't know/refused	0%	0%	0%	1%

Foreign-owned firms are typically larger than UK-owned ones, although more than a third are still micro SMEs with fewer than 10 employees.

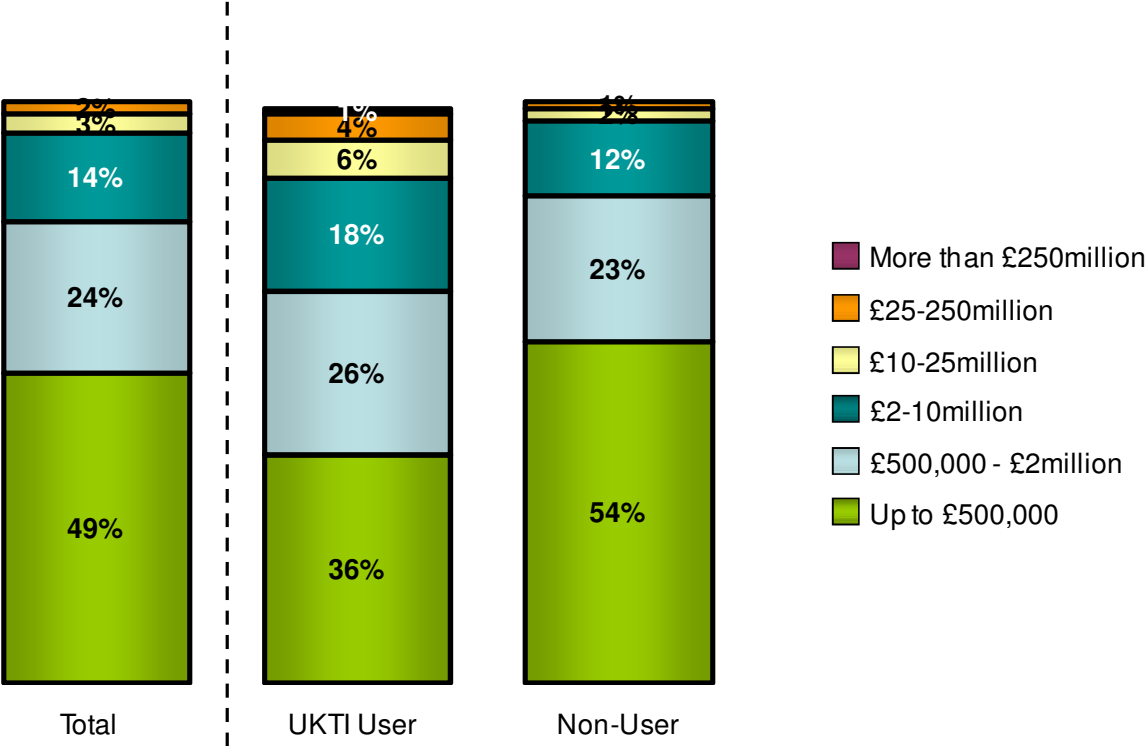
Table 6.2.3 Number of Employees – By Company Ownership

	Ownership	
	Foreign	UK
<i>Base</i>	60	839
0	2%	7%
1-9	36%	61%
10-49	34%	24%
50-99	12%	4%
100-249	8%	2%
250 or more	8%	1%
Don't know/refused	0%	0%

6.3 Annual Turnover

The chart below shows the size profile of firms as measured by their annual turnover. Analysis has been provided at the total level, and by UKTI users and non-users.

Chart 6.3.1 Annual Turnover – By UKTI Usage



Base: All respondents (Base, Don't know/refused)
 Total (901, 8%), UKTI Users (281, 9%), Non-Users (620, 7%)

Almost half (49%) of internationalising firms have fairly modest turnovers of £500,000 or less. Overall, just 2% of firms have a turnover of between £25million-£250million and therefore fall into UKTI’s Medium Sized Business classification (MSB).

As well as being slightly larger than non-users in staffing terms UKTI users are also significantly larger in financial terms, with 29% reporting a turnover in excess of £2million (compared to just 15% of non-users).

Unsurprisingly, there is a strong relationship between employee numbers and turnover. A similar, but less strong, relationship between age and turnover is also evident. However, it is certainly not the case that all older firms have large turnovers, with over a third (37%) of those established more than 10 years reporting a turnover of £500,000 or less, and a quarter (27%) reporting a turnover of between £500,000 and £2million.

Table 6.3.1 Annual Turnover - By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	249	191	461	62	539	601	224	62	12	887
Up to £500,000	67%	53%	37%	92%	66%	69%	12%	0%	0%	50%
£500,000-£2million	18%	24%	27%	2%	20%	18%	44%	11%	0%	24%
£2million-£10million	7%	16%	16%	2%	5%	5%	32%	34%	8%	14%
£10million-£25million	0%	1%	6%	0%	0%	0%	5%	27%	17%	3%
£25million-£250million	0%	1%	3%	0%	0%	0%	0%	16%	50%	1%
More than £250 million	0%	1%	1%	0%	0%	0%	0%	2%	17%	0%
Don't know/refused	8%	5%	9%	5%	8%	8%	7%	10%	8%	8%

As seen below, foreign-owned firms report significantly higher sales than domestic ones, with 25% having a turnover of more than £10million compared to just 5% of UK-owned firms.

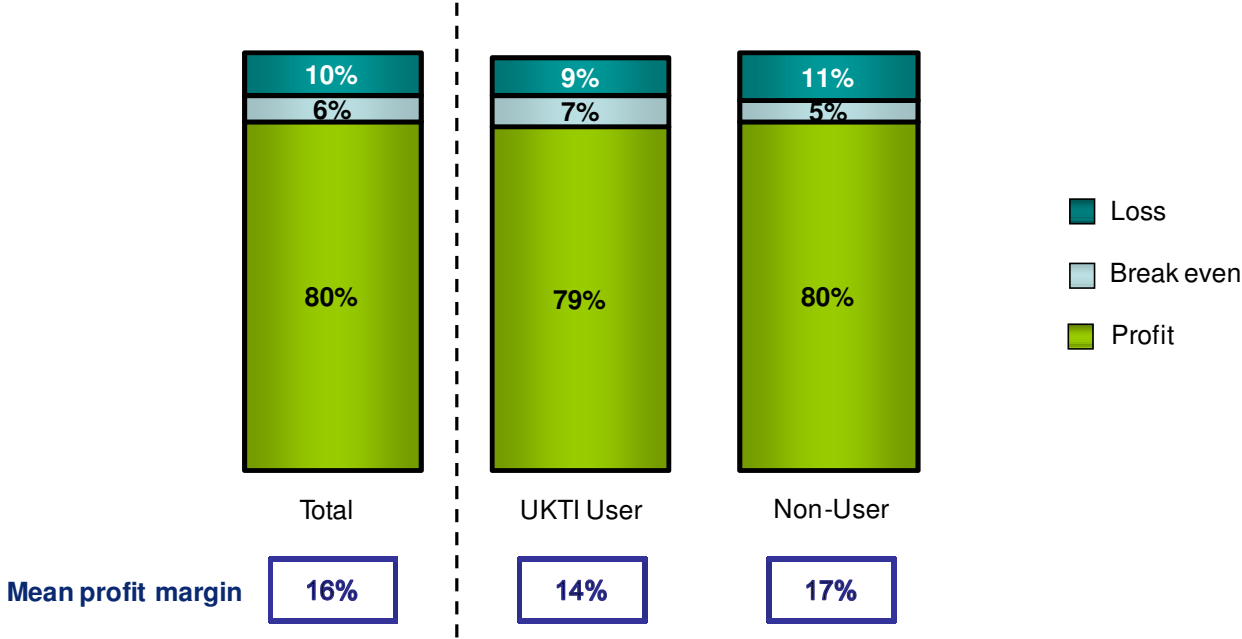
Table 6.3.2 Annual Turnover – By Company Ownership

	Ownership	
	Foreign	UK
<i>Base</i>	60	839
Up to £500,000	18%	51%
£500,000-£2million	22%	24%
£2million-£10million	25%	13%
£10million-£25million	18%	2%
£25million-£250million	7%	2%
More than £250 million	0%	0%
Don't know/refused	10%	7%

6.4 Profitability

Firms were also asked whether they were currently making a profit or loss and, if applicable, what their profit margin was (defined as the proportion of their turnover accounted for by pre-tax profits). These results have been provided at the total level and by UKTI users and non-users.

Chart 6.4.1 Whether Making Profit or Loss – By UKTI Usage



Base: All respondents (Base, Don't know/refused)
 Total (901, 5%), UKTI Users (281, 5%), Non-Users (620, 4%)

The majority (80%) of internationalising firms are currently making a profit, and the average profit margin is 16%. Please note that the mean profit margin includes firms that are breaking even or making a loss, with these firms allocated a profit margin of 0%.

Similar proportions of UKTI users and non-users report an annual profit. However, it is interesting to note that the mean profit margin is actually higher for non-users than it is for UKTI clients (and this difference is statistically significant).

Micro SMEs (and particularly those with zero employees) are least likely to be profitable, and the same is true of younger firms that have been established no more than 5 years. However, it is interesting to note that micro SMEs still report mean profit margins that are higher than larger firms, suggesting that those small firms that are profitable perform fairly well.

Table 6.4.1 Whether Making Profit or Loss - By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	249	191	461	62	539	601	224	62	12	887
Profit	73%	80%	84%	68%	78%	77%	88%	84%	75%	80%
Break even	8%	5%	4%	10%	5%	6%	4%	5%	25%	5%
Loss	13%	10%	8%	21%	12%	13%	5%	6%	0%	10%
Don't know/refused	6%	5%	4%	2%	5%	5%	4%	5%	0%	5%
<i>Mean profit margin</i>	17%	18%	15%	21%	17%	18%	14%	10%	3%	16%

Firms whose annual turnover is below £500,000 are significantly less likely to be making a profit, and indeed 14% of this group are currently making a loss.

Table 6.4.2 Whether Making Profit or Loss – By Annual Turnover

	Annual Turnover			
	Up to 500k	£500k-£2m	£2m-£25m	£25m-£250m (MSBs)
<i>Base</i>	441	214	154	68
Profit	74%	84%	92%	87%
Break even	7%	5%	3%	3%
Loss	14%	7%	3%	4%
Don't know/refused	4%	3%	3%	6%
<i>Mean profit margin</i>	18%	15%	13%	7%

As seen below, once firms have been exporting for 2 years they are significantly more likely to be profitable, which might suggest that this is the typical period required for overseas activity to start having a notable impact on overall business performance.

Table 6.4.3 Whether Making Profit or Loss – By Overseas Experience

	Years Exporting					Exports as % of Turnover				
	0-2			2-10	>10	0%	1-10%	11-25%	26-50%	>50%
	0	<2	Total							
<i>Base</i>	82	123	205	378	310	104	368	111	124	161
Profit	67%	72%	70%	82%	83%	69%	79%	87%	85%	80%
Break even	13%	6%	9%	4%	5%	10%	5%	5%	4%	6%
Loss	12%	19%	16%	8%	9%	14%	11%	4%	10%	11%
Don't know/refused	7%	3%	5%	6%	3%	6%	5%	4%	2%	4%
<i>Mean profit margin</i>	18%	15%	16%	17%	15%	19%	15%	17%	16%	18%

Although foreign-owned firms reported considerably higher turnovers than UK-owned firms, there are no statistically significant differences in the likelihood of being profitable and the mean profit margin is actually lower for foreign-owned firms.

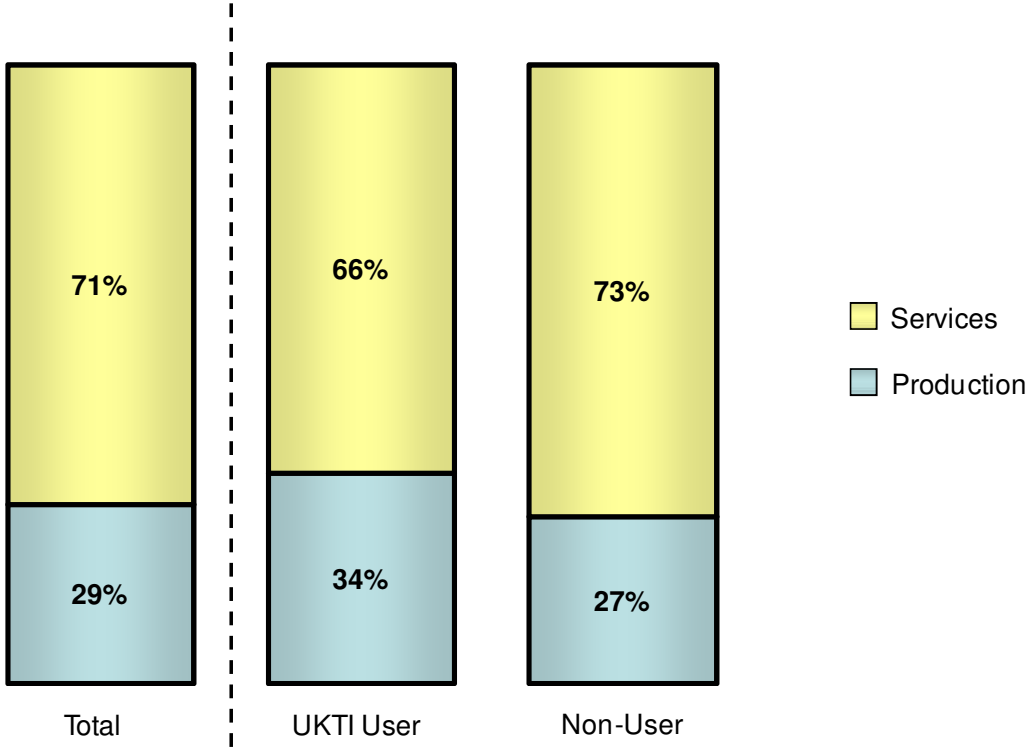
Table 6.4.4 Whether Making Profit or Loss – By Company Ownership

	Ownership	
	Foreign	UK
<i>Base</i>	60	839
Profit	80%	80%
Break even	5%	6%
Loss	7%	10%
Don't know/refused	8%	4%
<i>Mean profit margin</i>	12%	16%

6.5 Industry Sector

The chart below shows the profile of firms in terms of their industry sector, both at the total level and by UKTI usage. Please note that the sector classification was taken directly from the sample data (originating from Companies House) rather than being collected during the interview. As detailed earlier (Chapter 4.2), certain sectors were excluded from the sample frame because the proportion of firms within that sector that exported was extremely low, and this is why none of the interviewed firms were in either the primary or construction sectors.

Chart 6.5.1 Industry Sector – By UKTI Usage



Base: All respondents (Base)
 Total (901), UKTI Users (281), Non-Users (620)

Almost three-quarters of internationalising firms are in the service sector. This is more likely to be the case for non-users, with 73% of this group operating in the service sector compared to 66% of UKTI users. This data is relatively consistent with the main PIMS survey of recent UKTI clients, which shows that 61% are in the service sector and 37% in the production sector (with the remainder in the primary and construction sectors)⁷.

⁷ PIMS 31-34

As seen below, older and larger internationalising firms are comparatively more likely to be in the production sector.

Table 6.5.1 Industry Sector - By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	249	191	461	62	539	601	224	62	12	887
Production	19%	25%	37%	15%	26%	25%	39%	35%	42%	29%
Services	81%	75%	63%	85%	74%	75%	61%	65%	58%	71%

It is also the case that firms with a turnover of less than £500,000 are most likely to be in the service sector, and those with annual sales in excess of £25million are most likely to be in the production sector.

Table 6.5.2 Industry Sector – By Annual Turnover

	Annual Turnover			
	Up to 500k	£500k-£2m	£2m-£25m	£25m-£250m (MSBs)
<i>Base</i>	441	214	154	68
Production	27%	33%	33%	43%
Services	73%	67%	67%	57%

There is some suggestion that a greater proportion of foreign-owned firms operate in the production sector than is the case for domestic firms, but this apparent difference is not statistically significant.

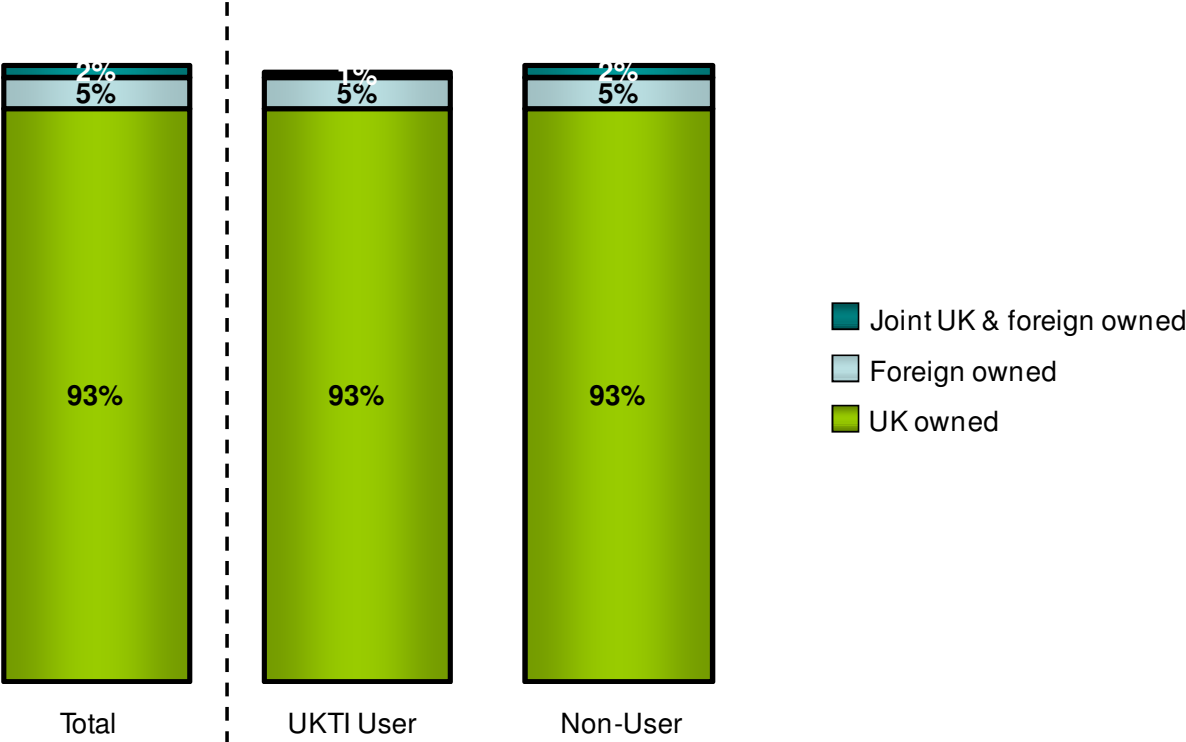
Table 6.5.3 Industry Sector – By Company Ownership

	Ownership	
	Foreign	UK
<i>Base</i>	60	839
Production	35%	29%
Services	65%	71%

6.6 Ownership

The table below provides an analysis of whether internationalising firms are UK-owned or foreign owned. Analysis has been provided at the total level, and by UKTI users and non-users.

Chart 6.6.1 Company Ownership – By UKTI Usage



Base: All respondents (Base, Don't know)
 Total (901, 0%), UKTI Users (281, 0%), Non-Users (620, 0%)

The vast majority of internationalising firms are UK-owned, with just 7% under foreign ownership (either wholly or partly). There is no difference between users and non-users in this respect.

As seen below, foreign ownership increases dramatically among larger firms (although the very low base for 250+ employee firms should be taken into account when interpreting this finding).

Table 6.6.1 Company Ownership - By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	249	191	461	62	539	601	224	62	12	887
UK owned	96%	93%	92%	98%	96%	96%	91%	79%	58%	94%
Foreign owned	2%	5%	7%	0%	3%	3%	7%	16%	42%	5%
Joint	2%	2%	1%	2%	1%	1%	2%	3%	0%	2%
Don't know	0%	0%	0%	0%	0%	0%	0%	2%	0%	0%

Foreign ownership is also significantly higher among firms whose annual turnover is over £2million, and particularly in those defined as MSBs.

Table 6.6.2 Company Ownership – By Annual Turnover

	Annual Turnover			
	Up to 500k	£500k-£2m	£2m-£25m	£25m-£250m (MSBs)
<i>Base</i>	441	214	154	68
UK owned	98%	94%	83%	57%
Foreign owned	2%	4%	14%	35%
Joint	1%	2%	3%	7%

7. Innovation & Product/Service Development

7.1 Innovative Firms

Survey data on the extent of firms' engagement in R&D and new product/service development has been used to categorise them as either 'innovative' or 'non-innovative'. The details of how these have been defined are shown below.

Innovative Firms	
Firms have been defined as 'innovative' if they...	
<ul style="list-style-type: none"> • Have more than one employee engaged in R&D or new product/service development • <u>Or</u>, have commissioned external R&D or new product/service development activity in the last year • <u>Or</u>, have introduced new products or services in the last 3 years <i>except firms established in the last 2 years</i> 	
Firms have been defined as 'innovative' under the alternative, tighter definition if they ...	
<ul style="list-style-type: none"> • Have more than one employee engaged in R&D or new product/service development <u>and</u> at least some employees are involved in the development of scientific or technical knowledge not commonly available • <u>Or</u>, have commissioned external R&D or new product/service development activity in the last year • <u>Or</u>, have introduced new products or services in the last 3 years <u>and</u> these are 'new to the world' or 'new to the sector' 	

The table below shows the proportions of firms classified as 'innovative' via each of these definitions. Comparative results have also been provided for from the PIMS surveys.

Table 7.1.1 Innovative Firms – By UKTI Usage

	Total	UKTI Usage		PIMS Data	
		UKTI User	Non-User	UKTI User (PIMS 31-34)	Non-User (2013 Survey)
<i>Base</i>	901	281	620	4196	301
Innovative	75%	87%	70%	85%	64%
Innovative (alternative)	45%	57%	40%	64%	34%

Three-quarters of internationalising firms are classified as being innovative by the main definition, although this falls to 45% when the tighter, alternative definition is employed. UKTI users are significantly more likely to be innovative than non-users, irrespective of which definition is used.

Results are broadly consistent with the evidence from the PIMS surveys, particularly for UKTI users, demonstrating that the Internationalisation survey provides a good representation of UKTI clients.

It is clear from the following analysis that the larger a firm is (in terms of employee numbers), the more likely it is to be innovative. There is also strong evidence that firms established for less than 5 years are least likely to be engaged in innovation activities.

Table 7.1.2 Innovative Firms - By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	249	191	461	62	539	601	224	62	12	887
Innovative	66%	82%	77%	65%	71%	70%	84%	87%	92%	75%
Innovative (alternative)	41%	53%	44%	40%	40%	40%	55%	60%	58%	45%

It is also the case that firms with a higher turnover are more likely to be innovative, with 94% of MSBs falling into this category.

Table 7.1.3 Innovative Firms – By Annual Turnover

	Annual Turnover			
	Up to 500k	£500k-£2m	£2m-£25m	£25m-£250m (MSBs)
<i>Base</i>	441	214	154	68
Innovative	70%	79%	79%	94%
Innovative (alternative)	40%	51%	48%	68%

Innovation levels also increase among firms that have been exporting for more than 2 years, suggesting that internationalisation can act as a spur to innovation. However, the intensity of firms' export activity (in terms of its contribution to total turnover) appears to have little impact on innovation activities, implying that the innovation effects apply even in the case of relatively 'low level' exporters. The only major difference by export intensity is that firms where overseas sales account for 0% of turnover⁸ are much less likely to be innovative than those reporting a high level of overseas sales (more than 25%).

Table 7.1.4 Innovative Firms – By Overseas Experience

	Years Exporting					Exports as % of Turnover				
	0-2			2-10	>10	0%	1-10%	11-25%	26-50%	>50%
	0	<2	Total							
<i>Base</i>	82	123	205	378	310	104	368	111	124	161
Innovative	65%	66%	66%	80%	76%	67%	74%	77%	79%	78%
Innovative (alternative)	48%	44%	46%	47%	44%	46%	41%	49%	48%	50%

⁸ This group contains firms that have not yet started exporting (but plan to do so) and those who have done business overseas in the last 5 years but did not make any export sales in the last 12 months.

As seen below, there are no statistically significant differences in innovation levels by company ownership.

Table 7.1.5 Innovative Firms – By Company Ownership

	Ownership	
	Foreign	UK
<i>Base</i>	60	839
Innovative	78%	75%
Innovative (alternative)	48%	45%

7.2 IP Active Firms

Firms were asked to indicate whether or not they had applied for or obtained any legal protection for their products or services (either in the UK or overseas). This data has then been used to create a measure of 'IP active' firms, as detailed below.

IP Active Firms	
Firms have been defined as 'IP Active' if they...	
<ul style="list-style-type: none"> • Have applied for or obtained any patents, trademarks, design rights or other legal protection for their products or services, either in the UK or overseas 	

The table below shows the proportions of firms classified as 'IP active', as well as details of the specific type of IP protection held.

Table 7.2.1 IP Protection – By UKTI Usage

	Total	UKTI Usage	
		UKTI User	Non-User
<i>Base</i>	901	281	620
Yes (IP active)	26%	41%	19%
- <i>Patents</i>	12%	23%	8%
- <i>Trademarks</i>	16%	27%	11%
- <i>Design Rights</i>	6%	9%	5%
- <i>Other legal protection</i>	5%	9%	4%
No	74%	59%	80%
Don't know	1%	0%	1%

A quarter of internationalising firms (26%) have applied for or obtained some form of legal protection for any of their products or services, and are therefore defined as being IP active. The most common forms of IP protection are trademarks and patents.

Reflecting the fact that they are more likely to be defined as innovative, UKTI users are also twice as likely to be IP active (41% vs. 19% of non-users) and are more likely to hold each type of IP protection.

As seen below, the larger a firm is the more likely it is to hold some form of IP protection. There are no statistically significant differences by age of firm.

Table 7.2.2 IP Protection - By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	249	191	461	62	539	601	224	62	12	887
Yes (IP active)	24%	25%	27%	19%	20%	20%	35%	42%	50%	25%
- <i>Patents</i>	10%	11%	14%	7%	8%	8%	20%	23%	50%	12%
- <i>Trademarks</i>	16%	18%	16%	6%	12%	11%	25%	32%	41%	16%
- <i>Design Rights</i>	8%	7%	5%	2%	5%	4%	8%	13%	25%	6%
- <i>Other legal protection</i>	6%	5%	5%	8%	5%	5%	6%	5%	17%	5%
No	75%	75%	72%	81%	80%	80%	64%	53%	42%	74%
Don't know	1%	0%	1%	0%	0%	0%	1%	5%	8%	1%

It is also clear that firms with a higher turnover are more likely to have obtained IP protection, with 46% of MSBs indicating that this is the case, compared to just 21% of firms with a turnover of less than £500,000.

Table 7.2.3 IP Protection – By Annual Turnover

	Annual Turnover			
	Up to 500k	£500k-£2m	£2m-£25m	£25m-£250m (MSBs)
<i>Base</i>	441	214	154	68
Yes (IP active)	21%	29%	30%	46%
- <i>Patents</i>	8%	13%	19%	29%
- <i>Trademarks</i>	11%	19%	21%	29%
- <i>Design Rights</i>	5%	5%	10%	13%
- <i>Other legal protection</i>	5%	5%	5%	12%
No	79%	71%	69%	47%
Don't know	0%	0%	1%	7%

Generally, the likelihood of taking out IP protection increases as firms enter more markets. There is relatively little difference based on the broad regions in which firms are operating, although it firms selling to Europe are least likely to be IP active.

Table 7.2.4 IP Protection – By Number of Markets & Regions Doing Business In

	Number of Markets				Regions				
	0	1-5	6-10	>10	Europe	North America	Latin America	M.East / Africa	Asia Pacific
<i>Base</i>	82	399	184	231	738	419	198	367	441
Yes (IP active)	18%	20%	23%	40%	27%	33%	34%	31%	33%
- <i>Patents</i>	6%	10%	10%	22%	13%	17%	18%	16%	17%
- <i>Trademarks</i>	13%	11%	15%	27%	17%	20%	23%	20%	22%
- <i>Design Rights</i>	6%	5%	4%	10%	6%	8%	9%	7%	8%
- <i>Other legal protection</i>	6%	4%	4%	8%	6%	7%	6%	6%	7%
No	82%	80%	76%	59%	72%	66%	65%	68%	66%
Don't know	0%	1%	1%	1%	1%	1%	1%	1%	1%

There are no significant differences in the overall proportion classified as IP Active or in the types of IP protection held when analysing by company ownership.

Table 7.2.5 IP Protection - By Company Ownership

	Foreign	UK
<i>Base</i>	60	839
Yes (IP active)	27%	26%
- <i>Patents</i>	18%	12%
- <i>Trademarks</i>	20%	16%
- <i>Design Rights</i>	12%	6%
- <i>Other legal protection</i>	5%	5%
No	65%	74%
Don't know	8%	0%

Firms that use more 'advanced' internationalisation modes such as operating their own overseas site or licensing/franchising/contractual arrangements are most likely to hold IP protection.

Table 7.2.6 IP Protection - By Modes Used

	Selling direct	Agents/ distributors	Contractual arrangements	Overseas site
<i>Base</i>	802	388	130	109
Yes (IP active)	25%	34%	42%	37%
- <i>Patents</i>	12%	17%	22%	23%
- <i>Trademarks</i>	16%	23%	30%	29%
- <i>Design Rights</i>	6%	9%	13%	16%
- <i>Other legal protection</i>	5%	7%	11%	9%
No	74%	65%	58%	60%
Don't know	1%	1%	0%	4%

7.3 Young, Technology Intensive Firms

Certain firms have been classified as ‘young technology intensive’, and the details of this definition are shown below.

Young Technology Intensive Firms	
Firms have been defined as being ‘young technology intensive’ if they...	
<ul style="list-style-type: none"> • Have been established for 5 years or less • <u>And</u> are classified as being innovative using the alternative (tighter) definition <u>or</u> are classified as IP active 	

The table below shows the proportions of firms classified as ‘young technology intensive’. Analysis has been provided based on all respondents and based just on younger firms.

Table 7.3.1 Young Technology Intensive Firms – By UKTI Usage

	All firms			Firms aged up to 5 years		
	Total	UKTI User	Non-User	Total	UKTI User	Non-User
<i>Base</i>	901	281	620	242	57	185
Young tech intensive	12%	12%	13%	47%	60%	43%
Up to 5 years old but not young tech intensive	14%	8%	17%	53%	40%	57%
Over 5 years old	73%	80%	70%	-	-	-

Overall, 12% of all internationalising firms are classified as being ‘young technology intensive’, which equates to 47% of those established in the last 5 years. Looking at the analysis based on all firms, it appears as if there is no difference between UKTI users and non-users. However, this is a function of the older age profile of UKTI users, and when the analysis is based solely on firms aged 5 years or less then it becomes clear that UKTI users are in fact significantly more likely to be ‘young, technology intensive’ (60% vs. 43% of non-users).

A similar scenario is seen when it comes to size of firm. At the total level, smaller firms are most likely to be classified as ‘young technology intensive’. However, when the analysis is run based just on young firms the opposite is true, and in fact firms 10 or more staff are significantly more likely to be ‘young technology intensive’.

Table 7.3.2 Young, Technology Intensive Firms – By Size

	All firms			Firms aged up to 5 years		
	Total	0-9 emps	10+ emps	Total	0-9 emps	10+ emps
<i>Base</i>	901	601	298	242	201	40
Young tech intensive	12%	14%	8%	47%	44%	62%
Up to 5 years old but not young tech intensive	14%	18%	5%	53%	56%	38%
Over 5 years old	73%	66%	87%	-	-	-

7.4 Innovative High Growth Firms

The survey data on innovation activity and growth objectives has been combined in the analysis to identify 'innovative high growth firms', as this is a key group for UKTI to target.

The table below provides analysis of the combined innovative and growth data, analysed at the total level and by UKTI usage.

Table 7.4.1 Innovation & Growth Objectives – By UKTI Usage

	Total	UKTI Usage	
		UKTI User	Non-User
<i>Base</i>	901	281	620
Innovative & expect substantial growth	30%	41%	25%
Innovative & expect moderate growth	37%	39%	36%
Innovative & expect no growth or negative growth	8%	6%	9%
Non-innovative	25%	13%	30%

Almost a third (30%) of internationalising firms are defined as being 'innovative high growth', with this rising significantly to 41% amongst UKTI users. However, it should be noted that 25% of firms that do not use UKTI are still in this critical category, confirming that there are many 'innovative high growth' internationalising firms that UKTI are not yet reaching.

As seen below, older firms that have been established for more than 10 years are significantly less likely to be classified as 'innovative high growth'. However, the proportion does increase amongst companies with 10 or more employees, indicating that firms that have been established for 10 years or less and have 10 or more employees are most likely to be 'innovative high growth'.

Table 7.4.2 Innovation & Growth Objectives – By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	249	191	461	62	539	601	224	62	12	887
Innovative & expect substantial growth	33%	35%	26%	26%	24%	25%	40%	42%	42%	30%
Innovative & expect moderate growth	30%	40%	39%	24%	37%	35%	40%	42%	50%	37%
Innovative & expect no/negative growth	3%	7%	12%	15%	10%	10%	5%	3%	0%	8%
Non-innovative	34%	18%	23%	35%	29%	30%	16%	13%	8%	25%

It is also evident that firms with a higher annual turnover (particularly MSBs) are most likely to be 'innovative high growth'. However, it is still the case that a quarter (24%) of firms with an annual turnover of less than £500,000 fall into this category.

Table 7.4.3 Innovation & Growth Objectives – By Annual Turnover

	Annual Turnover			
	Up to 500k	£500k-£2m	£2m-£25m	£25m-£250m (MSBs)
<i>Base</i>	441	214	154	68
Innovative & expect substantial growth	24%	35%	34%	46%
Innovative & expect moderate growth	35%	37%	42%	44%
Innovative & expect no/negative growth	12%	7%	3%	4%
Non-innovative	30%	21%	21%	6%

There is no clear pattern in this respect by the number of markets firms are operating in. The proportion of 'innovative high growth' firms is highest at each end of the spectrum (i.e. firms not yet exporting but planning to do so and those active in over 10 different markets). There are no notable differences by the broad geographical regions in which firms are doing business.

Table 7.4.4 Innovation & Growth Objectives – By Number of Markets & Regions Doing Business In

	Number of Markets				Regions				
	0	1-5	6-10	>10	Europe	North America	Latin America	M.East / Africa	Asia Pacific
<i>Base</i>	82	399	184	231	738	419	198	367	441
Innovative & expect substantial growth	37%	23%	30%	39%	30%	33%	35%	31%	34%
Innovative & expect moderate growth	28%	35%	39%	42%	38%	41%	39%	39%	39%
Innovative & expect no/negative growth	0%	11%	8%	7%	10%	7%	9%	9%	9%
Non-innovative	35%	31%	23%	13%	23%	19%	17%	21%	18%

Similar proportions of UK and foreign-owned firms are classified as being 'innovative high growth'.

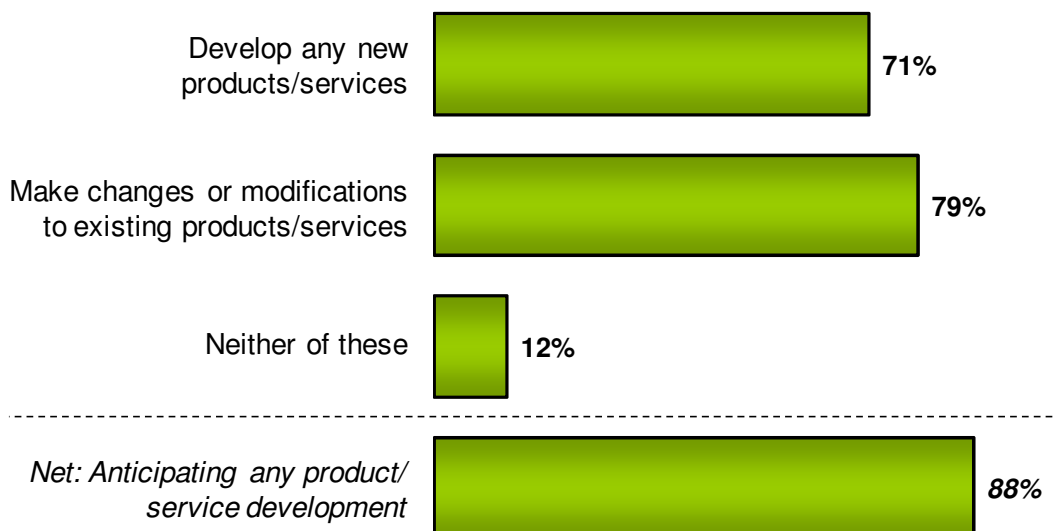
Table 7.4.5 Innovation & Growth Objectives – By Company Ownership

	Ownership	
	Foreign	UK
<i>Base</i>	60	839
Innovative & expect substantial growth	27%	30%
Innovative & expect moderate growth	47%	36%
Innovative & expect no/negative growth	5%	9%
Non-innovative	22%	25%

7.5 Planned Product & Service Development

All firms were asked about their plans for product and service development activity over the next three years.

Chart 7.5.1 Planned Product & Service Development Activity



Base: All respondents (Base, Don't know) (901, 1%)

The majority (88%) of internationalising firms are planning some form of product or service development over the next 3 years. In most cases this will involve developing new products/services as well as modifying or improving existing ones.

As seen below, UKTI users are slightly more likely than non-users to engage in product/service development over the next 3 years (and this difference, although small, is statistically significant).

Table 7.5.1 Planned Product & Service Development Activity – By UKTI Usage

	Total	UKTI Usage	
		UKTI User	Non-User
<i>Base</i>	901	281	620
Develop new products/services	71%	74%	69%
Make changes or modifications to existing products/services	79%	80%	79%
None of these	12%	9%	13%
Don't know	1%	0%	1%
<i>Net: Anticipating any product/service development activity</i>	88%	91%	86%

Micro SMEs with less than 10 staff are least likely to be planning any new product or service development. Interestingly, older firms that have been trading for more than 10 years are less inclined to develop new products or services than more recently established firms.

Table 7.5.2 Planned Product & Service Development Activity – By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	249	191	461	62	539	601	224	62	12	887
Develop new products/services	72%	78%	67%	66%	69%	69%	74%	76%	92%	71%
Make changes to existing products/services	79%	82%	77%	69%	78%	77%	81%	87%	92%	79%
None of these	10%	9%	14%	21%	13%	14%	10%	6%	0%	12%
Don't know	0%	1%	0%	0%	1%	1%	0%	0%	0%	1%
<i>Net: Anticipating any product/service dev't activity</i>	90%	90%	85%	79%	86%	86%	90%	94%	100%	87%

Firms with an annual turnover in excess of £2million are significantly more likely to undertake product/service development activity than those with more modest sales.

Table 7.5.3 Planned Product & Service Development Activity – By Annual Turnover

	Annual Turnover			
	Up to 500k	£500k-£2m	£2m-£25m	£25m-£250m (MSBs)
<i>Base</i>	441	214	154	68
Develop new products/services	69%	72%	74%	79%
Make changes to existing products/services	78%	79%	84%	84%
None of these	14%	12%	8%	4%
Don't know	1%	0%	0%	3%
<i>Net: Anticipating any product/service dev't activity</i>	86%	88%	92%	93%

As expected, innovative and IP active firms are much more likely to undertake product or service development over the next 3 years.

Table 7.5.4 Planned Product & Service Development Activity – By Innovation

	Innovative			IP Active	
	Yes (alternative)	Yes	No	Yes	No
<i>Base</i>	406	676	225	230	663
Develop new products/services	83%	78%	50%	83%	67%
Make changes to existing products/services	86%	83%	66%	84%	77%
None of these	5%	7%	26%	5%	14%
Don't know	0%	0%	2%	0%	1%
<i>Net: Anticipating any product/service dev't activity</i>	95%	93%	72%	95%	85%

As detailed below, there are strong links between growth and innovation, with the likelihood of undertaking product or service development activity increasing amongst firms with more ambitious growth objectives. This suggests that firms are innovating to help achieve their growth aspirations, both through creating new products/services and by tailoring existing ones to meet market requirements. This is further demonstrated by the fact that 98% of all 'innovative high growth' firms are planning to carry out some sort of product or service development over the next 3 years.

Table 7.5.5 Planned Product & Service Development Activity
– By Innovation & Growth

	Growth Objectives			Innovation & Growth		
				Innovative		Non innovative
	Stay same	Mod. growth	Sub. growth	Expect sub. growth	Other	
<i>Base</i>	112	443	310	269	407	225
Develop new products/services	40%	73%	83%	86%	72%	50%
Make changes to existing products/services	61%	80%	87%	88%	80%	66%
None of these	32%	10%	4%	2%	10%	26%
Don't know	2%	0%	0%	0%	0%	2%
<i>Net: Anticipating any product/service dev't activity</i>	66%	89%	96%	98%	89%	72%

Analysis has also been provided by whether or not younger firms were born global (i.e. have been conducting business overseas since they were established) or are defined as being young technology intensive. The definitions of these sub-groups can be found in Chapter 4.5.5 of this report.

Young technology intensive firms are particularly likely to undertake products/service development over the next 3 years. However, there are no clear differences in this respect by whether or not firms were born global.

Table 7.5.6 Planned Product & Service Development Activity
– By Born Global & Young, Tech Intensive

	Up to 5 years old				Over 5 years old
	Total	Born global	Born global (alternative)	Young, tech intensive	
<i>Base</i>	242	111	45	105	652
Develop new products/services	72%	65%	69%	86%	71%
Make changes to existing products/services	80%	77%	71%	85%	79%
None of these	10%	15%	18%	2%	13%
Don't know	0%	0%	0%	0%	1%
<i>Net: Anticipating any product/service dev't activity</i>	90%	85%	82%	98%	87%

As illustrated below, there is little difference in the product/service development plans of production and service sector firms.

Table 7.5.7 Planned Product & Service Development Activity – By Sector

	Sector	
	Production	Services
<i>Base</i>	264	637
Develop new products/services	72%	71%
Make changes or modifications to existing products/services	78%	79%
None of these	13%	12%
Don't know	1%	0%
<i>Net: Anticipating any product/service development activity</i>	87%	88%

It is also the case that broadly similar proportions of UK-owned and foreign-owned firms are planning to undertake product/service development over the next 3 years.

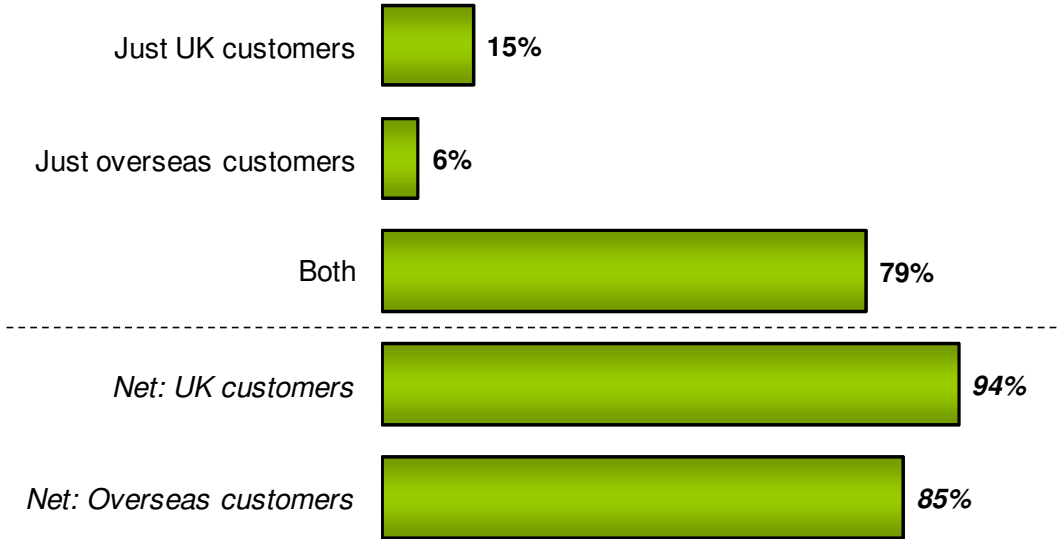
Table 7.5.8 Planned Product & Service Development Activity
– By Company Ownership

	Ownership	
	Foreign	UK
<i>Base</i>	60	839
Develop new products/services	75%	71%
Make changes or modifications to existing products/services	78%	79%
None of these	8%	12%
Don't know	0%	1%
<i>Net: Anticipating any product/service development activity</i>	92%	87%

7.6 Geographical Focus of Product & Service Development

As seen in the previous section, 88% of internationalising firms were expecting to undertake some type of product or service development activity over the next 3 years. These firms were asked whether this would be aimed at UK customers or overseas customers. Please note that all analysis in this section is based just on those planning product/service development activity in the next 3 years.

Chart 7.6.1 Geographical Focus of Product/Service Development Activity



Base: All anticipating product/service development in next 3 years (Base, Don't know) (789, 0%)

The majority of those firms that are planning product/service development activity over the next 3 years expect that this will be aimed at both UK and overseas customers (79%). As detailed below, UKTI clients are comparatively more likely to focus their product/service development activity on overseas markets (95% vs. 81% of non-users).

Table 7.6.1 Geographical Focus of Product/Service Development – By UKTI Usage

	Total	UKTI Usage	
		UKTI User	Non-User
<i>Base: All anticipating product/service dev't</i>	789	256	533
UK Customers	15%	5%	19%
Overseas Customers	6%	9%	5%
Both	79%	85%	76%
Don't know	0%	0%	0%
<i>Net: UK customers</i>	<i>94%</i>	<i>91%</i>	<i>95%</i>
<i>Net: Overseas customers</i>	<i>85%</i>	<i>95%</i>	<i>81%</i>

There are no statistically significant differences in the geographical focus of product/service development activity by age or size of firm.

Table 7.6.2 Geographical Focus of Product/Service Development
– By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base: All anticipating product/service dev't</i>	224	171	394	49	466	515	202	58	12	775
UK Customers	14%	15%	15%	16%	16%	16%	13%	10%	8%	15%
Overseas Customers	7%	4%	7%	6%	6%	6%	7%	3%	16%	6%
Both	79%	81%	78%	78%	78%	78%	80%	86%	75%	79%
Don't know	0%	0%	0%	0%	0%	0%	1%	0%	0%	0%
<i>Net: UK customers</i>	<i>93%</i>	<i>96%</i>	<i>93%</i>	<i>94%</i>	<i>94%</i>	<i>94%</i>	<i>93%</i>	<i>97%</i>	<i>84%</i>	<i>94%</i>
<i>Net: Overseas customers</i>	<i>86%</i>	<i>85%</i>	<i>85%</i>	<i>84%</i>	<i>84%</i>	<i>84%</i>	<i>87%</i>	<i>90%</i>	<i>92%</i>	<i>85%</i>

As seen below, firms with an annual turnover of less than £500,000 are least likely to be undertaking product/ service development activity that is aimed at overseas customers.

Table 7.6.3 Geographical Focus of Product/Service Development
– By Annual Turnover

	Annual Turnover			
	Up to 500k	£500k-£2m	£2m-£25m	£25m-£250m (MSBs)
<i>Base: All anticipating product/service dev't</i>	378	188	142	63
UK Customers	18%	12%	11%	13%
Overseas Customers	4%	10%	6%	6%
Both	78%	78%	83%	81%
Don't know	0%	0%	1%	0%
<i>Net: UK customers</i>	<i>96%</i>	<i>90%</i>	<i>94%</i>	<i>94%</i>
<i>Net: Overseas customers</i>	<i>82%</i>	<i>88%</i>	<i>89%</i>	<i>87%</i>

As detailed below, the more ambitious a firm's growth objectives, the more likely they are to be targeting their innovation activity at overseas customers.

Table 7.6.4 Geographical Focus of Product/Service Development
– By Innovation & Growth

	Growth Objectives			Innovation & Growth		
	Stay same	Mod. growth	Sub. growth	Innovative		Non innovative
				Expect sub. growth	Other	
<i>Base: All anticipating product/service dev't</i>	74	395	298	263	364	162
UK Customers	18%	16%	10%	9%	15%	22%
Overseas Customers	3%	6%	7%	7%	5%	8%
Both	80%	77%	83%	83%	80%	70%
Don't know	0%	0%	0%	0%	0%	0%
<i>Net: UK customers</i>	<i>97%</i>	<i>94%</i>	<i>93%</i>	<i>93%</i>	<i>95%</i>	<i>92%</i>
<i>Net: Overseas customers</i>	<i>82%</i>	<i>84%</i>	<i>90%</i>	<i>91%</i>	<i>84%</i>	<i>78%</i>

It is interesting to note that there is a correlation between company ownership and the focus of any product/service development activity, with foreign-owned firms more likely to be targeting overseas customers and UK-owned firms more likely to be targeting domestic customers (although the latter difference is not statistically significant).

Table 7.6.5 Geographical Focus of Product/Service Development
– By Company Ownership

	Ownership	
	Foreign	UK
<i>Base: All anticipating product/service dev't</i>	55	733
UK Customers	4%	16%
Overseas Customers	11%	6%
Both	85%	78%
Don't know	0%	0%
<i>Net: UK customers</i>	<i>89%</i>	<i>94%</i>
<i>Net: Overseas customers</i>	<i>96%</i>	<i>84%</i>

7.7 Key Markets Driving Innovation

Those firms that expected to undertake product or service development activity over the next 3 years were asked if there were any specific countries which were more important than others in terms of being a stimulus for their innovation and product or service development. Please note that individual markets mentioned by more than 3% of firms have been shown in the analysis below.

Table 7.7.1 Key Markets Driving Innovation - By UKTI Usage

	Total	UKTI Usage	
		User	Non-User
<i>Base: All anticipating product/service dev't</i>	789	256	533
Yes	54%	61%	51%
- USA	35%	38%	33%
- UK	21%	12%	27%
- Germany	20%	22%	19%
- China	14%	17%	12%
- France	11%	10%	11%
- UAE	10%	13%	9%
- India	9%	8%	10%
- Australia	8%	9%	7%
- Canada	6%	6%	6%
- Italy	6%	6%	6%
- Spain	5%	4%	6%
- Netherlands	5%	8%	4%
- Japan	5%	6%	4%
- South Africa	5%	7%	4%
- Saudi Arabia	5%	7%	3%
- Russia	4%	5%	4%
No	44%	38%	47%
Don't know	2%	2%	2%

Just over half of firms (54%) felt that there were certain markets that were more critical than others in terms of being a stimulus for their innovation activity, with this more likely to be the case among UKTI users (61%).

The most widely identified overseas market in this respect was the USA (35%), with Germany also highlighted by 20% of firms and China by 14%. It is also interesting to note that although this survey was conducted with internationalising firms, a significant proportion of these (21%) indicated that the UK was a key driver of their innovation activity.

The table below provides similar analysis, but by firms' growth objectives over the next 5 years.

Table 7.7.2 Key Markets Driving Innovation - By Growth Objectives

	Growth Objectives		
	Stay the same size	Moderate growth	Substantial growth
<i>Base: All anticipating product/service dev't</i>	74	395	298
Yes	45%	51%	61%
- USA	33%	30%	40%
- UK	15%	27%	18%
- Germany	15%	20%	20%
- China	12%	12%	17%
- France	12%	12%	9%
- UAE	6%	9%	12%
- India	6%	7%	12%
- Australia	9%	6%	10%
- Canada	12%	4%	6%
- Italy	9%	6%	4%
- Spain	6%	7%	3%
- Netherlands	9%	5%	4%
- Japan	0%	5%	6%
- South Africa	6%	5%	4%
- Saudi Arabia	9%	3%	5%
- Russia	0%	4%	6%
No	53%	47%	37%
Don't know	3%	2%	2%

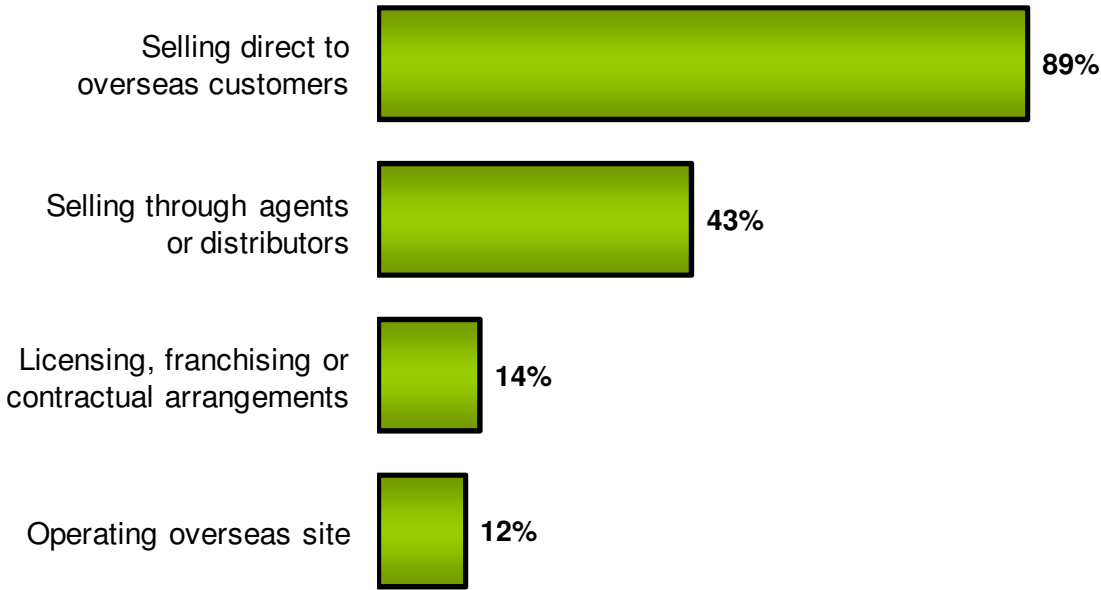
The greater a firm's growth ambitions, the more likely they are to identify a specific market as being critical to driving innovation.

8. Overseas Activity & Experience

8.1 Modes Used

Firms were asked which of a list of overseas business activities they had been involved in over the last five years. Those not involved in any of these overseas activities were asked whether they were seriously considering starting to conduct overseas business via any of these routes in the next year, and only those responding positively to this question were invited to take part in the research⁹. This group were asked to indicate which types of activities they were planning to become involved in.

Chart 8.1.1 Modes of Internationalisation Used in Last 5 Years
(Or planning in next year for those not yet exporting)



Base: All respondents (901)

Exporting directly to overseas customers is the most widespread mode, with the vast majority of internationalising firms adopting this approach in some or all of the markets they operate in.

However, there is considerable diversity in the internationalisation modes use, with two-fifths employing agents or distributors and a significant minority also selling through contractual arrangements and and/or operating their own overseas sites.

⁹ Please note that 82 of the 901 firms interviewed (9%) were not yet doing business overseas but were planning to do so in the next year.

The table below shows separate analysis of internationalisation modes for firms that are already engaged in overseas business and those that are not yet exporting but planning to start in the next year.

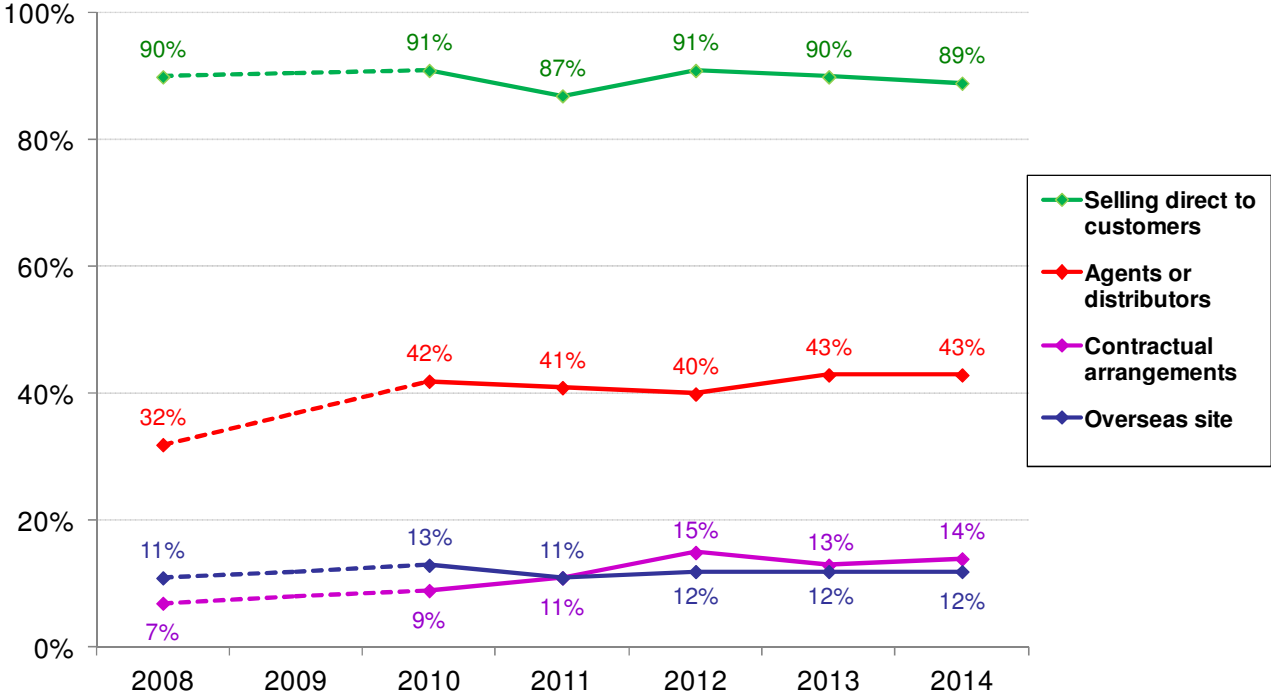
Table 8.1.1 Modes of Internationalisation Used – By Export Status
(Or planning in next year for those not yet exporting)

	Total	Exporting	
		Yes	No (planned in next year)
<i>Base</i>	901	819	82
Selling direct	89%	90%	79%
Agents/distributors	43%	42%	56%
Contractual arrangements	14%	13%	29%
Overseas site	12%	12%	17%

As seen above, firms that are not yet exporting but planning to embark on overseas business in the next year are less likely to be focussing on simply selling direct and more inclined to be considering less ‘standard’ modes such as selling through agents/distributors or via contractual arrangements.

The chart below shows how the modes used by internationalising firms have changed over time. There has generally been little change over the past 6 years, although contractual arrangements increased in popularity between 2008 and 2012, and there was also a dramatic jump in the proportion using agents/distributors between 2008 and 2010.

Chart 8.1.2 Modes of Internationalisation Used – Over Time
(Or planning in next year for those not yet exporting)

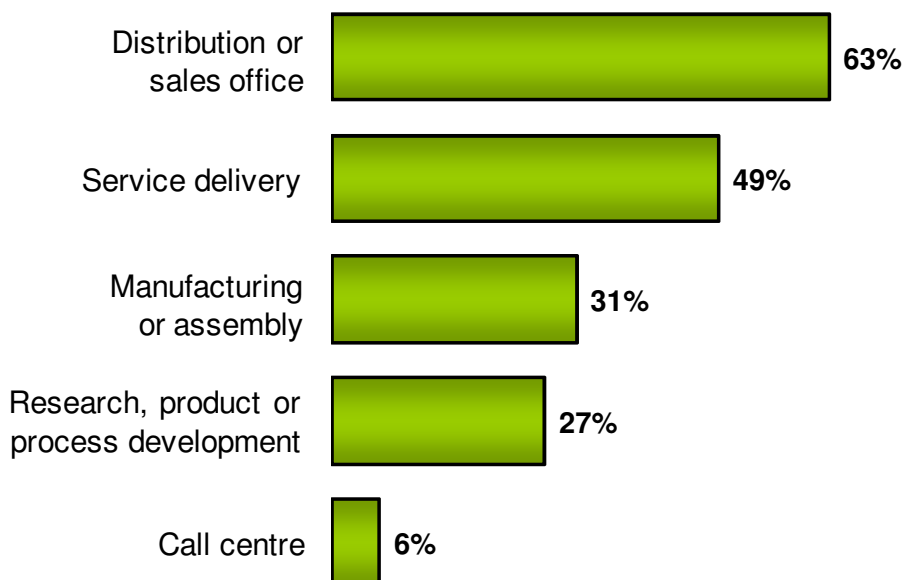


Base: All respondents (Base)
2008 (900), 2010 (902), 2011 (903), 2012 (900), 2013 (950), 2014 (901)

8.2 Number & Type of Overseas Sites

As seen previously, 12% of firms operated their own overseas sites (or were planning to do so in the next year). These firms were asked to provide details of the main purpose of the site(s).

Chart 8.2.1 Main Purpose of Overseas Sites



Base: All with or considering overseas sites (Base, Don't know) – (109, 4%)

Most overseas sites are either distribution/sales offices or service delivery sites. Approaching a third are manufacturing or assembly sites and a quarter are R&D facilities.

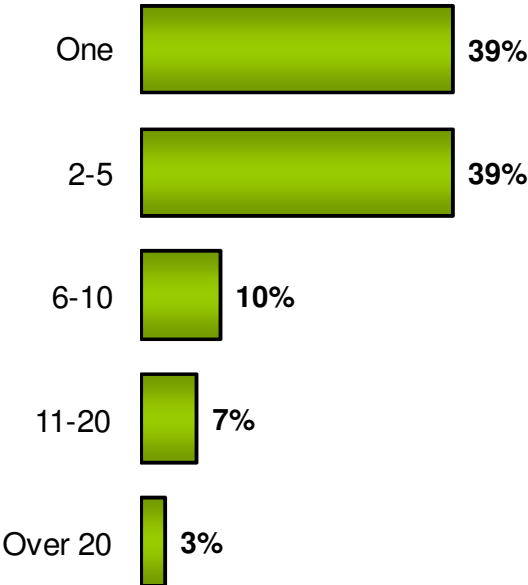
The table below provides analysis by age of firm. None of the apparent differences are statistically significant due to the low base sizes. However, there is some suggestion that, of those firms with overseas sites, younger ones are more inclined to have distribution/sales offices whereas older firms are more likely to operate overseas manufacturing or R&D facilities.

Table 8.2.1 Main Purpose of Overseas Sites – By Age

	Age (Years Trading)		
	Up to 5	6-10	Over 10
<i>Base: All with or considering overseas site(s)</i>	25	22	62
Distribution or sales office	72%	59%	61%
Service delivery	48%	41%	52%
Manufacturing or assembly	20%	27%	37%
Research, product or process development	20%	32%	27%
Call centre	8%	9%	5%
Don't know	8%	0%	3%

Firms with overseas sites were also asked to indicate how many sites they had, with the following results. Please note that those firms that were not yet exporting have been excluded from the analysis below.

Chart 8.2.2 Number of Overseas Sites



Base: All with overseas sites (Base, Don't know) – (95, 1%)

The majority of firms with overseas sites have at least 2 of them. However, only 10% have more than 10 sites.

There are no clear or statistically significant differences by age of firm, although this is probably due to the low base sizes when analysing the data at this level.

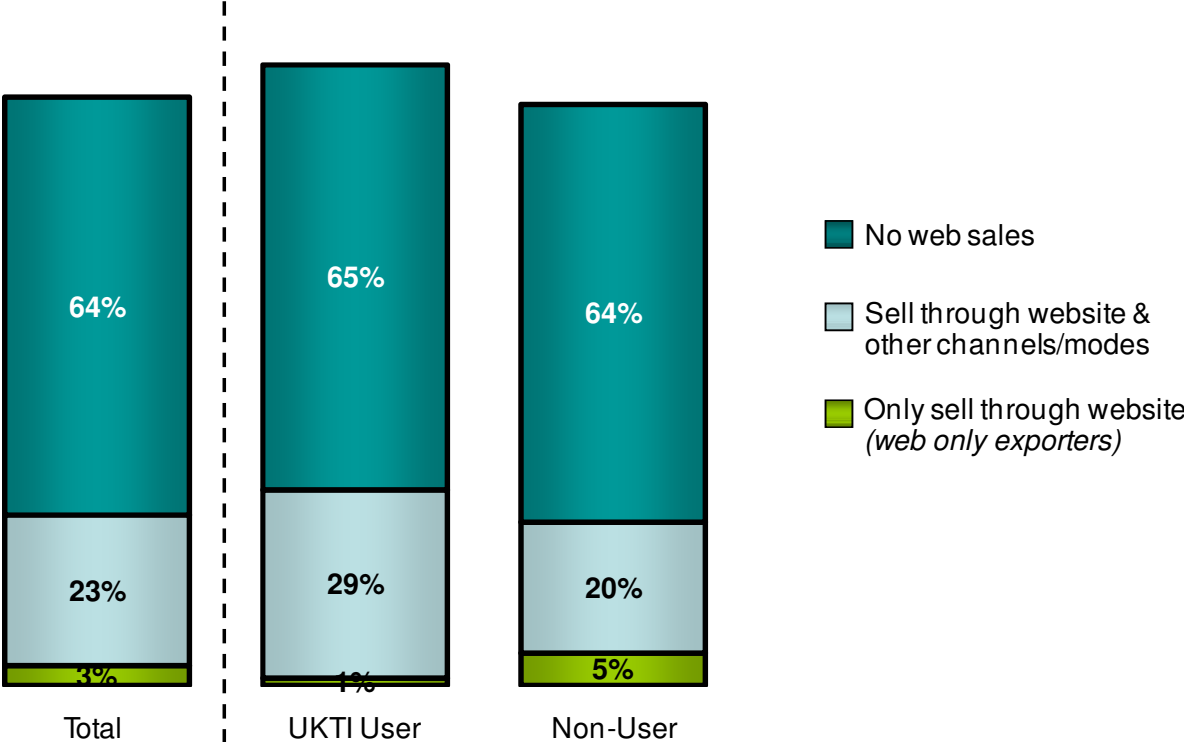
Table 8.2.2 Number of Overseas Sites – By Age

	Age (Years Trading)		
	Up to 5	6-10	Over 10
<i>Base: All with overseas site(s)</i>	17	18	60
One	47%	39%	37%
2-5	23%	33%	45%
6-10	18%	17%	7%
11-20	12%	6%	7%
21-50	0%	0%	2%
Over 50	0%	6%	2%
Don't know	0%	0%	2%

8.3 Direct Web Sales

To understand the impact of the internet on UK export activity, firms were asked whether they made any overseas sales directly through their websites and, if so, whether they only sold overseas through their website.

Chart 8.3.1 Direct Web Sales – By UKTI Usage



Base: All respondents (Base, Don't know, Not yet exporting)
 Total (901, 0%, 9%), UKTI Users (281, 0%, 6%), Non-Users (620, 0%, 10%)

As seen above, 26% of internationalising firms make at least some sales through their websites. However, only a small minority (3%) are classified as ‘web only exporters’ on the basis that they do not make sales through any other channels or modes and solely rely on their online operation.

There is no statistically significant difference between UKTI users and non-users when it comes to the proportion making any overseas sales through their websites, but non-users are more likely to be ‘web only exporters’.

It is interesting to observe that there appears to have been a slight decline in the proportion of firms selling overseas through their website in the last 2 years, and in the proportion of 'web only' exporters (although only the latter difference is statistically significant).

Table 8.3.1 Direct Web Sales – Over Time

	Total		
	2012	2013	2014
<i>Base</i>	900	950	901
Any web sales	30	27	26
- <i>Only sell through website (web only exporters)</i>	5	4	3
- <i>Sell through website & other channels/modes</i>	24	23	23
No web sales	64	63	64
Don't know	0	0	0
Not yet exporting	6	9	9

As seen below, firms who have been exporting for less than 2 years are significantly less likely to make sales through their websites than those who have been exporting for longer. However, long-term exporters with over 10 years experience are least likely to be 'web only' exporters.

Table 8.3.2 Direct Web Sales – By Export Experience

	Overseas Experience		
	Less than 2 years (exc. not yet exporting)	2-10 years	More than 10 years
<i>Base</i>	205	378	310
Any web sales	15%	30%	29%
- <i>Only sell through website (web only exporters)</i>	4%	5%	1%
- <i>Sell through website & other channels/modes</i>	11%	25%	28%
No web sales	45%	70%	70%
Don't know	0%	0%	1%

The table below provides details of the sector profile of ‘web only’ exporters, in comparison to internationalising firms as a whole. There is some suggestion that firms that do business overseas solely through their website are comparatively more likely to operate in the manufacturing or wholesale and retail sectors, although these differences are not statistically significant.

Table 8.3.3 Web Only Exporters – Sector Profile

	Web only exporters	Not web only
<i>Base</i>	<i>31</i>	<i>870</i>
D – Manufacturing	39%	29%
G – Wholesale & retail trade	26%	17%
I – Transport, storage & communication	10%	8%
J – Financial intermediation	3%	4%
K – Real estate, renting & business activities	19%	34%
O – Other community, social & personal service activities	3%	8%

8.4 Internationalisation Modes by Firm Profile

This section provides more detailed analysis of the internationalisation modes used by firm characteristic (such as UKTI usage, size, innovation, etc). Please note that those firms not yet exporting are included in this analysis, but the data relates to the modes they are planning to start using in the next year.

As seen below, UKTI clients clearly use a more diverse range of internationalisation modes than non-users. They appear more likely to employ each of the four approaches, with this difference particularly pronounced when it comes to the use of agents and distributors (although it should be noted that the apparent differences in use of contractual arrangements and overseas sites are not statistically significant).

Table 8.4.1 Modes of Internationalisation – By UKTI Usage

	Total	UKTI Usage	
		UKTI User	Non-User
<i>Base</i>	901	281	620
Selling direct	89%	93%	87%
- 'Web only' exporters	3%	1%	5%
Agents/distributors	43%	57%	37%
Contractual arrangements	14%	17%	13%
Overseas site	12%	14%	11%
- Manufacturing/assembly	4%	6%	3%
- Call centre	1%	1%	1%
- Sales/service delivery	10%	11%	10%
- R&D	3%	4%	3%

Larger firms are much more likely to be selling through agents/distributors and to operate their own overseas sites. However, smaller firms with less than 10 employees are more inclined to only sell overseas through their website (i.e. 'web only' exporters). There are no consistent differences in the modes used by age of firm.

Table 8.4.2 Modes of Internationalisation – By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	249	191	461	62	539	601	224	62	12	887
Selling direct	86%	91%	90%	79%	89%	88%	91%	94%	92%	89%
- 'Web only' exporters	6%	3%	2%	8%	5%	5%	0%	0%	0%	3%
Agents/distributors	40%	38%	47%	32%	39%	38%	50%	61%	67%	43%
Contractual arrangements	15%	17%	13%	18%	13%	14%	16%	16%	16%	14%
Overseas site	10%	12%	13%	2%	9%	8%	12%	39%	59%	12%
- Manufacturing/assembly	2%	3%	5%	0%	2%	2%	4%	13%	42%	3%
- Call centre	1%	1%	1%	0%	0%	0%	0%	5%	8%	1%
- Sales/service delivery	8%	9%	12%	0%	7%	6%	11%	34%	59%	9%
- R&D	2%	4%	4%	2%	2%	2%	3%	16%	8%	3%

As seen below, the larger a firm's turnover the more likely it is to use agents or distributors and to have an overseas site. Firms with an annual turnover of less than £500,000 are most likely to be 'web only' exporters.

Table 8.4.3 Modes of Internationalisation – By Annual Turnover

	Annual Turnover			
	Up to 500k	£500k-£2m	£2m-£25m	£25m-£250m (MSBs)
<i>Base</i>	441	214	154	68
Selling direct	87%	92%	93%	93%
- 'Web only' exporters	5%	2%	0%	0%
Agents/distributors	37%	44%	55%	69%
Contractual arrangements	16%	12%	13%	22%
Overseas site	7%	11%	22%	47%
- Manufacturing/assembly	1%	2%	6%	28%
- Call centre	0%	0%	1%	9%
- Sales/service delivery	5%	10%	19%	43%
- R&D	2%	2%	6%	15%

It might be expected that inexperienced exporters would be less likely to use the more 'advanced' internationalisation modes but, as detailed in the table below, there is no evidence that this is the case. In fact, firms that have not yet started doing business overseas are more likely to anticipate that they will adopt these approaches than firms that are already internationalising. These 'not yet exporting' firms are interesting as they differ considerably from firms that have started internationalising very recently when it comes to the modes they expect to use. However, it is possible that although many of these firms currently intend to adopt some of the less widespread internationalisation modes, it may be that they change (or delay) their plans when they actually start doing business overseas.

If firms reporting zero overseas sales are excluded (for the reasons detailed above), then there does seem to be a relationship between export intensity and the modes used. The higher the proportion of turnover accounted for by exports, the more likely firms are to use agents, contractual arrangements and their own overseas sites.

Table 8.4.4 Modes of Internationalisation Used – By Overseas Experience

	Years Exporting					Exports as % of Turnover				
	0-2			2-10	>10	0%	1-10%	11-25%	26-50%	>50%
	0	<2	Total							
<i>Base</i>	82	123	205	378	310	104	368	111	124	161
Selling direct	79%	85%	82%	90%	92%	81%	90%	90%	94%	90%
- 'Web only' exporters	0%	7%	4%	5%	1%	1%	7%	4%	0%	0%
Agents/distributors	56%	36%	44%	36%	51%	47%	32%	43%	51%	57%
Contractual arrangements	29%	13%	20%	14%	12%	26%	9%	14%	15%	21%
Overseas site	17%	6%	11%	9%	17%	13%	4%	14%	19%	24%
- Manufacturing/assembly	1%	2%	2%	3%	6%	1%	1%	5%	6%	8%
- Call centre	2%	0%	1%	1%	1%	2%	0%	1%	1%	1%
- Sales/service delivery	12%	6%	9%	8%	14%	10%	3%	11%	18%	21%
- R&D	2%	2%	2%	3%	5%	2%	1%	4%	4%	7%

Generally, the more markets a firm is active in, the more likely they are to be using each of the different modes (aside from the small group of firms that are not yet exporting). There is also evidence that firms doing business in European markets (and to a lesser extent North America) are less inclined to use agents/distributors and to have an overseas site.

Table 8.4.5 Modes of Internationalisation Used
– By Number of Markets & Regions Doing Business In

	Number of Markets				Regions				
	0	1-5	6-10	>10	Europe	North America	Latin America	M.East / Africa	Asia Pacific
<i>Base</i>	82	399	184	231	738	419	198	367	441
Selling direct	79%	85%	96%	94%	91%	94%	93%	92%	93%
- 'Web only' exporters	0%	4%	5%	3%	4%	4%	5%	2%	4%
Agents/distributors	56%	31%	41%	63%	42%	45%	55%	51%	49%
Contractual arrangements	29%	12%	8%	19%	13%	15%	17%	16%	14%
Overseas site	17%	7%	9%	22%	11%	14%	22%	18%	16%
- Manufacturing/assembly	1%	2%	3%	10%	4%	6%	9%	6%	6%
- Call centre	2%	0%	1%	1%	1%	1%	1%	1%	1%
- Sales/service delivery	12%	6%	8%	19%	10%	12%	19%	16%	13%
- R&D	2%	2%	2%	7%	3%	4%	6%	5%	5%

It is clear from the analysis below that innovative and IP active firms are more likely to be engaged in the less common internationalisation modes (i.e. agents, contractual arrangements and overseas sites).

Table 8.4.6 Modes of Internationalisation – By Innovation

	Innovative			IP Active	
	Yes (alternative)	Yes	No	Yes	No
<i>Base</i>	406	676	225	230	663
Selling direct	91%	91%	83%	88%	89%
- 'Web only' exporters	2%	3%	4%	3%	4%
Agents/distributors	50%	46%	34%	58%	38%
Contractual arrangements	19%	15%	13%	23%	11%
Overseas site	15%	13%	11%	17%	10%
- Manufacturing/assembly	5%	4%	2%	9%	2%
- Call centre	1%	1%	1%	1%	1%
- Sales/service delivery	12%	11%	8%	14%	8%
- R&D	5%	4%	2%	5%	2%

The analysis below demonstrates that firms that plan to grow substantially over the next 5 years are significantly more likely to use modes other than just selling direct.

Table 8.4.7 Modes of Internationalisation – By Innovation & Growth

	Growth Objectives			Innovation & Growth		
				Innovative		Non innovative
	Stay same	Mod. growth	Sub. growth	Expect sub. growth	Other	
<i>Base</i>	112	443	310	269	407	225
Selling direct	89%	88%	89%	91%	91%	83%
- 'Web only' exporters	4%	4%	3%	3%	3%	4%
Agents/distributors	32%	42%	50%	51%	43%	34%
Contractual arrangements	8%	13%	20%	20%	12%	13%
Overseas site	10%	8%	19%	18%	9%	11%
- Manufacturing/assembly	5%	2%	6%	7%	3%	2%
- Call centre	0%	0%	2%	2%	0%	1%
- Sales/service delivery	7%	7%	16%	15%	8%	8%
- R&D	3%	2%	6%	6%	2%	2%

As seen below, firms that are classified as 'young tech intensive' are more likely to do business overseas through contractual arrangements and use agents/distributors. There is little difference between 'born global' firms and other young firms that started exporting at some point after they were established

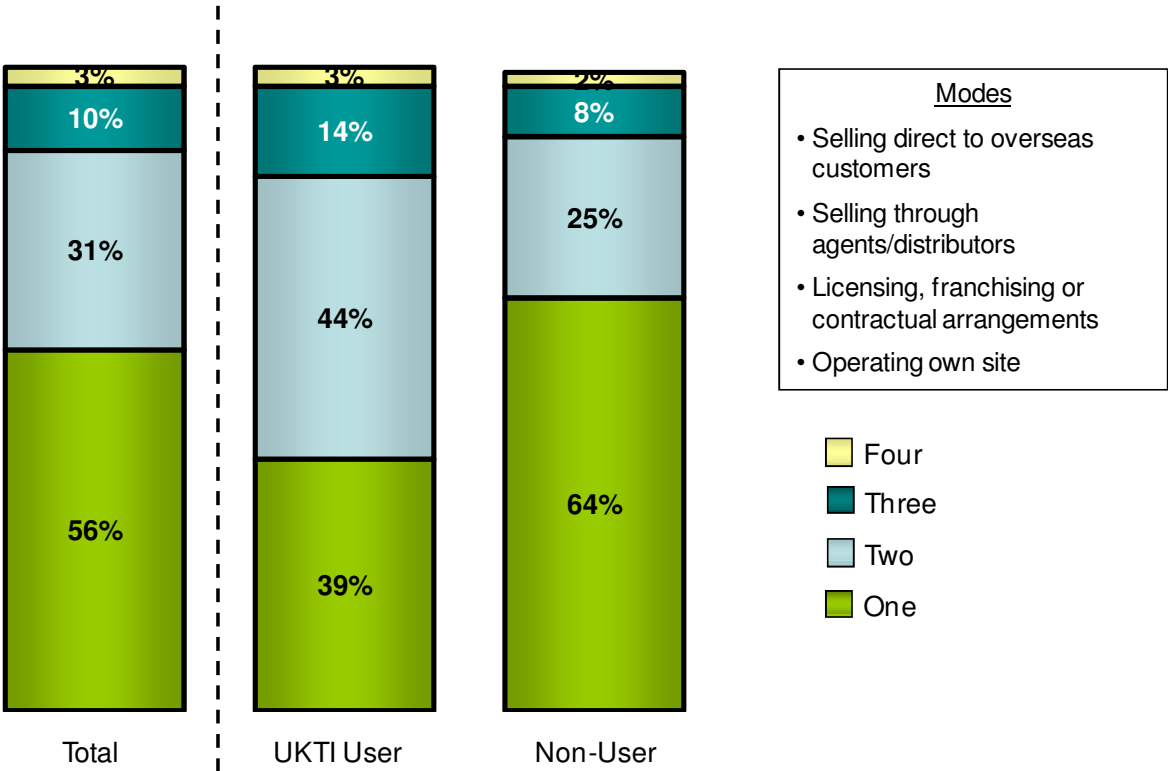
Table 8.4.8 Modes of Internationalisation – By Born Global & Young, Tech Intensive

	Up to 5 years old				Over 5 years old
	Total	Born global	Born global (alternative)	Young, tech intensive	
<i>Base</i>	242	111	45	105	652
Selling direct	86%	87%	96%	88%	90%
- 'Web only' exporters	7%	9%	0%	6%	2%
Agents/distributors	39%	37%	45%	47%	44%
Contractual arrangements	15%	11%	13%	20%	14%
Overseas site	10%	11%	16%	9%	13%
- Manufacturing/assembly	2%	2%	4%	5%	4%
- Call centre	1%	0%	0%	0%	1%
- Sales/service delivery	9%	10%	16%	9%	11%
- R&D	2%	4%	7%	3%	4%

8.5 Number of Modes Used

The chart below provides an analysis of the number of modes firms have been involved in the last five years (or are planning to do in the next year in the case of those firms that are not yet exporting).

Chart 8.5.1 Number of Modes Used in Last 5 Years – By UKTI Usage
(Or planning in next year for those not yet exporting)



Base: All respondents (Base)
Total (901), UKTI Users (281), Non-Users (620)

Almost half of all internationalising firms (46%) employ two or more different modes when doing business overseas.

UKTI users are considerably more likely to employ multiple modes, with 61% using more than one approach compared to only 36% of non-users.

As seen below, this picture varies considerably across modes. In particular, those doing business overseas through some form of contractual arrangements or by operating their own overseas site are much more likely to be involved in 3 or 4 different modes, suggesting that firms tend to adopt these approaches later in their international development.

Table 8.5.1 Number of Modes – By Modes Used

	Modes Used			
	Selling direct	Agents/ distributors	Contractual arrangements	Overseas site
<i>Base</i>	802	388	130	109
One	53%	15%	12%	6%
Two	33%	58%	26%	33%
Three	11%	21%	44%	39%
Four	3%	6%	18%	21%

Unsurprisingly, firms who have been trading for less than 5 years are more likely than older firms to only be using a single mode when doing business overseas (and this mode is typically selling direct to customers).

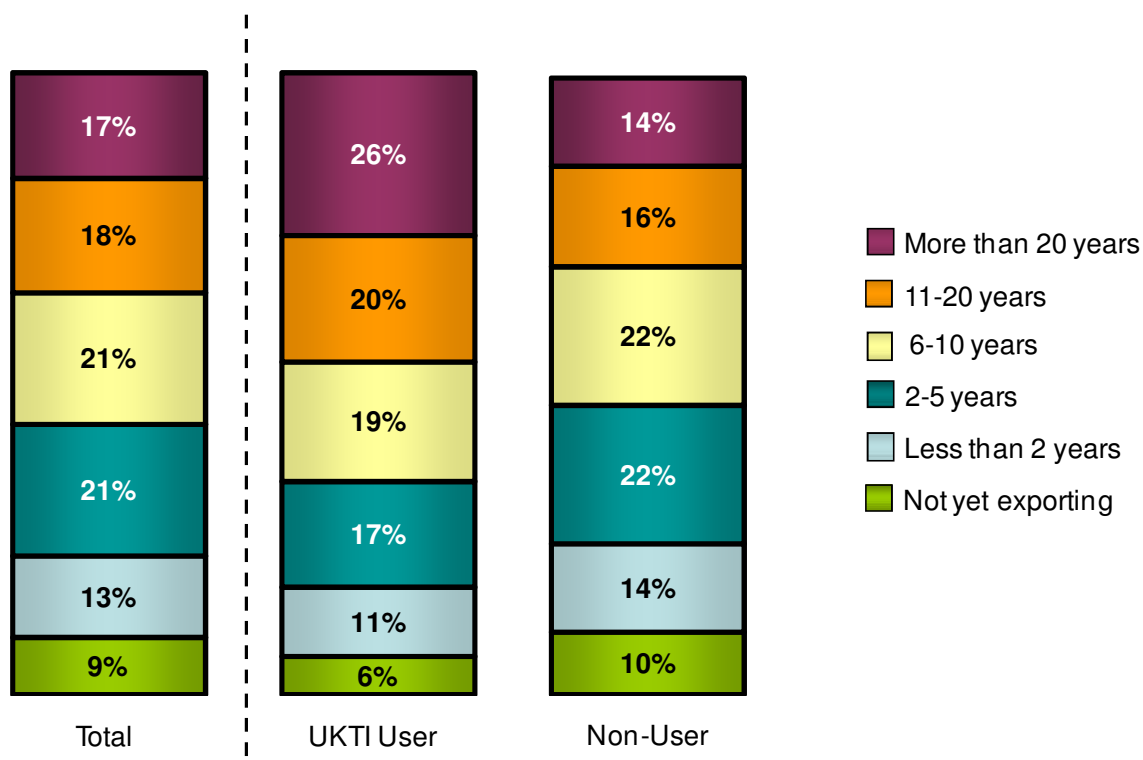
Table 8.5.2 Number of Modes – By Age

	Age (Years Trading)		
	Up to 5	6-10	More than 10
<i>Base</i>	249	191	461
One	62%	56%	53%
Two	26%	32%	34%
Three	10%	10%	10%
Four	2%	2%	3%

8.6 Export Experience

The chart below shows the number of years that firms have been doing business overseas. Analysis has been provided at the total level, and by UKTI users and non-users.

Chart 8.6.1 Number of Years Doing Business Overseas - By UKTI Usage



Base: All respondents (Base, Don't know/refused)
Total (901, 1%), UKTI Users (281, 1%), Non-Users (620, 1%)

UKTI clients tend to be more experienced overseas, with 46% having been exporting for over 10 years, compared to just 30% of non-user firms. As detailed below, the export experience profile of the Internationalisation Survey sample has remained relatively consistent over time.

Table 8.6.1 Number of Years Doing Business Overseas – Over Time

	Total				UKTI Users				Non-Users			
	2011	2012	2013	2014	2011	2012	2013	2014	2011	2012	2013	2014
<i>Base</i>	903	900	950	901	248	189	303	281	655	711	647	620
Not yet exporting	6%	6%	10%	9%	2%	5%	6%	6%	7%	6%	11%	10%
Less than 2 years	12%	10%	11%	13%	10%	6%	6%	11%	12%	12%	13%	14%
2-5 years	17%	22%	16%	21%	13%	15%	12%	17%	19%	23%	18%	22%
6-10 years	23%	24%	25%	21%	27%	22%	28%	19%	22%	25%	24%	22%
11-20 years	22%	22%	20%	18%	22%	26%	25%	20%	22%	20%	18%	16%
More than 20 years	20%	16%	17%	17%	25%	25%	22%	26%	18%	14%	15%	14%
Don't know/refused	0%	0%	2%	1%	1%	1%	1%	1%	0%	0%	2%	1%

The following table below shows the 2014 survey data on the length of time firms have been involved in overseas business activity analysed by both age and size.

Table 8.6.2 Number of Years Doing Business Overseas - By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	249	191	461	62	539	601	224	62	12	887
Not yet exporting	18%	8%	4%	18%	11%	12%	5%	0%	0%	9%
Less than 2 years	38%	8%	3%	17%	17%	17%	8%	3%	0%	14%
2-5 years	43%	23%	8%	19%	23%	23%	17%	11%	8%	21%
6-10 years	0%	60%	17%	24%	20%	21%	26%	15%	8%	22%
11-20 years	0%	0%	34%	11%	15%	15%	22%	23%	17%	17%
More than 20 years	0%	0%	33%	8%	13%	13%	19%	47%	67%	17%
Don't know/refused	0%	1%	1%	2%	0%	1%	2%	2%	0%	1%

Aside from the obvious fact that older firms have typically been doing business overseas for longer, the above analysis suggests that when firms do internationalise they often do so reasonably early on. 43% of young firms (established for 5 years or less) have been exporting for 2-5 years, 60% of firms aged 6-10 years have been exporting for 6-10 years, and 67% of firms aged over 10 years have been exporting for more than 10 years.

There is also a link between employee numbers and the length of time firms have been involved in overseas business activity, with smaller firms tending to have been involved in overseas business activity for a shorter period than the larger firms.

As shown below, there is also a similar relationship between annual turnover and export experience. Half of all MSBs (51%) have been trading overseas for more than 20 years.

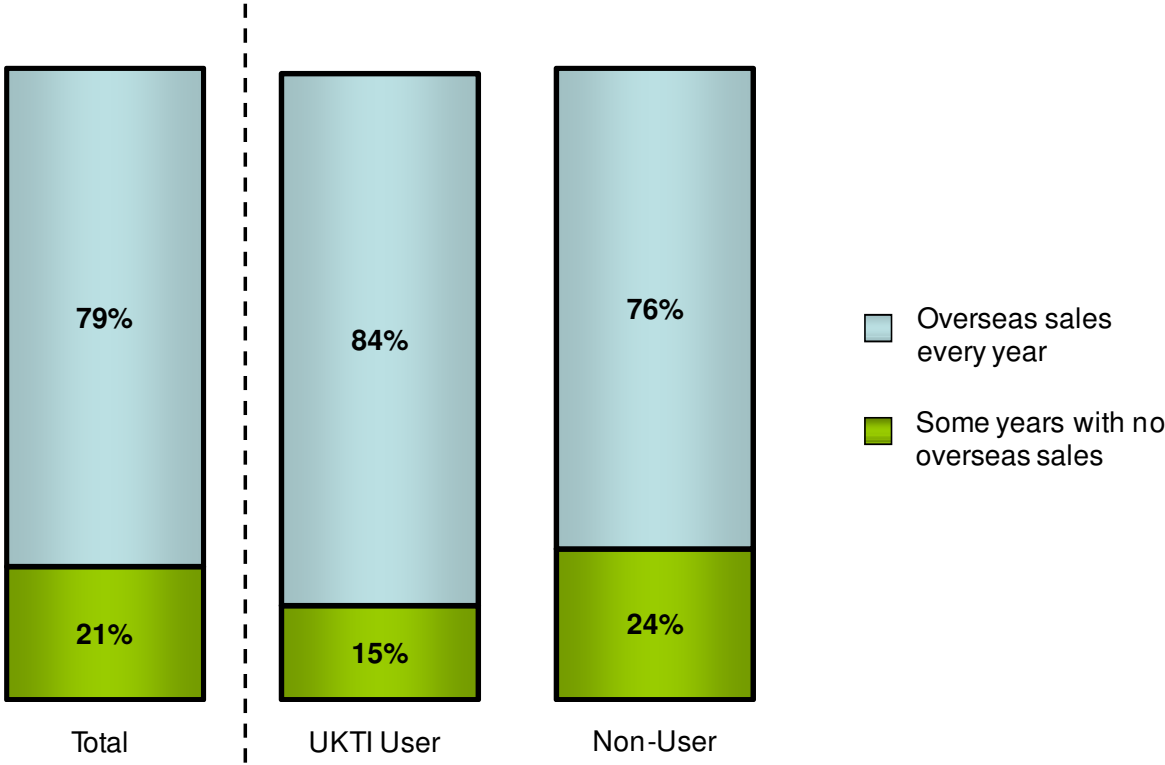
Table 8.6.3 Number of Years Doing Business Overseas – By Annual Turnover

	Annual Turnover			
	Up to 500k	£500k-£2m	£2m-£25m	£25m-£250m (MSBs)
<i>Base</i>	441	214	154	68
Not yet exporting	14%	6%	2%	0%
Less than 2 years	19%	11%	6%	3%
2-5 years	24%	19%	14%	15%
6-10 years	19%	24%	27%	9%
11-20 years	13%	23%	22%	21%
More than 20 years	11%	16%	27%	51%
Don't know/refused	0%	0%	2%	1%

8.7 Intermittent Exporters

As an additional indicator of export activity firms were also asked whether, in the last 5 years, they had made overseas sales every year or whether there had been some years with no overseas sales¹⁰. Please note that this question was only asked to firms that had been doing business overseas for at least 2 years.

Chart 8.7.1 Intermittent Exporters (Last 5 Years)
– By UKTI Usage



Base: All exporting 2 years or more (Base, Don't know/refused)
Total (696, 0%), UKTI Users (233, 0%), Non-Users (463, 0%)

A fifth of internationalising firms are ‘intermittent’ exporters, in the sense that they have not consistently made overseas sales since they started exporting. Whilst this is less likely to be the case amongst users of UKTI, a significant minority have still dipped in and out of overseas business.

¹⁰ Firms that had been exporting for less than 5 years were asked whether they had made overseas sales every year *since they started exporting* (rather than over the last 5 years).

As seen below, the smaller the firm the more likely it is to be an intermittent exporter. There are no significant differences in this respect by firm age.

Table 8.7.1 Intermittent Exporters (Last 5 Years) - By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base: All exporting 2 years or more</i>	107	160	429	40	389	429	193	60	12	682
Some years with no overseas sales	18%	27%	19%	50%	26%	28%	13%	2%	0%	21%
Overseas sales every year	82%	72%	80%	50%	74%	72%	87%	98%	100%	78%
Don't know	0%	1%	0%	0%	1%	0%	1%	0%	0%	0%

Reflecting the above findings by employee numbers, the likelihood of being an intermittent exporter diminishes as firms' annual turnovers increase.

Table 8.7.2 Intermittent Exporters (Last 5 Years) – By Annual Turnover

	Annual Turnover			
	Up to 500k	£500k-£2m	£2m-£25m	£25m-£250m (MSBs)
<i>Base: All exporting 2 years or more</i>	295	177	141	66
Some years with no overseas sales	31%	19%	6%	3%
Overseas sales every year	68%	81%	93%	95%
Don't know	0%	0%	1%	0%

Unsurprisingly, firms that are active in fewer markets are more likely to have experienced interruptions to their overseas business. However, there is no statistically significant difference between 'web only' exporters and those that sell through other channels.

Table 8.7.3 Intermittent Exporters (Last 5 Years)
- By Number of Markets & Web Only Exporters

	Number of Markets			'Web only' exporters	
	1-5	6-10	Over 10	Yes	No
<i>Base: All exporting 2 years or more</i>	302	168	223	22	674
Some years with no overseas sales	39%	11%	4%	18%	21%
Overseas sales every year	61%	89%	96%	82%	79%
Don't know	1%	0%	0%	0%	0%

The table below compares the profile of intermittent exporters with that of firms that have recorded export sales in each of the last 5 years.

Table 8.7.4 Intermittent Exporters – Profile Comparison

Profile		Intermittent exporters	Export sales every year
<i>Base: All exporting 2 years or more</i>		145	548
Age	0-5 years	13%	16%
	6-10 years	30%	21%
	Over 10 years	58%	64%
Size	0-9 employees	82%	56%
	10-249 employees	18%	41%
	250+ employees	0%	2%
Sector	Production	27%	31%
	Services	73%	69%
Innovation classifications	Innovative	68%	80%
	Innovative (alt)	43%	45%
	IP active	21%	28%
Financial performance	Profit	78%	84%
	Break even	5%	5%
	Loss	13%	7%
Years exporting	2-5 years	31%	25%
	6-10 years	39%	24%
	Over 10 years	27%	50%
Overseas sales as % of total turnover	0-10%	75%	35%
	11-25%	10%	16%
	26-50%	5%	20%
	Over 50%	7%	24%
Past growth (last 5 years)	Grown substantially	15%	23%
	Grown moderately	37%	44%
	Same/smaller	47%	33%
Future growth (next 5 years)	Grow substantially	23%	32%
	Grow moderately	49%	52%
	Same/smaller	26%	16%
Current written business plan	Yes	46%	53%
	With overseas targets	19%	36%

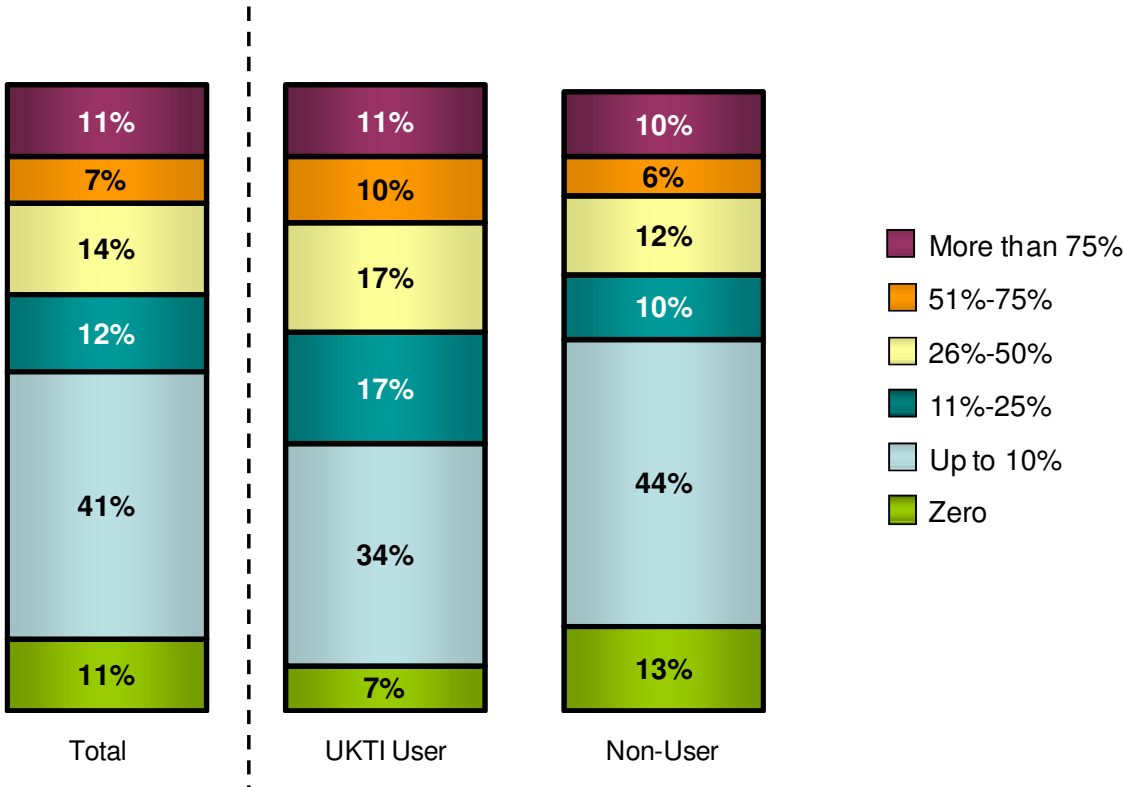
There are a number of interesting differences between intermittent exporters and firms that have recorded overseas sales every year. The former tend to be smaller, are less innovative and are less likely to be making a profit. They are generally less experienced overseas, and export sales are much less important to their business (in terms of contribution to total turnover).

Intermittent exporters also have a less dynamic growth trajectory and are less likely to have a business plan containing targets for overseas revenues.

8.8 Proportion of Turnover Accounted for by Overseas Sales

The chart below shows firms' export intensity, as measured by the proportion of their turnover that is accounted for by overseas sales. Analysis has been provided at the total level, and by UKTI users and non-users.

Chart 8.8.1 Proportion of Turnover Accounted for by Overseas Sales – By UKTI Usage



Base: All respondents (Base, Don't know/refused)
 Total (901, 4%), UKTI Users (281, 3%), Non-Users (620, 4%)

Consistent with the fact that they have generally been doing business overseas for longer, users of UKTI also report that a significantly greater proportion of their turnover is accounted for by overseas sales than is the case for non-users.

Smaller firms and those established in the last 5 years are more likely to report that overseas sales currently do not contribute anything to their total turnover. However, aside from the increased proportion of 'not yet exporting' firms within these groups, there are relatively few clear or consistent differences in export intensity by age or size.

It is important to note that a significant minority of young and small firms are still extremely intensive exporters, with 17% of firms established in the last 5 years and the same proportion of those with less than 10 employees indicating that overseas sales account for more than half of their total revenues.

Table 8.8.1 Proportion of Turnover Accounted for by Overseas Sales
- By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	249	191	461	62	539	601	224	62	12	887
Zero	20%	13%	7%	26%	14%	15%	6%	0%	0%	12%
Less than 10%	40%	44%	40%	32%	43%	42%	41%	29%	42%	41%
11%-25%	11%	14%	13%	15%	11%	11%	14%	16%	17%	12%
26%-50%	10%	11%	17%	6%	12%	12%	17%	16%	25%	14%
51%-75%	8%	5%	8%	5%	7%	6%	7%	18%	0%	7%
More than 75%	9%	12%	11%	13%	10%	11%	9%	15%	17%	11%
Don't know/refused	3%	3%	4%	3%	3%	3%	5%	6%	0%	4%

There is some evidence that firms with higher turnovers also report a greater contribution from overseas sales towards this turnover (e.g. 31% of MSBs indicate that exports account for more than half of their total turnover, compared to just 14% of firms with annual sales of less than £500,000).

Table 8.8.2 Proportion of Turnover Accounted for by Overseas Sales
– By Annual Turnover

	Annual Turnover			
	Up to 500k	£500k-£2m	£2m-£25m	£25m-£250m (MSBs)
<i>Base</i>	441	214	154	68
Zero	18%	7%	3%	1%
Less than 10%	46%	41%	30%	37%
11%-25%	12%	12%	17%	13%
26%-50%	10%	18%	20%	16%
51%-75%	5%	8%	16%	12%
More than 75%	9%	12%	11%	19%
Don't know/refused	1%	1%	3%	1%

8.9 'Born Global' Firms

Certain younger firms have been classified as 'born global', based on whether they started doing business overseas from the outset. The details of the 'born global' definition, and the alternative tighter definition, are shown below.

'Born Global' Firms	
Firms have been defined as being 'born global' if they...	
<ul style="list-style-type: none"> • Have been established for 5 years or less • <u>And</u> have been doing business overseas for as long as they have been established 	
Firms have been defined as being 'born global' under the alternative (tighter) definition if they...	
<ul style="list-style-type: none"> • Have been established for 5 years or less • <u>And</u> have been doing business overseas for as long as they have been established • <u>And</u> the proportion of turnover accounted for by overseas sales is over 25% 	

The table below shows the proportions of firms classified as 'born global' via each of these definitions. Analysis has been provided based on all respondents and based just on younger firms.

Table 8.9.1 Born Global Firms – By UKTI Usage

	All firms			Firms aged up to 5 years		
	Total	UKTI User	Non-User	Total	UKTI User	Non-User
<i>Base</i>	901	281	620	242	57	185
Born global	12%	9%	13%	46%	47%	45%
Born global (alternative)	5%	5%	5%	19%	25%	17%
Up to 5 years old but not born global	14%	10%	16%	54%	53%	55%
Over 5 years old	73%	80%	70%	-	-	-

Overall, 12% of firms are classified as being 'born global' under the main definition and 5% under the tighter, alternative definition (equating to 46% and 19% respectively when based just on firms established in the last 5 years).

There are no statistically significant differences between UKTI users and non-users in this regard.

Smaller firms with less than 10 employees are more likely to be classified as 'born global' than those with more than 10 employees, particularly when it comes to the tighter definition. However, it should be noted that these differences are only statistically significant when based on 'all firms' (i.e. the total sample).

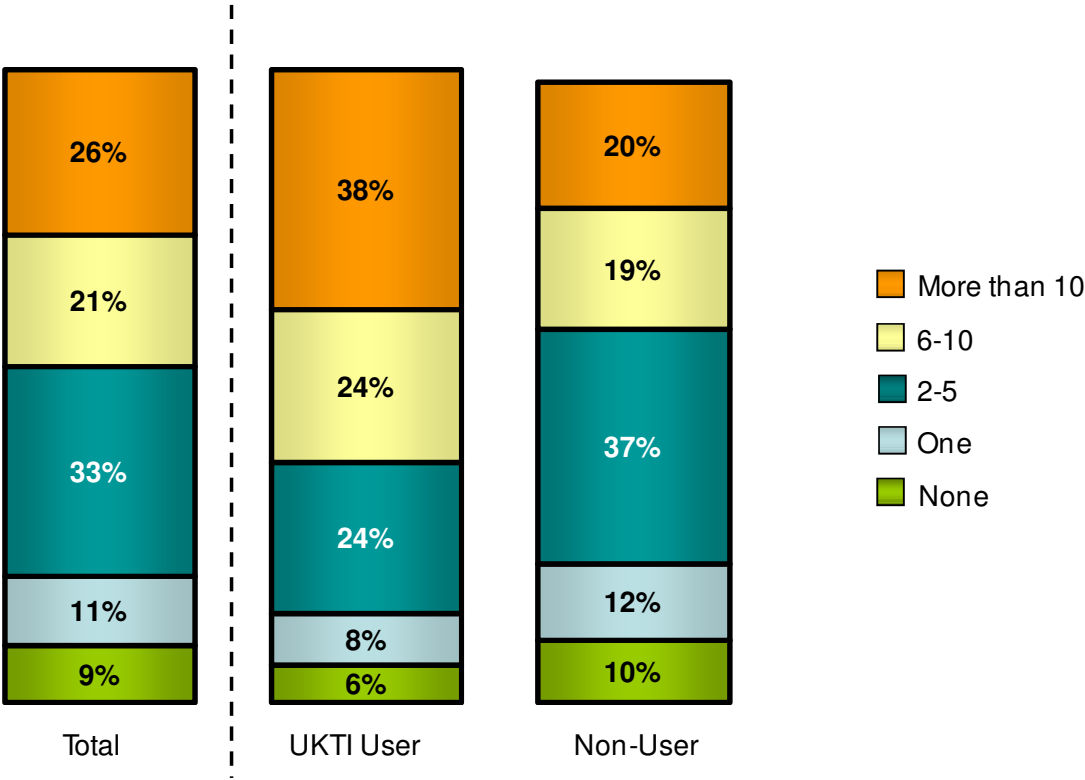
Table 8.9.2 Born Global Firms – By Size

	All firms			Firms aged up to 5 years		
	Total	0-9 emps	10+ emps	Total	0-9 emps	10+ emps
<i>Base</i>	901	601	298	242	201	40
Born global	12%	16%	5%	46%	48%	36%
Born global (alternative)	5%	7%	1%	19%	20%	10%
Up to 5 years old but not born global	14%	17%	8%	54%	52%	64%
Over 5 years old	73%	66%	87%	-	-	-

8.10 Number of Markets

The chart below shows the number of overseas markets firms have done business in over the last 5 years. Analysis has been provided at the total level, and by UKTI users and non-users.

Chart 8.10.1 Number of Markets Done Business in During Last 5 Years – By UKTI Usage



Base: All respondents (Base, Don't know/refused)
 Total (901, 1%), UKTI Users (281, 0%), Non-Users (620, 1%)

Approaching half of all internationalising firms (46%) have done business in more than five markets over the last five years, with 26% indicating that they are active in more than 10.

Users of UKTI clearly have more overseas experience in this respect, with 38% having done business in more than 10 markets compared to only 20% of non-users.

The number of markets that firms operate in tends to increase in line with age and size. However, this is not universal and there are significant numbers of small firms that operate in over 10 markets.

Table 8.10.1 Number of Markets Done Business in During Last 5 Years
- By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	249	191	461	62	539	601	224	62	12	887
None	18%	8%	4%	18%	11%	12%	5%	0%	0%	9%
One	16%	11%	8%	15%	13%	13%	8%	2%	0%	11%
2-5	37%	30%	33%	44%	37%	37%	29%	18%	0%	34%
6-10	13%	21%	24%	13%	21%	20%	22%	16%	8%	21%
More than 10	14%	28%	31%	11%	18%	18%	34%	62%	92%	25%
Don't know/refused	1%	1%	0%	0%	0%	0%	1%	2%	0%	1%

As seen below, the number of markets firms sell to also appears to increase in line with annual turnover.

Table 8.10.2 Number of Markets Done Business in During Last 5 Years
– By Annual Turnover

	Annual Turnover			
	Up to 500k	£500k-£2m	£2m-£25m	£25m-£250m (MSBs)
<i>Base</i>	441	214	154	68
None	14%	6%	2%	0%
One	14%	10%	7%	3%
2-5	39%	29%	25%	13%
6-10	19%	25%	20%	13%
More than 10	15%	29%	45%	69%
Don't know/refused	0%	0%	1%	1%

Unsurprisingly there is also a correlation between the length of time firms have been exporting, the proportion of turnover accounted for by overseas sales and the number of markets they operate in. However, it is also important to recognise that export development patterns are diverse; some very recent exporters are already selling to numerous markets, and many long-established exporters still have fairly limited global operations.

Table 8.10.3 Number of Markets Done Business in During Last 5 Years – By Overseas Experience

	Years Exporting					Exports as % of Turnover				
	0-2			2-10	>10	0%	1-10%	11-25%	26-50%	>50%
	0	<2	Total							
<i>Base</i>	82	123	205	378	310	104	368	111	124	161
None	100%	0%	40%	0%	0%	79%	0%	0%	0%	0%
One	0%	28%	17%	13%	5%	8%	18%	5%	8%	6%
2-5	0%	50%	30%	39%	29%	13%	45%	31%	23%	27%
6-10	0%	13%	8%	21%	27%	0%	22%	30%	30%	14%
More than 10	0%	7%	4%	27%	39%	1%	15%	33%	38%	53%
Don't know/refused	0%	2%	1%	0%	0%	0%	1%	0%	1%	0%

A fifth of those firms that report exports make a 0% contribution to total turnover indicate that they have done business in one or more overseas markets. Although this initially seems counter-intuitive, it is because the export turnover data relates to the most recent financial year, whereas the number of markets data refers to activity over the last 5 years – so these firms are intermittent exporters who have previously done business overseas but have not had any export sales in the last year.

8.11 Overseas Regions

The table below shows the geographical regions in which firms have done business over the last 5 years. Analysis has been provided at the total level, and by UKTI users and non-users.

Table 8.11.1 Regions Doing Business In – By UKTI Usage

	Total	UKTI Usage	
		UKTI User	Non-User
<i>Base</i>	<i>901</i>	<i>281</i>	<i>620</i>
Regions			
Europe	82%	86%	80%
North America	47%	55%	43%
Latin America or Caribbean	22%	30%	19%
Middle East or Africa	41%	52%	36%
Asia Pacific	49%	66%	42%
Not yet exporting	9%	6%	10%
Number of Regions			
None/not exporting	9%	6%	10%
One	25%	17%	29%
Two	18%	15%	20%
Three	21%	25%	20%
Four	14%	21%	12%
Five	11%	17%	9%

The vast majority of internationalising firms are doing business in Europe, and approaching half are operating in North America, Asia Pacific and the Middle East/Africa. However, less than a quarter are active in South or Latin American markets.

A quarter of firms are only doing business in a single region (typically Europe), although 11% are selling to all 5 areas.

UKTI users are more likely to be doing business in each of these regions and tend to be active in a significantly greater number of regions, with 62% operating in 3 or more regions compared to just 40% of non-users.

The older and larger a firm is, the more geographic areas it tends to be operating in. However, the diversity of firms' overseas development is again illustrated, with significant proportions of young and small firms active in multiple regions.

8.11.2 Regions Doing Business In - By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	249	191	461	62	539	601	224	62	12	887
Regions										
Europe	68%	84%	89%	69%	78%	77%	89%	98%	100%	82%
N.America	37%	52%	49%	36%	42%	42%	54%	65%	67%	46%
L.America or Caribbean	12%	20%	28%	8%	17%	16%	29%	52%	50%	22%
M.East or Africa	28%	42%	47%	23%	37%	36%	46%	65%	92%	40%
Asia Pacific	35%	51%	55%	29%	45%	43%	55%	74%	92%	48%
Not yet exporting	18%	8%	4%	18%	11%	12%	5%	0%	0%	9%
Number of Regions										
None/not exporting	18%	8%	4%	18%	11%	12%	5%	0%	0%	9%
One	30%	24%	23%	39%	27%	28%	22%	10%	0%	26%
Two	20%	15%	19%	13%	20%	19%	16%	18%	8%	18%
Three	18%	27%	21%	18%	22%	22%	24%	15%	8%	22%
Four	8%	15%	18%	10%	12%	12%	16%	26%	58%	14%
Five	5%	12%	15%	2%	8%	7%	17%	32%	25%	11%

As seen below, there is a similar relationship between the number of regions firms sell to and their annual turnover, with almost a third of MSBs active in all 5 regions.

Table 8.11.3 Regions Doing Business In – By Annual Turnover

	Annual Turnover			
	Up to 500k	£500k-£2m	£2m-£25m	£25m-£250m (MSBs)
<i>Base</i>	441	214	154	68
Regions				
Europe	75%	86%	93%	99%
N.America	40%	48%	58%	51%
L.America or Caribbean	13%	25%	39%	46%
M.East or Africa	31%	47%	58%	75%
Asia Pacific	42%	51%	65%	71%
Not yet exporting	14%	6%	2%	0%
Number of Regions				
None/not exporting	14%	6%	2%	0%
One	28%	25%	18%	12%
Two	21%	17%	12%	18%
Three	21%	22%	24%	18%
Four	11%	17%	19%	24%
Five	5%	13%	25%	29%

Generally firms that have been exporting for longer are more likely to have done business in each of these areas (and hence are typically active in a greater number of these regions).

8.11.4 Regions Doing Business In – By Overseas Experience

	Years Exporting					Exports as % of Turnover				
	0-2			2-10	>10	0%	1-10%	11-25%	26-50%	>50%
	0	<2	Total							
<i>Base</i>	82	123	205	378	310	104	368	111	124	161
Regions										
Europe	0%	77%	46%	91%	95%	18%	89%	96%	93%	88%
N.America	0%	35%	21%	52%	57%	2%	43%	59%	63%	63%
L.America or Caribbean	0%	16%	9%	19%	34%	2%	16%	27%	30%	41%
M.East or Africa	0%	27%	16%	40%	57%	2%	34%	55%	53%	63%
Asia Pacific	0%	41%	24%	50%	65%	3%	46%	61%	64%	68%
Not yet exporting	100%	0%	40%	0%	0%	79%	0%	0%	0%	0%
Number of Regions										
None/not exporting	100%	0%	40%	0%	0%	79%	0%	0%	0%	0%
One	0%	45%	27%	30%	19%	17%	36%	19%	18%	16%
Two	0%	24%	15%	22%	15%	5%	23%	16%	18%	16%
Three	0%	19%	12%	24%	25%	0%	24%	30%	25%	20%
Four	0%	6%	3%	15%	21%	0%	11%	20%	22%	22%
Five	0%	4%	2%	9%	20%	0%	6%	15%	17%	25%

Firms where exports account for more than 10% of turnover are much more likely to be active in multiple regions than those where overseas sales contribute relatively little to total turnover. However, once firms reach this threshold there is less differentiation in the regions they operate in (i.e. their picture is fairly similar for those where exports account for 11-25%, 26-50% and over 50% of turnover).

A fifth of those firms reporting zero export sales have still done business in one or more overseas regions. As mentioned in Chapter 8.10, this is because the export turnover data relates to the most recent financial year, whereas the number of markets data refers to activity over the last 5 years – so this group consists of intermittent exporters who have sold overseas in the last 5 years but not in the most recent year.

Unsurprisingly there is a strong correlation between the number of markets firms operate in and the number of broad regions that they sell to. The more markets a firm does business in the more likely they are to be active in each of the regions.

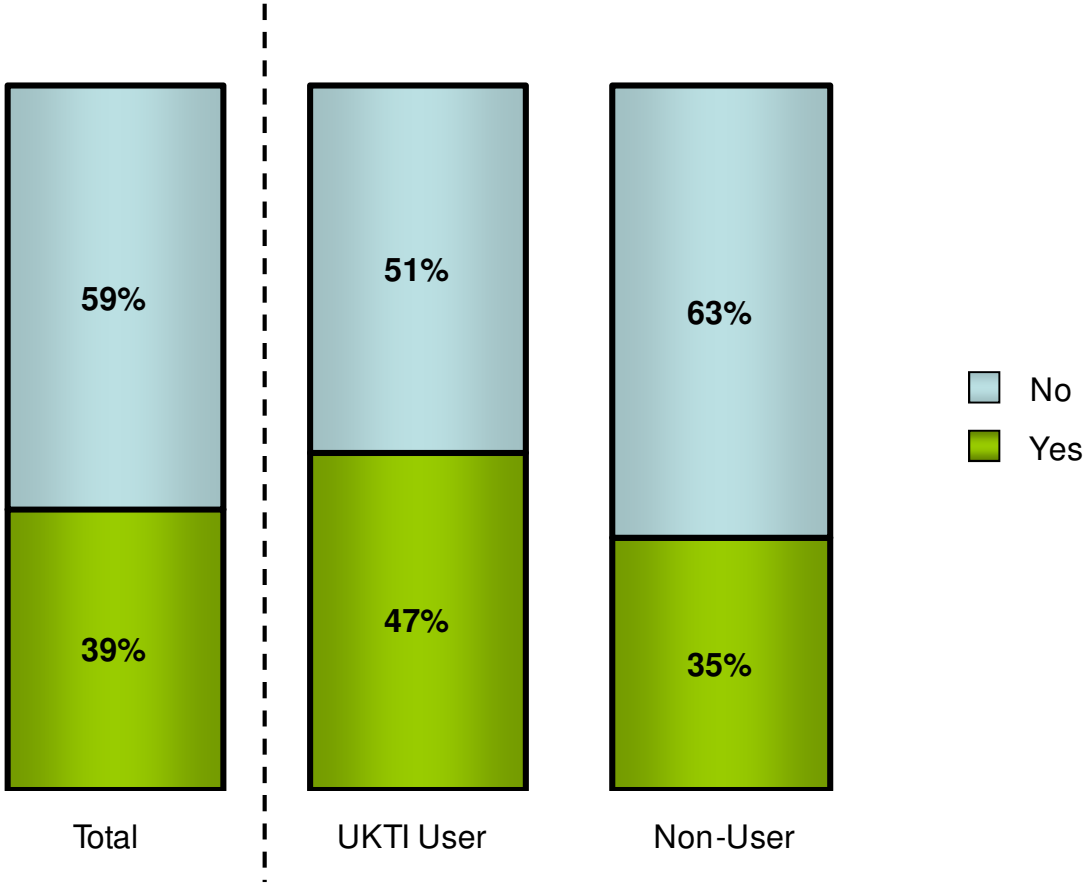
8.11.5 Regions Doing Business In – By Number of Markets

	Number of Markets			
	0	1-5	6-10	>10
<i>Base</i>	<i>82</i>	<i>399</i>	<i>184</i>	<i>231</i>
Regions				
Europe	0%	82%	97%	99%
N.America	0%	32%	66%	74%
L.America or Caribbean	0%	7%	18%	59%
M.East or Africa	0%	23%	48%	79%
Asia Pacific	0%	33%	60%	85%
Not yet exporting	100%	0%	0%	0%
Number of Regions				
None/not exporting	100%	0%	0%	0%
One	0%	49%	14%	3%
Two	0%	29%	19%	5%
Three	0%	18%	38%	22%
Four	0%	4%	23%	29%
Five	0%	0%	6%	39%

8.12 Senior Management Experience

All firms were asked if there was anyone in the senior management team of their company who had significant experience of doing business overseas before they joined the firm. The chart below shows responses at the total level and separately for users and non-users of UKTI.

Chart 8.12.1 Senior Management with Previous Overseas Experience – By UKTI Usage



Base: All respondents (Base, Don't know/refused)
 Total (901, 2%), UKTI Users (281, 2%), Non-Users (620, 2%)

UKTI users are significantly more likely to benefit from a senior management team that has previous overseas experience.

Unsurprisingly, given that they tend to have more partners and directors, larger firms are more likely to have previous overseas experience within their senior management team. However, there is no similar correlation by age of firm and in fact older firms are least likely to have management with previous export experience.

8.12.1 Senior Management with Previous Overseas Experience
- By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	249	191	461	62	539	601	224	62	12	887
Yes	43%	41%	36%	32%	36%	35%	47%	40%	67%	39%
No	56%	58%	62%	68%	63%	64%	51%	53%	17%	60%
Don't know	1%	1%	2%	0%	1%	1%	2%	6%	17%	2%

There is also a similar relationship by firms' annual turnover, with larger firms more likely to have management with previous export experience.

Table 8.12.2 Senior Management with Previous Overseas Experience
– By Annual Turnover

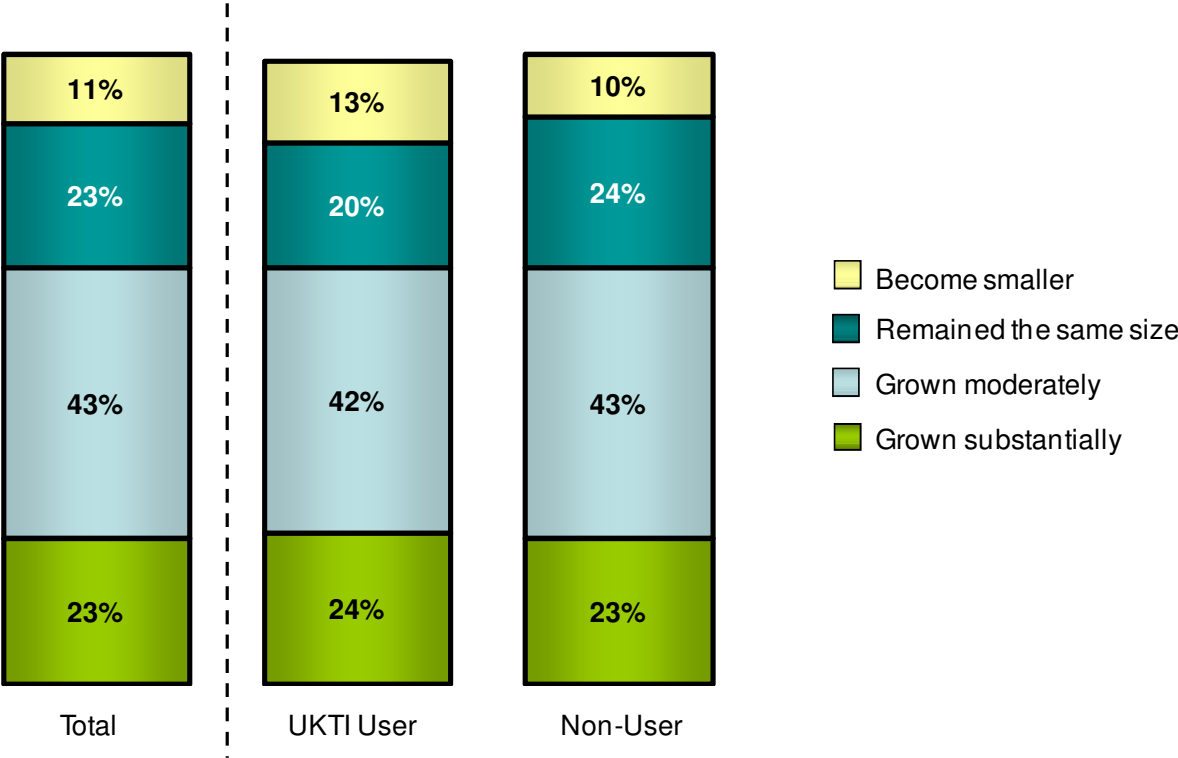
	Annual Turnover			
	Up to 500k	£500k-£2m	£2m-£25m	£25m-£250m (MSBs)
<i>Base</i>	441	214	154	68
Yes	34%	42%	41%	63%
No	66%	57%	55%	34%
Don't know	1%	1%	4%	3%

9. Business Growth & Overseas Strategy

9.1 Past Growth

Firms were asked whether their business as a whole had grown, remained the same size or become smaller over the past 5 years, with results summarised below. Please note that firms that had been established less than a year or had not yet started trading were not asked this question and have been excluded from the analysis.

Chart 9.1.1 Past Growth (Last 5 Years) – By UKTI Usage



Base: All established 1 year or more (Base, Don't know/refused)
 Total (875, 0%), UKTI Users (274, 0%), Non-Users (601, 0%)

Two-thirds of internationalising firms have grown over the past 5 years, although in most cases this was described as ‘moderate’ growth. There are no significant differences in firms’ past growth by UKTI usage.

The older the firm is the less likely it is to report growth over the past 5 years, and it is interesting to note that significant numbers of older firms have in fact become smaller over this period (11% of those established 6-10 years and 15% of those established over 10 years). When looking at the results by business size, micro SMEs are also least likely to have grown recently, with 40% either remaining the same size or becoming smaller, suggesting that these firms may be less resilient to challenging economic conditions.

Table 9.1.1 Past Growth (Last 5 Years) - By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base: All est. >1 year</i>	223	191	461	57	519	576	223	62	12	861
Grown substantially	35%	29%	16%	14%	18%	17%	37%	27%	33%	23%
Grown moderately	45%	38%	43%	40%	42%	42%	41%	53%	33%	43%
Stayed the same	18%	21%	25%	28%	27%	27%	16%	10%	17%	23%
Become smaller	2%	11%	15%	18%	13%	14%	5%	10%	17%	11%
Don't know	0%	1%	0%	0%	0%	0%	1%	0%	0%	0%

Internationalising firms with a relatively modest turnover of less than £500,000 are also least likely to have grown over the past 5 years.

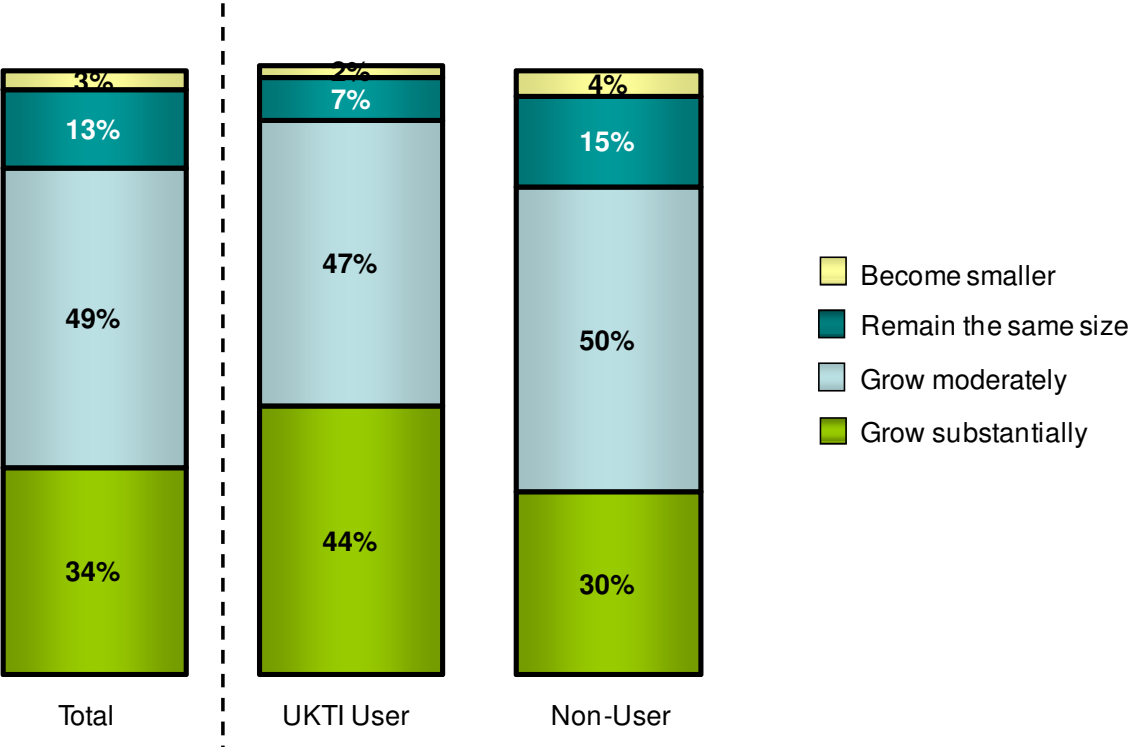
Table 9.1.2 Past Growth (Last 5 Years) – By Annual Turnover

	Annual Turnover			
	Up to 500k	£500k-£2m	£2m-£25m	£25m-£250m (MSBs)
<i>Base: All est. >1 year</i>	424	210	153	68
Grown substantially	16%	26%	40%	38%
Grown moderately	40%	46%	42%	43%
Stayed the same	29%	18%	12%	12%
Become smaller	14%	9%	6%	6%
Don't know	0%	0%	0%	1%

9.2 Future Growth

Firms were also asked their opinions on the growth objectives for their business as a whole over the next 5 years.

Chart 9.2.1 Growth Objectives (Next 5 Years) – By UKTI Usage



Base: All respondents (Base, Don't know/refused)
 Total (901, 1%), UKTI Users (281, 0%), Non-Users (620, 1%)

Whilst the majority of firms indicated that they expect to grow, most felt that this growth would be moderate rather than substantial. UKTI users are significantly more ambitious than non-users and are more likely to anticipate growth (particularly substantial) over the next 5 years.

The table below provides an analysis over time. The proportion of firms predicting substantial growth has risen sharply, from 27% in 2013 to 34% in 2014, suggesting that firms feel the economy is picking up. This increase is particularly pronounced for UKTI clients.

Table 9.2.1 Growth Objectives (Next 5 Years) – Over Time

	Total				UKTI Users				Non-Users			
	2011	2012	2013	2014	2011	2012	2013	2014	2011	2012	2013	2014
<i>Base</i>	903	900	950	901	248	189	303	281	655	711	647	620
Grow substantially	28%	27%	27%	34%	29%	32%	31%	44%	27%	25%	26%	30%
Grow moderately	54%	54%	51%	49%	58%	57%	52%	47%	52%	53%	51%	50%
Stay the same	13%	15%	13%	13%	11%	10%	10%	7%	13%	17%	14%	15%
Become smaller	3%	2%	2%	3%	1%	0%	1%	2%	3%	3%	3%	4%
Don't know	2%	2%	6%	1%	2%	1%	6%	0%	4%	2%	6%	1%

Younger firms have significantly more ambitious growth objectives than their more well-established counterparts. However, it is interesting to note that firms with fewer than 10 employees have less dynamic growth projections than larger firms, with just under a fifth (15%) simply aiming to remain the same size.

Table 9.2.2 Growth Objectives (Next 5 Years) - By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	249	191	461	62	539	601	224	62	12	887
Grow substantially	45%	36%	28%	32%	30%	30%	44%	42%	42%	34%
Grow moderately	48%	51%	49%	35%	52%	50%	47%	50%	50%	49%
Stay the same	6%	10%	17%	26%	13%	15%	9%	5%	8%	13%
Become smaller	1%	2%	5%	5%	4%	4%	0%	2%	0%	3%
Don't know	1%	1%	1%	2%	1%	1%	0%	2%	0%	1%

As shown below, firms with an annual turnover in excess of £500,000 are more likely to anticipate growth over the next 5 years, and almost half (49%) of MSBs expect to grow substantially during this time.

Table 9.2.3 Growth Objectives (Next 5 Years) – By Annual Turnover

	Annual Turnover			
	Up to 500k	£500k-£2m	£2m-£25m	£25m-£250m (MSBs)
<i>Base</i>	441	214	154	68
Grow substantially	29%	40%	38%	49%
Grow moderately	49%	47%	53%	46%
Stay the same	15%	11%	7%	3%
Become smaller	6%	1%	1%	1%
Don't know	1%	1%	1%	1%

There is no clear or consistent link between the number of markets firms operate in and their growth plans, and there is also no difference in this respect by the geographical regions in which firms are active in. However, it is interesting to note that firms that are not currently selling to any overseas markets (but plan to do so in the next year) display the most ambitious growth objectives.

Table 9.2.4 Growth Objectives (Next 5 Years)
– By Number of Markets & Regions Doing Business In

	Number of Markets				Regions				
	0	1-5	6-10	>10	Europe	North America	Latin America	M.East / Africa	Asia Pacific
<i>Base</i>	82	399	184	231	738	419	198	367	441
Grow substantially	49%	28%	34%	41%	33%	36%	36%	35%	37%
Grow moderately	46%	51%	48%	48%	49%	49%	49%	48%	48%
Stay the same	4%	17%	13%	7%	13%	11%	11%	13%	10%
Become smaller	1%	4%	3%	3%	3%	3%	3%	3%	4%
Don't know	0%	1%	1%	1%	1%	1%	1%	1%	1%

9.3 How Growth Objectives Will Be Achieved

All firms planning on either growing or staying the same size over the next 5 years were asked how they would achieve these objectives. The question wording differed for these 2 groups, as follows:

- *If planning to grow:* “Do you expect this growth to mainly come from...?”
- *If planning to stay same size:* “To help maintain your current sales levels, will you be mainly focusing on...?”

Firms were asked about how they would achieve their growth objectives in 3 different areas, as follows:

- Markets (new or existing)
- Customers (new or existing)
- Products/services (new or existing)

The table below summarises these results, both at the total level and by the extent of firms’ growth objectives.

Table 9.3.1 Meeting Growth Objectives - By Growth Objectives

Will this mainly be through...?		Total	Growth Objectives		
			Stay Same	Moderate Growth	Substantial Growth
<i>Base: All planning to grow or stay same</i>		865	112	443	310
Markets	Entering new overseas countries	9%	4%	7%	14%
	Increasing sales to existing countries	52%	74%	51%	45%
	Both	36%	13%	39%	40%
	Don't know	3%	8%	3%	1%
Customers	Selling to new customers	36%	17%	35%	44%
	Increasing sales to existing customers	15%	31%	14%	10%
	Both	48%	49%	50%	45%
	Don't know	1%	3%	1%	1%
Products/ Services	Introducing new products/ services	16%	5%	19%	16%
	Increasing sales of existing products/services	52%	78%	51%	46%
	Both	31%	16%	30%	38%
	Don't know	1%	1%	1%	1%
Summary	New countries	45%	18%	46%	54%
	Existing countries	88%	88%	90%	85%
	New Customers	84%	66%	85%	90%
	Existing customers	63%	80%	64%	55%
	New products/services	47%	21%	49%	54%
	Existing products/services	83%	94%	81%	83%

When it comes to the geographical focus of their growth ambitions, most firms are concentrating on the intensive margins (i.e. existing markets) rather than the extensive margins (i.e. new markets), with 88% and 45% focussing on each of these areas respectively. However, the proportion expecting to realise their growth objectives through new markets increases amongst those with more ambitious plans, with 54% of firms with 'substantial' growth aspirations indicating that they will achieve these by entering new markets (often in conjunction with increasing sales to existing countries).

A similar situation is seen when it comes to products and services, with firms more likely to feel that their growth objectives will be achieved through sales of existing products/services than by developing new ones (83% and 47% respectively). Firms that simply aim to remain the same size over the next 5 years are most likely to be focussing on their existing product range, whereas those intending to grow are comparatively more likely to feel that this growth will be at least partly driven by the introduction of new products/services.

However, a different situation is seen when it comes to the customer types that firms will be focussing on, with firms more likely to be targeting new customers than existing ones (84% and 63% respectively). That said, half of firms (48%) believe that it will be a combination of (increased) sales to existing customers and the identification of new customers that will help them meet their growth objectives. Again there is a difference between firms that aim to grow and those that are seeking to remain the same size, with the former significantly more likely to be prioritising sales to new customers, and the latter more likely to be focussing on increasing/maintaining sales to existing ones.

As seen below, there is little difference between users and non users in terms of whether they are focussing on new/existing customers and new/existing products and services. However, UKTI users are significantly more likely to be planning growth through expansion into new countries (57% vs. 39% of non-users).

Table 9.3.2 Meeting Growth Objectives - By UKTI usage

Will this mainly be through...?		Total	UKTI Usage	
			UKTI Usage	Non-User
<i>Base: All planning to grow or stay same</i>		865	274	591
Markets	Entering new overseas countries	9%	12%	8%
	Increasing sales to existing countries	52%	42%	57%
	Both	36%	45%	32%
	Don't know	3%	1%	4%
Customers	Selling to new customers	36%	37%	36%
	Increasing sales to existing customers	15%	11%	16%
	Both	48%	51%	47%
	Don't know	1%	1%	1%
Products/ Services	Introducing new products/ services	16%	19%	15%
	Increasing sales of existing products/services	52%	48%	55%
	Both	31%	33%	30%
	Don't know	1%	1%	1%
Summary	New countries	45%	57%	39%
	Existing countries	88%	87%	88%
	New Customers	84%	88%	83%
	Existing customers	63%	62%	63%
	New products/services	47%	51%	45%
	Existing products/services	83%	81%	85%

9.4 Business Planning

Firms were asked to indicate whether or not they had a current written business plan and, if so, whether this specifically covered revenues from overseas sales.

Table 9.4.1 Formal Business Plans – By UKTI Usage

	Total	UKTI Usage	
		UKTI User	Non-User
<i>Base</i>	<i>901</i>	<i>281</i>	<i>620</i>
Do you have a current written business plan?			
Yes	53%	64%	48%
In progress	3%	4%	3%
No	41%	30%	47%
Don't know	2%	2%	2%
Does the plan contain targets relating to revenues from overseas sales?			
Yes	31%	46%	24%
No	24%	21%	26%
Don't know	1%	1%	1%
No business plan	41%	30%	47%
Don't know if have plan	2%	2%	2%

UKTI users appear to be more strategic in their approach than non-users, with two-thirds having a current written business plan compared to just under half of non-users. Users are also around twice as likely to have a plan that specifically covers overseas business.

The table below provides details of how this has changed over time. Please note that it is only possible to track the incidence of business plans with overseas targets for the past 2 years, as this question was only added in the 2013 survey wave.

Table 9.4.2 Formal Business Plans – Over Time

	Total				UKTI Users				Non-Users			
	2011	2012	2013	2014	2011	2012	2013	2014	2011	2012	2013	2014
<i>Base</i>	<i>903</i>	<i>900</i>	<i>950</i>	<i>901</i>	<i>248</i>	<i>189</i>	<i>303</i>	<i>281</i>	<i>655</i>	<i>711</i>	<i>647</i>	<i>620</i>
Do you have a current written business plan?												
Yes	59%	49%	57%	53%	74%	64%	67%	64%	52%	45%	52%	48%
In progress	-	2%	3%	3%	-	3%	1%	4%	-	2%	3%	3%
No	38%	46%	38%	41%	25%	32%	31%	30%	43%	50%	42%	47%
Don't know	3%	2%	2%	2%	2%	1%	2%	2%	4%	2%	3%	2%
Does the plan contain targets relating to revenues from overseas sales?												
Yes	-	-	34%	31%	-	-	50%	46%	-	-	26%	24%
No	-	-	25%	24%	-	-	17%	21%	-	-	28%	26%
Don't know	-	-	1%	1%	-	-	1%	1%	-	-	1%	1%
No business plan	-	-	38%	41%	-	-	31%	30%	-	-	42%	47%
Don't know if have plan	-	-	2%	2%	-	-	2%	2%	-	-	3%	2%

At the total level, the proportion of firms with a written business plan has varied over time, and the 53% recorded in 2014 is significantly lower than the 59% seen in 2011. Although the results for UKTI clients have been fairly consistent since 2012, the current proportion (64%) is considerably lower than that recorded in 2011 (74%).

There have been no statistically significant changes since last year when it comes to the proportion of firms with a plan that contains overseas targets.

As seen below, the larger the firm the more likely it is to have a plan in place, and less than half of all micro SMEs have a current written business plan. There is no consistent pattern in this respect by age of firm.

Table 9.4.3 Formal Business Plans - By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	249	191	461	62	539	601	224	62	12	887
Do you have a current written business plan?										
Yes	53%	60%	50%	39%	45%	44%	67%	79%	92%	53%
In progress	5%	2%	3%	3%	4%	3%	3%	5%	0%	3%
No	41%	37%	44%	58%	50%	51%	27%	11%	8%	42%
Don't know	1%	2%	3%	0%	2%	1%	3%	5%	0%	2%
Does the plan contain targets relating to revenues from overseas sales?										
Yes	28%	34%	31%	18%	25%	24%	39%	57%	75%	30%
No	29%	27%	21%	24%	23%	23%	29%	24%	8%	25%
Don't know	1%	1%	1%	0%	1%	1%	2%	3%	8%	1%
No business plan	41%	37%	44%	58%	50%	51%	27%	11%	8%	42%
Don't know if have plan	1%	2%	3%	0%	2%	1%	3%	5%	0%	2%

As seen below, the higher a firm's turnover, the more likely it is to have a current written business plan and for this plan to contain overseas targets.

Table 9.4.4 Formal Business Plans – By Annual Turnover

	Annual Turnover			
	Up to 500k	£500k-£2m	£2m-£25m	£25m-£250m (MSBs)
<i>Base</i>	441	214	154	68
Do you have a current written business plan?				
Yes	43%	57%	68%	85%
In progress	3%	4%	3%	0%
No	52%	36%	29%	10%
Don't know	1%	2%	1%	4%
Does the plan contain targets relating to revenues from overseas sales?				
Yes	21%	36%	45%	72%
No	25%	23%	25%	13%
Don't know	1%	1%	1%	0%
No business plan	52%	36%	29%	10%
Don't know if have plan	1%	2%	1%	4%

Firms that operate in more than 10 markets are most likely to have a business plan and are also significantly more likely to include targets for overseas sales in this plan.

Table 9.4.5 Formal Business Plans
– By Number of Markets & Regions Doing Business In

	Number of Markets				Regions				
	0	1-5	6-10	>10	Europe	North America	Latin America	M.East / Africa	Asia Pacific
<i>Base</i>	82	399	184	231	738	419	198	367	441
Do you have a current written business plan?									
Yes	55%	49%	49%	62%	53%	55%	65%	54%	58%
In progress	4%	5%	3%	2%	3%	3%	2%	3%	3%
No	40%	45%	46%	33%	42%	41%	31%	39%	37%
Don't know	1%	1%	2%	3%	2%	2%	3%	3%	2%
Does the plan contain targets relating to revenues from overseas sales?									
Yes	24%	24%	29%	47%	32%	36%	44%	38%	39%
No	34%	29%	21%	16%	22%	20%	22%	18%	19%
Don't know	0%	1%	2%	1%	2%	1%	1%	2%	2%
No business plan	40%	45%	46%	33%	42%	41%	31%	39%	37%
Don't know if have plan	1%	1%	2%	3%	2%	2%	3%	3%	2%

Firms with more ambitious growth objectives are clearly more strategic in the sense that they are much more likely to have a current written business plan. The fact that they are also more inclined to detail overseas targets in this plan suggests that in many cases they are looking to export markets to help achieve this growth.

Table 9.4.6 Formal Business Plans - By Growth Objectives & Business Planning

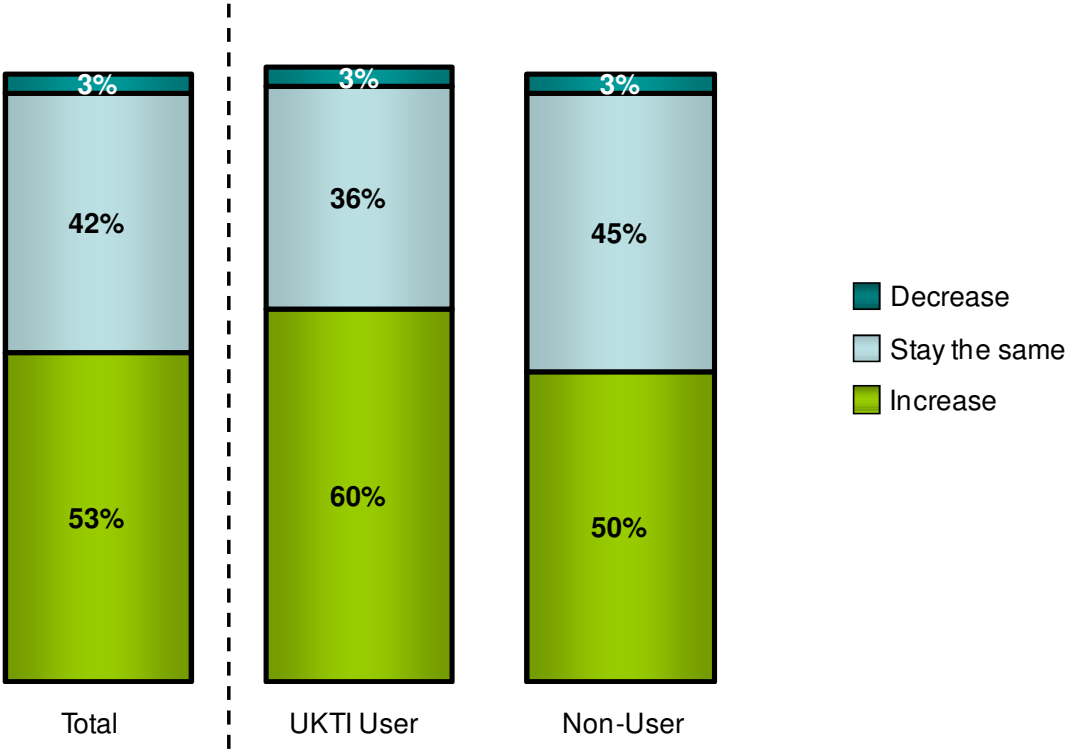
	Growth Objectives		
	Stay same	Moderate growth	Substantial growth
<i>Base</i>	112	443	310
Do you have a current written business plan?			
Yes	32%	51%	67%
In progress	3%	4%	4%
No	62%	43%	29%
Don't know	4%	2%	1%
Does the plan contain targets relating to revenues from overseas sales?			
Yes	13%	30%	41%
No	19%	24%	27%
Don't know	3%	1%	2%
No business plan	62%	43%	29%
Don't know if have plan	4%	2%	1%

9.5 Expected Overseas Growth

9.5.1 Number of Markets

Firms were asked whether they expected the number of markets they were doing business in to increase, decrease or stay the same over the next 3 years.

Chart 9.5.1.1 Anticipated Change in Number of Markets (Next 3 Years) – By UKTI Usage



Base: All respondents (Base, Don't know/refused)
 Total (901, 2%), UKTI Users (281, 1%), Non-Users (620, 2%)

Just over half of internationalising firms expect to expand into more markets over the next 3 years, with only a very small minority (3%) anticipating a decline in this respect.

UKTI users are significantly more likely than non-users to expect an increase in the number of overseas markets they operate in over the next 3 years.

At the total level, the proportion of firms expecting to increase the number of markets they operate in has remained broadly consistent over the last 4 years. There was a significant drop for UKTI clients in 2012 but this has subsequently increased again and the results for 2014 are similar to those seen in 2013.

Table 9.5.1.1 Anticipated Change in Number of Markets (Next 3 Years) – Over Time

	Total				UKTI Users				Non-Users			
	2011	2012	2013	2014	2011	2012	2013	2014	2011	2012	2013	2014
<i>Base</i>	903	900	950	901	248	189	303	281	655	711	647	620
Increase	53%	48%	51%	53%	64%	52%	59%	60%	49%	47%	48%	50%
Stay the same	40%	47%	42%	42%	31%	44%	37%	36%	44%	48%	44%	45%
Decrease	3%	4%	4%	3%	2%	3%	2%	3%	4%	4%	5%	3%
Don't know/refused	3%	2%	3%	2%	3%	1%	2%	1%	3%	2%	3%	2%

Although older firms tend to be active in a greater number of markets, it is younger firms that are more dynamic when it comes to their forecasted overseas growth, with 72% of firms established in the last 5 years expecting to enter new markets, compared to less than half of older firms. There is no clear pattern by size of firm in this respect.

Table 9.5.1.2 Anticipated Change in Number of Markets (Next 3 Years)
- By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	249	191	461	62	539	601	224	62	12	887
Increase	72%	56%	42%	61%	53%	54%	49%	50%	75%	53%
Stay the same	27%	39%	52%	29%	42%	40%	47%	48%	25%	43%
Decrease	0%	4%	4%	7%	3%	4%	2%	2%	0%	3%
Don't know/refused	1%	2%	2%	3%	2%	2%	1%	0%	0%	2%

As shown below, there are also no clear or consistent differences by firms' annual turnover when it comes to the expected change in the number of overseas markets they will do business in.

Table 9.5.1.3 Anticipated Change in Number of Markets (Next 3 Years)
– By Annual Turnover

	Annual Turnover			
	Up to 500k	£500k-£2m	£2m-£25m	£25m-£250m (MSBs)
<i>Base</i>	441	214	154	68
Increase	54%	53%	50%	57%
Stay the same	40%	43%	48%	38%
Decrease	4%	3%	1%	4%
Don't know/refused	2%	1%	1%	0%

As expected, the more ambitious a firm’s growth plans, the more likely they are to envisage an increase in the number of markets they operate in over the next 3 years.

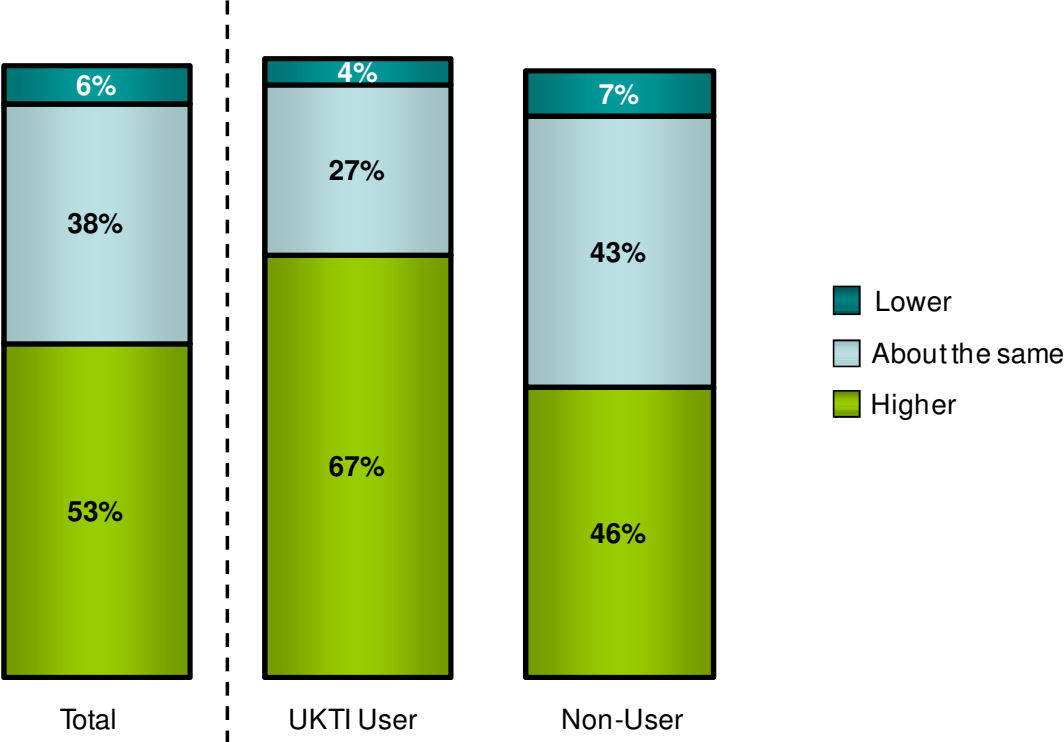
Table 9.5.1.4 Anticipated Change in Number of Markets (Next 3 Years)
- By Growth Objectives

	Growth Objectives		
	Stay same	Moderate growth	Substantial growth
<i>Base</i>	112	443	310
Increase	16%	53%	72%
Stay the same	78%	44%	26%
Decrease	4%	2%	2%
Don't know/refused	3%	2%	1%

9.5.2 Export Turnover

Firms were also asked whether they expected the proportion of their turnover accounted for by overseas sales to increase, decrease or stay the same over the next 3 years.

Chart 9.5.2.1 Anticipated Change in Proportion of Turnover Accounted for by Overseas Sales (Next 3 Years) – By UKTI Usage



Base: All respondents (Base, Don't know/refused)
 Total (901, 3%), UKTI Users (281, 2%), Non-Users (620, 3%)

Reflecting the fact that 53% of firms expect to increase the number of markets they operate in, 53% of internationalising firms also anticipate an increase in the importance of overseas sales to their total turnover.

Again, UKTI users are significantly more positive when it comes to their plans for overseas growth, with 67% expecting an increase in the proportion of turnover accounted for by overseas sales compared to 46% of non-users.

The number of internationalising firms that anticipate an increase in the proportion of their turnover accounted for by overseas sales has risen over the past 2 years. This increase is primarily driven by a significant rise among UKTI clients, whereas for non-users the proportion expecting overseas sales to increase has remained broadly static over time.

Table 9.5.2.1 Anticipated Change in Proportion of Turnover Accounted for by Overseas Sales (Next 3 Years) – Over Time

	Total				UKTI Users				Non-Users			
	2011	2012	2013	2014	2011	2012	2013	2014	2011	2012	2013	2014
<i>Base</i>	903	900	950	901	248	189	303	281	655	711	647	620
Higher	47%	47%	50%	53%	52%	53%	57%	67%	44%	44%	46%	46%
About the same	45%	43%	40%	38%	41%	40%	35%	27%	46%	43%	42%	43%
Lower	6%	7%	7%	6%	4%	5%	6%	4%	7%	8%	7%	7%
Don't know/refused	3%	4%	3%	3%	3%	2%	1%	2%	3%	4%	4%	3%

Younger firms are significantly more positive about the likely increase in their overseas turnover. Although the results by business size suggest that larger firms are more likely to forecast an increase in the proportion of sales accounted for by overseas sale, these differences are not statistically significant.

Table 9.5.2.2 Anticipated Change in Proportion of Turnover Accounted for by Overseas Sales (Next 3 Years) - By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	249	191	461	62	539	601	224	62	12	887
Higher	67%	53%	45%	51%	51%	51%	54%	60%	67%	53%
About the same	25%	38%	45%	32%	39%	38%	39%	31%	33%	38%
Lower	6%	7%	6%	13%	6%	7%	5%	8%	0%	7%
Don't know/refused	2%	2%	4%	3%	3%	3%	2%	2%	0%	3%

As shown in the table below, there are no significant differences in this respect by firms' annual turnover.

Table 9.5.2.3 Anticipated Change in Proportion of Turnover Accounted for by Overseas Sales (Next 3 Years) – By Annual Turnover

	Annual Turnover			
	Up to 500k	£500k-£2m	£2m-£25m	£25m-£250m (MSBs)
<i>Base</i>	441	214	154	68
Higher	53%	52%	53%	54%
About the same	36%	39%	42%	41%
Lower	8%	7%	4%	3%
Don't know/refused	3%	2%	1%	1%

Firms that are already doing business in over 10 markets are more likely than those in fewer markets to forecast an increase in the proportion of their turnover accounted for by overseas sales. The exception to this is firms that are not yet doing business in any overseas markets as, by definition, their overseas sales must be expected to increase (because they qualified for the survey on the basis that they plan to start exporting in the next 12 months).

There are no significant differences in this respect by the geographic regions in which firms are operating.

Table 9.5.2.4 Anticipated Change in Proportion of Turnover Accounted for by Overseas Sales (Next 3 Years) – By No. of Markets & Regions Doing Business In

	Number of Markets				Regions				
	0	1-5	6-10	>10	Europe	North America	Latin America	M.East / Africa	Asia Pacific
<i>Base</i>	82	399	184	231	738	419	198	367	441
Higher	100 %	45%	45%	57%	48%	49%	52%	52%	50%
About the same	0%	43%	46%	37%	42%	43%	39%	40%	42%
Lower	0%	9%	7%	5%	7%	6%	6%	5%	6%
Don't know/refused	0%	4%	2%	2%	3%	2%	3%	3%	2%

The more ambitious a firm's growth objectives, the more likely it is to anticipate an increase in the proportion of turnover accounted for by overseas sales. This suggests that many growing firms believe that this growth will be driven by their overseas activity rather than (or as well as) the UK market.

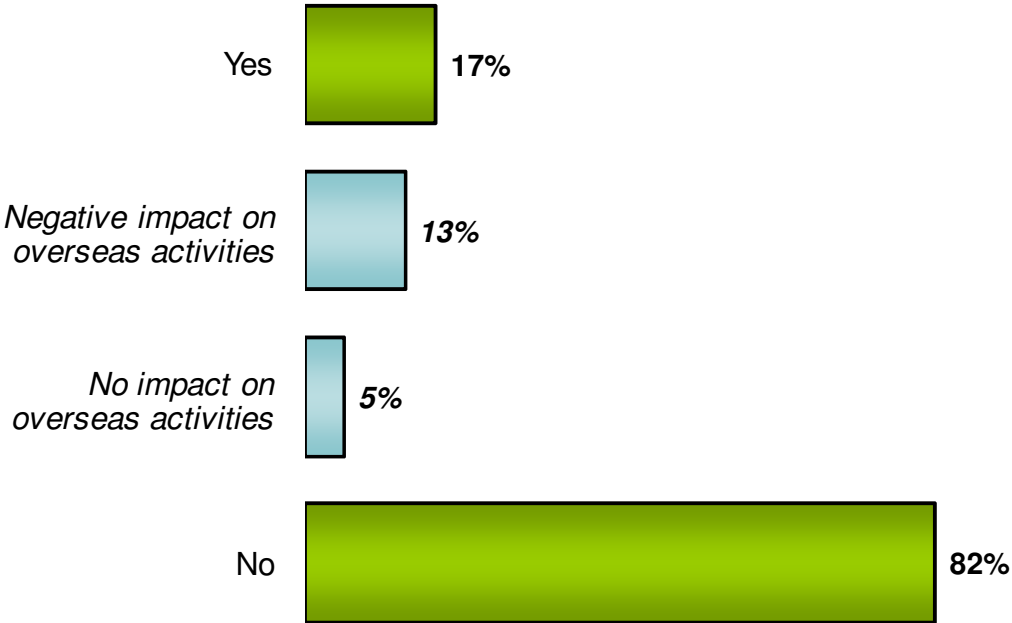
Table 9.5.2.5 Anticipated Change in Proportion of Turnover Accounted for by Overseas Sales (Next 3 Years) - By Growth Objectives

	Growth Objectives		
	Stay same	Moderate growth	Substantial growth
<i>Base</i>	112	443	310
Higher	24%	53%	68%
About the same	65%	38%	25%
Lower	6%	6%	5%
Don't know/refused	4%	3%	2%

9.6 Difficulties Accessing Finance

All firms were asked whether they had experienced any difficulties in accessing finance over the past 6 months and, if so, whether this had a negative impact on the scale or scope of their overseas activities.

Chart 9.6.1 Whether Difficulties Accessing Finance in Last 6 Months



Base: All respondents (Base, Don't know/Refused) (901, 1%)

Approaching a fifth of all internationalising firms (17%) have experienced difficulties accessing finance in the past 6 months, and in most cases this was felt to have had a negative impact on their overseas business.

As seen below, the number of firms reporting difficulty accessing finance has fallen over the past 4 years (although the 2% drop from 2014 is not statistically significant). This decline is true of both UKTI clients and non-users.

Table 9.6.1 Whether Difficulties Accessing Finance in Last 6 Months – By UKTI Usage & Over Time

	Total				UKTI Users				Non-Users			
	2011	2012	2013	2014	2011	2012	2013	2014	2011	2012	2013	2014
Base	903	900	950	901	248	189	303	281	655	711	647	620
Yes	25%	19%	19%	17%	28%	23%	23%	21%	24%	18%	17%	16%
- Negative impact on overseas activities	17%	13%	13%	13%	17%	17%	16%	17%	17%	11%	11%	11%
- No impact on overseas activities	8%	6%	7%	5%	11%	6%	7%	4%	7%	6%	6%	5%
No	73%	80%	79%	82%	71%	75%	75%	78%	73%	81%	81%	83%
Don't know / refused	3%	1%	2%	1%	248	2%	2%	1%	3%	1%	2%	1%

The above table shows that UKTI users are consistently more likely to have difficulty accessing finance. As seen previously in this report, UKTI users tend to have more ambitious growth objectives (particularly for their overseas business), so this difference may be down to a higher proportion of UKTI users actually attempting to obtain finance to fund their expansion plans.

The table below suggests that young firms (trading for 5 years or less) and small firms (under 50 employees) are most likely to encounter problems accessing finance, although it should be noted that these differences are not statistically significant.

Table 9.6.2 Whether Difficulties Accessing Finance in Last 6 Months
– By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	249	191	461	62	539	601	224	62	12	887
Yes	21%	17%	16%	16%	19%	19%	17%	10%	8%	18%
- <i>Negative impact on overseas activities</i>	17%	13%	11%	15%	14%	14%	13%	6%	8%	13%
- <i>No impact on overseas activities</i>	4%	4%	5%	2%	6%	5%	4%	2%	0%	5%
No	78%	83%	82%	84%	81%	81%	82%	86%	84%	82%
Don't know/refused	1%	0%	1%	0%	0%	0%	1%	5%	8%	1%

The larger a firm's annual turnover, the less likely it is to have experienced difficulty accessing finance, and the less likely it is to report that these difficulties had a negative impact on its overseas activities. However, this difference may be because larger firms with greater financial assets are less likely to have actually attempted to obtain finance.

Table 9.6.3 Whether Difficulties Accessing Finance in Last 6 Months
– By Annual Turnover

	Annual Turnover			
	Up to 500k	£500k-£2m	£2m-£25m	£25m-£250m (MSBs)
<i>Base</i>	441	214	154	68
Yes	21%	20%	12%	4%
- <i>Negative impact on overseas activities</i>	15%	15%	10%	1%
- <i>No impact on overseas activities</i>	6%	5%	2%	3%
No	79%	80%	87%	90%
Don't know/refused	0%	0%	1%	6%

It is interesting to note that firms that have not yet started exporting are significantly more likely to report difficulties accessing finance, and to indicate that this has had a negative impact on their overseas development. This strongly suggests that this issue is a real barrier to increasing the number of UK exporters.

Table 9.6.4 Whether Difficulties Accessing Finance in Last 6 Months
– By Overseas Experience

	Years Exporting					Exports as % of Turnover				
	0-2			2-10	>10	0%	1-10%	11-25%	26-50%	>50%
	0	<2	Total							
<i>Base</i>	82	123	205	378	310	104	368	111	124	161
Yes	30%	19%	23%	16%	16%	28%	16%	18%	17%	17%
- <i>Negative impact on overseas activities</i>	23%	15%	18%	12%	11%	20%	11%	14%	14%	15%
- <i>No impact on overseas activities</i>	7%	4%	5%	5%	4%	8%	5%	5%	3%	1%
No	70%	80%	76%	83%	83%	72%	83%	81%	82%	83%
Don't know/refused	0%	2%	1%	1%	1%	0%	1%	1%	1%	0%

It is also the case that innovative and IP active firms are more likely to have experienced difficulties accessing finance and to report a negative impact on their overseas activities.

Table 9.6.5 Whether Difficulties Accessing Finance in Last 6 Months
– By Innovation

	Innovative			IP Active	
	Yes (alternative)	Yes	No	Yes	No
<i>Base</i>	406	676	225	230	663
Yes	22%	19%	14%	22%	16%
- <i>Negative impact on overseas activities</i>	18%	14%	9%	18%	11%
- <i>Negative impact on product/service dev't</i>	4%	5%	4%	4%	5%
No	77%	80%	85%	77%	84%
Don't know/refused	1%	1%	1%	1%	0%

Firms with substantial growth aspirations are most likely to experience difficulties accessing finance, suggesting that this could potentially be a barrier to the realisation of this growth.

Table 9.6.6 Whether Difficulties Accessing Finance in Last 6 Months
– By Innovation & Growth

	Growth Objectives			Innovation & Growth		
				Innovative		Non-innovative
	Stay same	Moderate growth	Substantial growth	Expect substantial growth	Other	
<i>Base</i>	112	443	310	269	407	225
Yes	4%	15%	26%	26%	14%	14%
- <i>Negative impact on overseas activities</i>	2%	10%	20%	20%	11%	9%
- <i>No impact on overseas activities</i>	2%	5%	6%	6%	4%	4%
No	96%	84%	73%	73%	85%	85%
Don't know/refused	0%	1%	1%	2%	1%	1%

The table below investigates whether those firms that have experienced difficulties accessing finance are any less dynamic or ambitious in their growth ambitions than other firms.

Table 9.6.7 Growth Profile – By Difficulties Accessing Finance

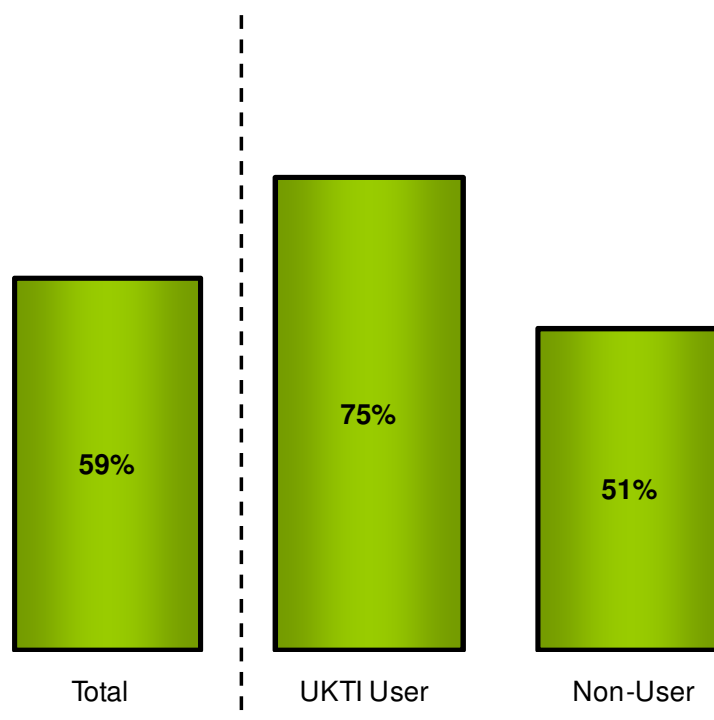
		Difficulty accessing finance		
		Yes & impacted on overseas activities	Yes but no impact on overseas activities	No
<i>Base</i>		116	41	734
Past growth (last 5 years)	Grown substantially	23%	20%	24%
	Grown moderately	43%	48%	42%
	Remained same size	13%	25%	24%
	Become smaller	19%	8%	10%
Future growth (next 5 years)	Grow substantially	54%	41%	31%
	Grow moderately	40%	51%	51%
	Remain same size	2%	5%	15%
	Become smaller	4%	0%	3%
Number of overseas markets (next 3 years)	Increase	70%	63%	50%
	Stay the same	24%	34%	46%
	Decrease	5%	0%	3%
Exports as % of turnover (next 3 years)	Higher	70%	53%	50%
	About the same	21%	37%	41%
	Lower	7%	2%	7%

There is no evidence that firms that have experienced difficulties accessing finance have lower growth expectations than those that have not, and these firms in fact report more ambitious growth projections.

9.7 Event Attendance

Firms were asked whether they had attended any business seminars, tradeshows or conferences in the past year.

Chart 9.7.1 Proportion Attending Business Events in Last Year – By UKTI Usage



Base: All respondents (Base)
Total (901), UKTI Users (281), Non-Users (620)

Well over half of all internationalising firms have attended business events in the last year, with this proportion rising to 75% in the case of UKTI users.

As seen below, firms with 50-249 employees are most likely to attend seminars, tradeshows and conferences. There are no other significant differences by size or age of firm.

Table 9.7.1 Proportion Attending Business Events in Last Year - By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	249	191	461	62	539	601	224	62	12	887
Yes	59%	60%	58%	58%	54%	54%	66%	81%	58%	59%
No	41%	40%	42%	42%	46%	46%	34%	19%	42%	41%

Firms with a higher annual turnover are significantly more likely to have attended business events in the last year.

Table 9.7.2 Proportion Attending Business Events in Last Year – By Annual Turnover

	Annual Turnover			
	Up to 500k	£500k-£2m	£2m-£25m	£25m-£250m (MSBs)
<i>Base</i>	441	214	154	68
Yes	53%	64%	66%	78%
No	47%	36%	34%	21%

There is some evidence that the more markets a firm is active in, the more inclined they are to attend seminars, conferences, etc (although firms that have not yet started exporting are also relatively likely to do so).

Table 9.7.3 Proportion Attending Business Events in Last Year – By Number of Markets & Regions Doing Business In

	Number of Markets				Regions				
	0	1-5	6-10	>10	Europe	North America	Latin America	M.East / Africa	Asia Pacific
<i>Base</i>	82	399	184	231	738	419	198	367	441
Yes	58%	50%	61%	72%	60%	64%	64%	66%	64%
No	42%	50%	39%	28%	40%	36%	36%	34%	36%

Firms that plan to grow over the next 5 years, and particularly those forecasting substantial growth, are more likely to attend business events than those that simply aim to remain the same size. This might suggest that seminars, conferences and tradeshows are seen by firms as a means of achieving growth, or that attendance at these events prompts firms to become more ambitious.

Table 9.7.4 Proportion Attending Business Events in Last Year - By Growth Objectives

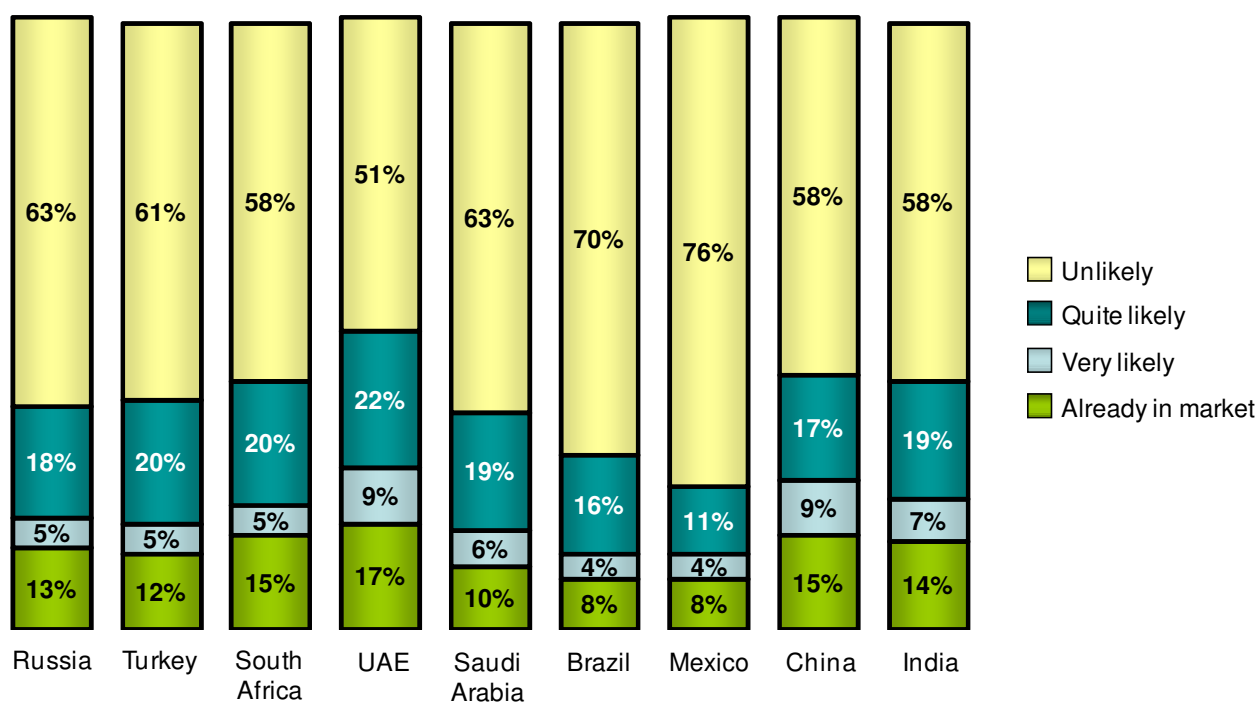
	Growth Objectives		
	Stay same	Moderate growth	Substantial growth
<i>Base</i>	112	443	310
Yes	44%	56%	72%
No	56%	44%	28%

10. High Growth Markets

10.1 Opportunities in High Growth Markets

Firms were asked to consider the extent to which they felt that there were opportunities for them in a number of fast growing or emerging markets. For each market, firms were asked to indicate whether they were already doing business there, were very likely to do so in the next 2 years, quite likely to do so or unlikely to do so.

Chart 10.1.1 Opinions on Opportunities in High Growth Markets



Base: All respondents (Base, Don't know) (901, 1%, 3%, 1%, 1%, 2%, 1%, 2%, 1%, 2%)

Of these markets, it appears that the UAE represents the best opportunity for internationalising firms, with 17% of firms already doing business there and a further 9% very likely to do so in the next 2 years. China also features prominently, with 15% of firms already active there and 9% very likely to enter it.

There is comparatively little enthusiasm for doing business in Latin America, with just 8% of firms already active in Mexico and Brazil (with only another 4% very likely to enter these countries in the next 2 years).

To enable more detailed analysis of interest and activity in high growth markets by firm profile, results have been summarised across all 9 of these markets as follows:

Opportunities In High Growth Markets - Summary

Firms have been defined as ‘already in’ if they...

- Are already in at least one high growth market

Firms have been defined as being ‘very likely’ if they...

- Are not already in any of the high growth markets
- But feel they are ‘very likely’ to do business in at least one in the next 2 years

Firms have been defined as being ‘quite likely’ if they...

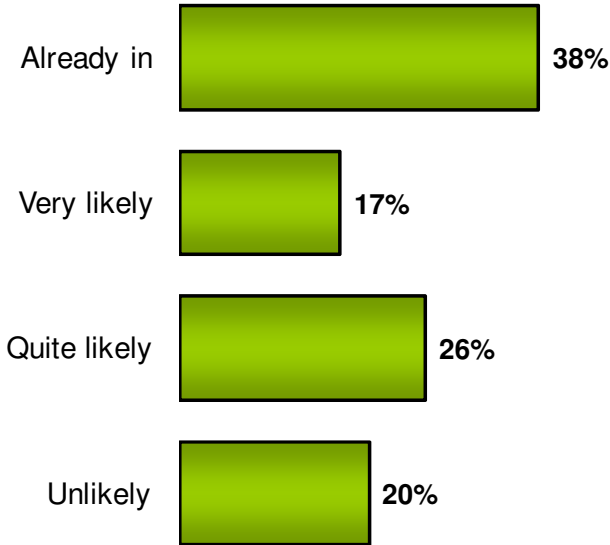
- Are not already in any of the high growth markets
- Do not feel that they are ‘very likely’ to do business in any in the next 2 years
- But feel they are ‘quite likely’ to do business in at least one in next 2 years

Firms have been defined as ‘unlikely’ if they...

- Are not already in any of the high growth markets

When the data is viewed in this way, it shows that 38% of internationalising firms are already doing business in at least one of these high growth markets. Only a fifth of firms thought it was unlikely that they would do business in any of these markets in the next two years.

Chart 10.1.2 Opportunities in High Growth Markets (Summary)



Base: All respondents (Base, Don't know) (901, 0%)

Half of UKTI users are already in at least one of these markets and only 8% feel that they are unlikely to enter one in the next 2 years. In contrast, a quarter of non-user firms are not in any high growth markets and have no intention of entering any.

Table 10.1.1 Opportunities in High Growth Markets (Summary)
– By UKTI Usage

	Total	UKTI Usage	
		UKTI User	Non-User
<i>Base</i>	901	281	620
Already in	38%	50%	32%
Very likely	17%	16%	17%
Quite likely	26%	26%	26%
Unlikely	20%	8%	25%
Don't know	0%	0%	0%

The table below tracks how activity and interest in high growth markets has changed over time. There has been a significant overall decrease since 2013 in the proportion of firms that are operating in high growth markets, and this is especially true for UKTI users.

Table 10.1.2 Opportunities in High Growth Markets (Summary)
– Over Time

	Total				UKTI Users				Non-Users			
	2011	2012	2013	2014	2011	2012	2013	2014	2011	2012	2013	2014
<i>Base</i>	903	900	950	901	248	189	303	281	655	711	647	620
Already in	46%	41%	43%	38%	59%	54%	64%	50%	40%	37%	34%	32%
Very likely	15%	12%	16%	17%	16%	11%	16%	16%	14%	12%	16%	17%
Quite likely	19%	23%	20%	26%	14%	21%	13%	26%	21%	24%	23%	26%
Unlikely	20%	24%	20%	20%	10%	14%	8%	8%	24%	27%	26%	25%
Don't know	1%	0%	0%	0%	0%	1%	0%	0%	1%	0%	1%	0%

The table below provides a more detailed time series analysis by individual market. For most of these countries there has been a decline over the last year in the number of firms doing business in them. However, the notable exceptions to this are China and India, which appear to be growing in importance for UK exports.

Table 10.1.3 Opportunities in Individual High Growth Markets – Over Time

	Russia			Turkey			South Africa		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
<i>Base</i>	900	950	901	900	950	901	900	950	901
Already in	13%	17%	13%	16%	16%	12%	14%	19%	15%
Very likely	4%	7%	5%	4%	6%	5%	5%	9%	5%
Quite likely	14%	16%	18%	12%	17%	20%	18%	16%	20%
Unlikely	67%	59%	63%	66%	60%	61%	61%	55%	58%
Don't know	1%	1%	1%	2%	1%	3%	2%	1%	1%

	UAE			Saudi Arabia			Brazil		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
<i>Base</i>	900	950	901	900	950	901	900	950	901
Already in	21%	21%	17%	13%	14%	10%	10%	11%	8%
Very likely	6%	11%	9%	4%	8%	6%	5%	9%	4%
Quite likely	18%	17%	22%	15%	15%	19%	14%	15%	16%
Unlikely	53%	51%	51%	65%	62%	63%	70%	64%	70%
Don't know	1%	1%	1%	3%	1%	2%	1%	2%	1%

	Mexico			China			India		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
<i>Base</i>	900	950	901	900	950	901	900	950	901
Already in	9%	8%	8%	9%	8%	15%	9%	8%	14%
Very likely	3%	4%	4%	3%	4%	9%	3%	4%	7%
Quite likely	10%	10%	11%	10%	10%	17%	10%	10%	19%
Unlikely	77%	76%	76%	77%	76%	58%	77%	76%	58%
Don't know	2%	2%	2%	2%	2%	1%	2%	2%	2%

As seen below, older and larger firms are more likely to already be operating in high growth markets. However, it is not the case that these markets are *only* targeted by more established firms, as around half of firms in the youngest age band (established up to 5 years) and the smallest size band (0-9 employees) are either already doing business in at least one of these countries or feel that it is 'very likely' they will enter one in the next 2 years.

Table 10.1.4 Opportunities in High Growth Markets (Summary)
– By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	249	191	461	62	539	601	224	62	12	887
Already in	31%	37%	42%	27%	33%	33%	40%	68%	83%	37%
Very likely	20%	21%	13%	16%	19%	19%	14%	8%	8%	17%
Quite likely	33%	26%	23%	29%	28%	28%	27%	10%	8%	26%
Unlikely	16%	16%	23%	28%	20%	21%	19%	13%	0%	20%
Don't know	0%	0%	0%	0%	0%	0%	0%	2%	0%	0%

Firms that are larger in terms of their annual turnover are also more likely to be operating in high growth markets.

Table 10.1.5 Opportunities in High Growth Markets (Summary) – By Annual Turnover

	Annual Turnover			
	Up to 500k	£500k-£2m	£2m-£25m	£25m-£250m (MSBs)
<i>Base</i>	441	214	154	68
Already in	28%	43%	53%	63%
Very likely	21%	12%	12%	16%
Quite likely	28%	30%	18%	15%
Unlikely	23%	15%	17%	6%
Don't know	0%	0%	1%	0%

As seen below, there is little difference in the proportion of firms already doing business in high growth markets by their growth objectives. However, firms planning substantial growth are significantly more likely to claim that it is 'very likely' they will enter one or more of these markets in the next 2 years.

Table 10.1.6 Opportunities in High Growth Markets (Summary)
– By Growth Objectives

	Growth Objectives		
	Stay same	Moderate Growth	Substantial Growth
<i>Base</i>	112	443	310
Already in	41%	35%	41%
Very likely	9%	16%	21%
Quite likely	18%	28%	28%
Unlikely	32%	21%	10%
Don't know	0%	0%	0%

As detailed below, there is evidence that firms tend to enter high growth markets later in their international life-cycle, with those that have been exporting longest significantly more likely to be operating in these markets. There is also a sharp rise in the likelihood of doing business in these countries once export sales account for over 10% of total turnover.

Table 10.1.7 Opportunities in High Growth Markets (Summary)
– By Overseas Experience

	Years Exporting					Exports as % of Turnover				
	0-2			2-10	>10	0%	1-10%	11-25%	26-50%	>50%
	0	<2	Total							
<i>Base</i>	82	123	205	378	310	104	368	111	124	161
Already in	0%	27%	16%	39%	50%	1%	29%	52%	53%	58%
Very likely	35%	22%	27%	15%	12%	34%	14%	18%	14%	15%
Quite likely	45%	33%	38%	25%	19%	41%	30%	21%	18%	19%
Unlikely	20%	18%	19%	21%	18%	24%	27%	9%	16%	9%
Don't know	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

The more markets and regions a firm is active in, the more likely it is to be doing business in any of the high growth markets. That said, a significant minority of firms that are doing business in fewer than 6 markets are already active in high growth markets.

Table 10.1.8 Opportunities in High Growth Markets (Summary)
– By Number of Markets & Regions

	Number of Markets				Number of Overseas Regions					
	0	1-5	6-10	>10	None	One	Two	Three	Four	Five
<i>Base</i>	82	399	184	231	82	228	165	193	129	102
Already in	0%	21%	42%	76%	0%	11%	27%	52%	70%	78%
Very likely	35%	17%	16%	10%	35%	11%	16%	17%	17%	13%
Quite likely	45%	30%	28%	11%	45%	28%	39%	24%	12%	6%
Unlikely	20%	33%	14%	2%	20%	50%	18%	7%	1%	3%
Don't know	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%

As seen below, innovative and IP active firms are also more likely to be operating in high growth markets.

Table 10.1.9 Opportunities in High Growth Markets (Summary)
– By Innovation

	Innovative			IP Active	
	Yes (alternative)	Yes	No	Yes	No
<i>Base</i>	406	676	225	230	663
Already in	44%	41%	29%	47%	34%
Very likely	19%	17%	16%	18%	16%
Quite likely	24%	27%	23%	26%	27%
Unlikely	13%	15%	32%	10%	23%
Don't know	0%	0%	0%	0%	0%

Firms defined as ‘born global’ (particularly via the alternative, tighter definition) are more likely to be in these markets than other young firms that internationalised at some point after they were established.

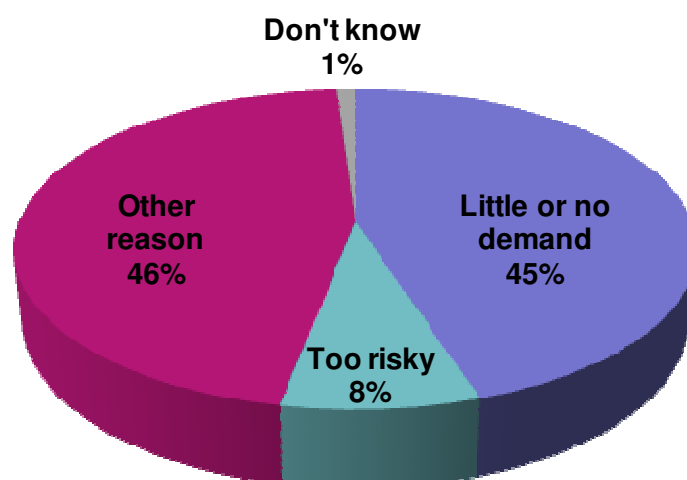
Table 10.1.10 Opportunities in High Growth Markets (Summary)
 – By Born Global & Young, Tech Intensive

	Up to 5 years old				Over 5 years old
	Total	Born global	Born global (alternative)	Young, tech intensive	
<i>Base</i>	242	111	45	105	652
Already in	32%	45%	51%	35%	40%
Very likely	19%	13%	13%	19%	15%
Quite likely	33%	23%	24%	34%	23%
Unlikely	17%	20%	11%	11%	21%
Don't know	0%	0%	0%	0%	0%

10.2 Reasons for Not Doing Business in High Growth Markets

Every firm that indicated that they were unlikely to do business in one or more of the high growth markets was allocated one of these markets at random and asked whether this was because there was little or no demand for their products/services there, it was too risky to do business there, or for some other reason. These results have been summarised below (combined across all markets).

Chart 10.2.1 Reasons for Not Considering High Growth Markets



Base: All unlikely to do business in any market (Base, Don't know) (836, 1%)

Approaching half of those firms that are unlikely to enter one of the high growth markets indicated that this is because they perceive there to be little or no demand for their products and services there. However, only 8% highlighted the risks involved. Many firms gave an 'other' reason for not considering high growth markets, which may well be connected to the barriers associated with entering these markets. More details of the barriers experienced in overseas markets can be found in Chapter 13 of this report.

The table below provides a similar analysis by individual market. Turkey was the market most likely to be avoided due to perceived lack of demand, and Russia and South Africa were most likely to be avoided because they were too risky.

Table 10.2.1 Reasons for Not Considering High Growth Markets – By Individual Market

	Russia	Turkey	South Africa	UAE	Saudi Arabia	Brazil	Mexico	China	India
<i>Base: All unlikely to enter selected market</i>	85	86	87	71	86	84	113	132	92
Little or no demand	38%	55%	43%	49%	51%	39%	43%	44%	41%
Too risky	18%	7%	13%	6%	7%	6%	3%	9%	9%
Other reason	43%	36%	45%	42%	42%	53%	52%	46%	49%
Don't know	1%	2%	0%	3%	0%	1%	2%	1%	1%

As shown below, UKTI users are significantly less likely to avoid a market because there is little or no demand for their products or services there.

Table 10.2.2 Reasons for Not Considering High Growth Markets
- By UKTI Usage

	Total	UKTI Usage	
		UKTI User	Non-User
<i>Base: All unlikely to enter selected market</i>	836	253	583
Little or no demand	45%	39%	47%
Too risky	8%	9%	8%
Other reason	46%	51%	43%
Don't know	1%	1%	1%

There are no consistent or significant differences in the reasons for not entering high growth markets by either age or size of firm.

Table 10.2.3 Reasons for Not Considering High Growth Markets
- By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base: All unlikely to enter selected market</i>	233	183	420	62	513	575	201	49	9	825
Little or no demand	43%	45%	46%	40%	45%	45%	45%	47%	11%	45%
Too risky	10%	10%	7%	10%	8%	8%	7%	12%	0%	8%
Other reason	47%	45%	46%	49%	45%	45%	47%	41%	78%	46%
Don't know	0%	1%	2%	2%	1%	1%	1%	0%	11%	1%

However, firms with a relatively high annual turnover of more than £25million are least likely to identify lack of demand as the reason for not entering these markets.

Table 10.2.4 Reasons for Not Considering High Growth Markets
- By Annual Turnover

	Annual Turnover			
	Up to 500k	£500k-£2m	£2m-£25m	£25m-£250m (MSBs)
<i>Base: All unlikely to enter selected market</i>	422	200	135	56
Little or no demand	46%	47%	40%	25%
Too risky	7%	10%	6%	13%
Other reason	46%	41%	53%	63%
Don't know	1%	2%	1%	0%

There are no statistically significant differences when looking at these reasons by firms' growth objectives.

Table 10.2.5 Reasons for Not Considering High Growth Markets
- By Growth Objectives & Attitude to Risk

	Growth Objectives		
	Stay same	Mod. Growth	Sub. Growth
<i>Base: All unlikely to enter selected market</i>	109	413	281
Little or no demand	51%	43%	44%
Too risky	6%	7%	11%
Other reason	40%	49%	43%
Don't know	3%	1%	1%

11. New Market Entry

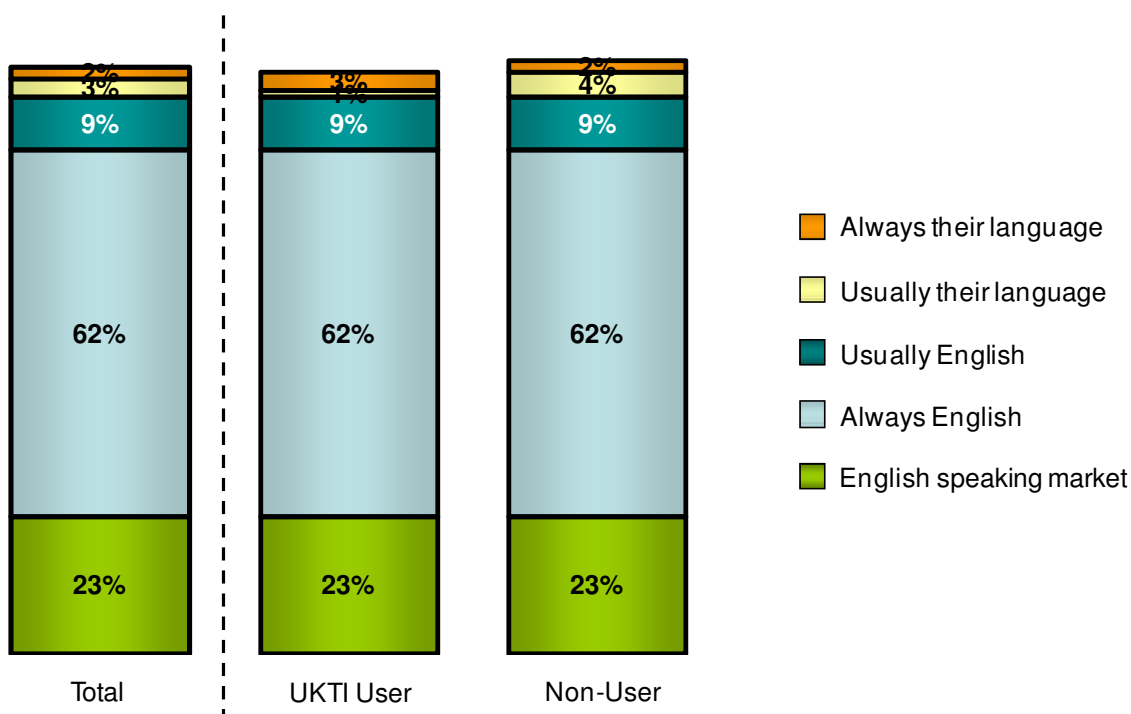
For the section of the interview relating to new market entry, firms were asked to focus on the country that they had **started doing business in most recently** (i.e. their most recent market). For full details of the markets selected by users and non-users of UKTI, please refer to Annex A.

Please note that all analysis in this section of the report is based just on firms that were already doing business overseas.

11.1 Language Used in Most Recent Market

Firms were asked which language they used when doing business in their most recently entered market. These results are summarised below.

Chart 11.1.1 Language Used in Most Recent Market – By UKTI Usage



Base: All exporters (Base, Don't know)
Total (819, 1%), UKTI Users (264, 1%), Non-Users (555, 1%)

The above chart starkly demonstrates the extent to which UK exporters are reliant on the ability of their customers to speak English.

Almost a quarter indicated that their most recent market was an Anglophone one, and approaching two-thirds have most recently entered a non-English speaking market yet always use English when doing business there. Overall, only 5% of firms indicated that they usually or always deal with customers in their own language.

This picture is very similar for both users and non-users of UKTI.

It is interesting to observe that young and very small firms are most likely to indicate that their most recent market was English speaking, suggesting that firms with less experience/resources may initially focus on Anglophone countries as easier targets. There are no clear or consistent differences in language use by age of firm. However, it is worth noting that the proportion that always use English in their most recent market or that have entered an English speaking country is similar, irrespective of age or size of firm.

Table 11.1.1 Language Used in Most Recent Market - By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base: All exporters</i>	203	175	441	51	480	531	212	62	12	805
English speaking market	30%	19%	21%	33%	23%	24%	21%	18%	8%	23%
Always English	53%	69%	64%	51%	64%	63%	60%	66%	59%	63%
Usually English	10%	7%	9%	10%	8%	8%	11%	6%	16%	9%
Usually their language	4%	3%	3%	4%	2%	2%	3%	3%	17%	3%
Always their language	2%	2%	2%	2%	2%	2%	3%	5%	0%	2%
Don't know	1%	0%	1%	0%	1%	1%	1%	2%	0%	1%
<i>Net: Always English or English speaking market</i>	83%	88%	85%	84%	88%	87%	81%	84%	67%	85%

There are few consistent differences by turnover band, but MSBs are least likely to have most recently entered an English-speaking market.

Table 11.1.2 Language Used in Most Recent Market – By Annual Turnover

	Annual Turnover			
	Up to 500k	£500k-£2m	£2m-£25m	£25m-£250m (MSBs)
<i>Base: All exporters</i>	380	200	151	68
English speaking market	25%	21%	20%	10%
Always English	61%	62%	68%	66%
Usually English	9%	12%	5%	13%
Usually their language	2%	5%	3%	7%
Always their language	2%	1%	3%	3%
Don't know	1%	1%	2%	0%
<i>Net: Always English or English speaking market</i>	87%	82%	87%	76%

As seen below, there is relatively little difference by the number of markets firms are operating in. Although firms that are active in more than 10 markets are least likely to have entered an English speaking market most recently, they are most likely to always use English to do business in their most recent market.

Table 11.1.3 Language Used in Most Recent Market
– By Number of Markets & Regions Doing Business In

	Number of Markets			Regions				
	1-5	6-10	>10	Europe	North America	Latin America	M.East / Africa	Asia Pacific
<i>Base: All exporters</i>	399	184	231	738	419	198	367	441
English speaking market	29%	20%	14%	21%	29%	17%	14%	20%
Always English	57%	66%	68%	64%	57%	68%	70%	66%
Usually English	9%	8%	10%	9%	9%	8%	10%	8%
Usually their language	3%	4%	3%	3%	2%	2%	2%	3%
Always their language	1%	3%	3%	2%	2%	4%	2%	2%
Don't know	1%	0%	2%	1%	1%	2%	1%	1%
<i>Net: Always English or English speaking market</i>	86%	86%	82%	85%	86%	85%	84%	86%

As seen below, firms that report substantial growth over the past 5 years and those that predict substantial future growth are each significantly more likely to always or usually use their customers' language (i.e. not English). However, it is still the case that the majority of firms in these groups still primarily rely on English.

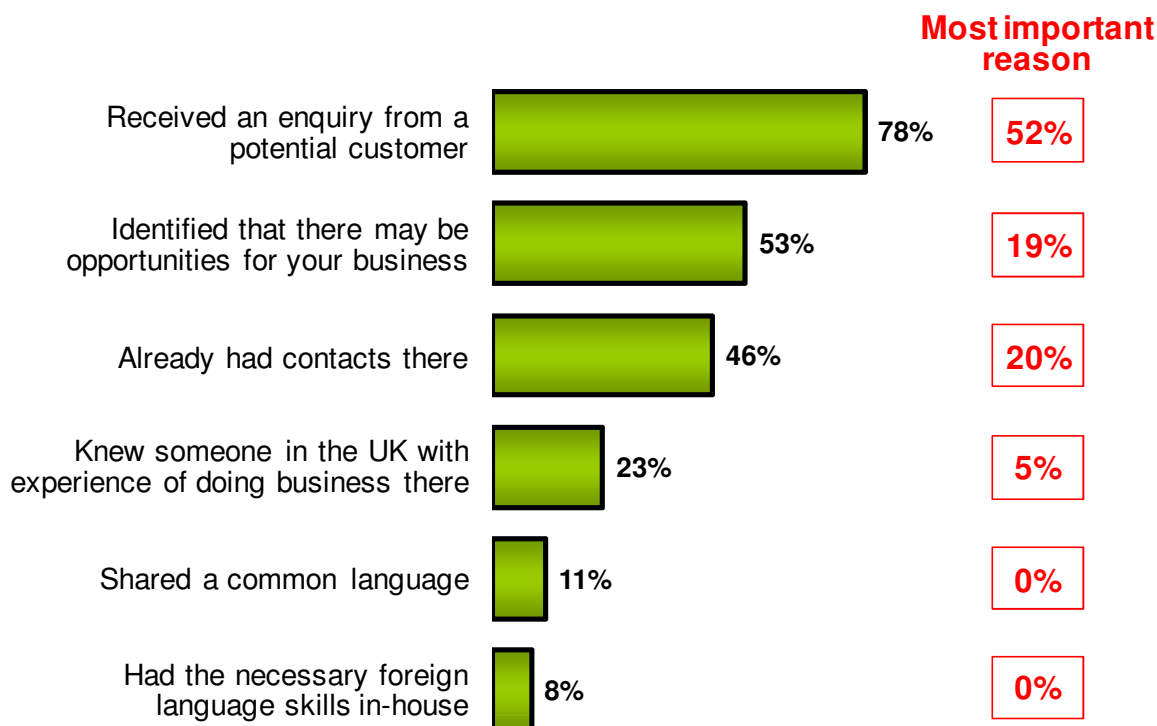
Table 11.1.4 Language Used in Most Recent Market – By Growth

	Past Growth			Growth Objectives		
	Stayed same	Moderate growth	Substantial growth	Stayed same	Moderate growth	Substantial growth
<i>Base: All exporters</i>	178	350	187	109	405	270
English speaking market	21%	22%	22%	15%	24%	23%
Always English	67%	63%	60%	73%	63%	57%
Usually English	7%	10%	8%	8%	9%	9%
Usually their language	2%	3%	5%	1%	2%	6%
Always their language	2%	1%	4%	2%	1%	5%
Don't know	1%	1%	1%	1%	1%	0%
<i>Net: Always English or English speaking market</i>	88%	85%	82%	88%	87%	80%

11.2 Market Entry Motivations

Firms were read out a list of possible reasons for first considering doing business in their most recently entered market and asked which of these applied to them. They were then asked to identify which of these was the single most important reason.

Chart 11.2.1 Market Entry Motivations (Most Recent Market)



Base: All exporters (Base, None of these, Don't know)
Total (819, 2%, 0%)

As demonstrated above, new market entry is typically reactive and is primarily driven by customer enquiries. Over three-quarters of firms indicated that a customer enquiry was one of the factors influencing their decision to enter their most recent market, with around half selecting this as the most important reason.

There are usually other contributory influences on the decision, which can relate to the market's strategic potential (i.e. identifying that there may be opportunities there) or be connected to the firms existing networks (i.e. having contacts in the market or knowing someone else in the UK with experience of operating there). However, these are much less likely to be identified as the single most important reason for market entry.

Consistent with the fact that most firms rely on English when dealing with overseas customers (as detailed in Chapter 11.1), very few firms indicated that they chose to enter their most recent market because they had the relevant foreign language skills (just 8%, with no firms selecting this as the most important reason).

It is also interesting to note that although 23% of firms had most recently started doing business in an English-speaking market, just 11% identified this as one of the factors they considered when selecting this market.

The table below compares the market entry motivations of UKTI users and non-users.

Table 11.2.1 Market Entry Motivations (Most Recent Market) - By UKTI Usage

	Total	UKTI Usage	
		UKTI User	Non-User
<i>Base: All exporters</i>	819	264	555
All reasons			
Customer enquiry	78%	73%	80%
Identified opportunities	53%	58%	50%
Already had contacts	46%	46%	46%
Knew someone in UK with experience	23%	20%	25%
Common language	11%	13%	10%
Foreign language skills	8%	6%	9%
None of these	2%	1%	3%
Don't know	0%	1%	0%
Most important reason			
Customer enquiry	52%	47%	54%
Identified opportunities	19%	24%	17%
Already had contacts	20%	20%	19%
Knew someone in UK with experience	5%	4%	5%
Common language	0%	1%	0%
Foreign language skills	0%	1%	0%
None of these	3%	2%	4%
Don't know	0%	1%	0%

While both users and non-users are still largely motivated by customer enquiries there are some differences between the two groups.

UKTI clients are significantly more likely to have decided to enter the market as a result of identifying opportunities there, suggesting that they are somewhat more strategic in their approach to overseas expansion. Conversely, non-users are more inclined to be responding to customer enquiries, implying that they are more reactive in their approach.

The following table analyses the market entry motivations by company age and size (in terms of employee numbers).

Table 11.2.2 Market Entry Motivations (Most Recent Market) - By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base: All exporters</i>	203	178	441	51	480	531	212	62	12	805
All reasons										
Customer enquiry	77%	79%	77%	78%	79%	79%	74%	71%	92%	77%
Identified opportunities	58%	50%	52%	49%	48%	48%	59%	69%	75%	52%
Already had contacts	48%	46%	46%	47%	46%	46%	47%	45%	67%	46%
Knew someone in UK with experience	30%	19%	21%	17%	23%	23%	22%	24%	42%	23%
Common language	19%	10%	8%	13%	11%	12%	12%	8%	8%	11%
Foreign language skills	9%	7%	7%	12%	8%	8%	8%	6%	8%	8%
None of these	1%	2%	2%	8%	2%	2%	1%	2%	0%	2%
Don't know	0%	1%	1%	0%	0%	0%	0%	2%	0%	1%
Most important reason										
Customer enquiry	50%	52%	52%	47%	55%	54%	48%	44%	50%	52%
Identified opportunities	18%	17%	21%	16%	15%	15%	25%	31%	33%	19%
Already had contacts	21%	21%	18%	20%	20%	20%	20%	18%	8%	20%
Knew someone in UK with experience	7%	3%	5%	2%	6%	5%	4%	5%	8%	5%
Common language	1%	1%	0%	0%	1%	1%	0%	0%	0%	0%
Foreign language skills	0%	1%	0%	2%	0%	0%	0%	0%	0%	0%
None of these	3%	5%	3%	14%	3%	4%	3%	2%	0%	3%
Don't know	0%	1%	1%	0%	0%	0%	0%	2%	0%	1%

This analysis illustrates that even among older and larger firms market entry decisions are largely driven by customer enquiries.

However, the identification of potential opportunities in the market plays a more important role as firms become larger. It is also the case that younger firms are comparatively more likely to highlight potential opportunities and sharing a common language as reasons for entering the market (although there is no difference by age when it comes to the proportion selecting these as the most important reason).

The table below provides a similar analysis, but this time looking at company size as defined by annual turnover.

Table 11.2.3 Market Entry Motivations (Most Recent Market) - By Annual Turnover

	Annual Turnover			
	Up to 500k	£500k-£2m	£2m-£25m	£25m-£250m (MSBs)
<i>Base: All exporters</i>	380	200	151	68
All reasons				
Customer enquiry	77%	82%	77%	68%
Identified opportunities	50%	51%	66%	81%
Already had contacts	42%	48%	56%	54%
Knew someone in UK with experience	23%	21%	28%	22%
Common language	12%	12%	10%	6%
Foreign language skills	8%	9%	5%	12%
None of these	3%	1%	1%	1%
Don't know	0%	1%	1%	0%
Most important reason				
Customer enquiry	54%	55%	43%	34%
Identified opportunities	18%	17%	25%	41%
Already had contacts	17%	22%	23%	19%
Knew someone in UK with experience	6%	2%	6%	3%
Common language	1%	0%	0%	0%
Foreign language skills	1%	1%	0%	0%
None of these	4%	2%	3%	1%
Don't know	0%	1%	1%	1%

As annual turnover increases so does the likelihood of firms entering a market as a result of identifying internally that it represents an opportunity for their business. There is also some evidence that existing contacts in the market in question also plays a more important role among larger firms.

Connected to the above, the likelihood of entering markets in response to customer enquiries diminishes among firms with a turnover in excess of £25million. Indeed, MSBs are actually more likely to pinpoint the prior identification of opportunities as the primary reason for entering the market, rather than customer enquiries.

The following table analyses firms' market entry motivations by the level of their overseas experience.

Table 11.2.4 Market Entry Motivations (Most Recent Market)
- By Overseas Experience

	Years Exporting			Exports as % of Turnover				
	<2	2-10	>10	0%	1-10%	11-25%	26-50%	>50%
<i>Base: All exporters</i>	123	378	310	22	368	111	124	161
All reasons								
Customer enquiry	74%	80%	76%	77%	81%	76%	72%	78%
Identified opportunities	60%	51%	52%	55%	42%	57%	66%	64%
Already had contacts	47%	47%	46%	55%	42%	47%	52%	53%
Knew someone in UK with experience	30%	22%	21%	36%	24%	25%	22%	21%
Common language	19%	12%	8%	14%	13%	14%	11%	6%
Foreign language skills	15%	6%	8%	14%	5%	11%	7%	12%
None of these	1%	2%	3%	5%	2%	3%	1%	2%
Don't know	0%	0%	1%	0%	1%	0%	0%	1%
Most important reason								
Customer enquiry	48%	52%	52%	45%	57%	54%	46%	44%
Identified opportunities	21%	17%	21%	23%	13%	18%	28%	24%
Already had contacts	24%	20%	18%	23%	20%	16%	21%	22%
Knew someone in UK with experience	3%	6%	4%	0%	6%	6%	4%	4%
Common language	2%	0%	0%	0%	1%	0%	0%	0%
Foreign language skills	0%	1%	0%	0%	0%	1%	0%	1%
None of these	2%	3%	4%	9%	3%	5%	2%	4%
Don't know	0%	0%	1%	0%	1%	0%	0%	1%

There are few clear-cut differences in market entry motivations by the number of years firms have been doing business overseas.

However, it is interesting to note that very recent exporters with less than 2 years experience are significantly more likely to highlight the common language or their own in-house language capabilities as one of the reasons for selecting their most recent market. This suggests that these firms are more inclined to target markets where they perceived language barriers to be the lowest, although it should be noted that there is no difference by export experience when it comes to the proportion selecting these factors as the most important reason for market entry.

There is also some evidence that the greater the proportion of turnover accounted for by exports, the more likely a firm is to be motivated by the prior identification of potential opportunities in the market.

The table below compares firms' market entry motivations by the number of countries they are currently operating in, and by whether the most recent market in question was an Anglophone one.

Table 11.2.5 Market Entry Motivations (Most Recent Market)
– By Number of Markets & Language

	Number of Markets			Most Recent Market - Language	
	1-5	6-10	>10	English speaking	Non-English speaking
<i>Base: All exporters</i>	399	184	231	186	632
All reasons					
Customer enquiry	76%	85%	75%	78%	77%
Identified opportunities	51%	46%	62%	60%	51%
Already had contacts	51%	36%	46%	53%	44%
Knew someone in UK with experience	27%	18%	20%	26%	22%
Common language	15%	10%	6%	50%	-
Foreign language skills	8%	7%	8%	-	10%
None of these	2%	3%	2%	3%	2%
Don't know	0%	0%	1%	1%	0%
Most important reason					
Customer enquiry	49%	59%	50%	42%	54%
Identified opportunities	17%	18%	23%	26%	17%
Already had contacts	23%	14%	18%	20%	19%
Knew someone in UK with experience	5%	5%	4%	3%	5%
Common language	1%	0%	0%	2%	-
Foreign language skills	1%	0%	0%	-	0%
None of these	4%	3%	3%	5%	3%
Don't know	0%	0%	1%	1%	0%

The above analysis demonstrates that, irrespective of the number of markets they operate in, internationalising firms are most likely to be motivated to enter new markets in response to customer enquiries.

Among firms entering English-speaking markets the common language is often one of the draws, with half of this group highlighting it as a reason for choosing the market. However, this is seldom identified as the single most important reason for market entry (just 2%).

Only 1 in 10 of the firms that most recently entered a non-Anglophone market did so because they had the necessary foreign language skills in-house, and none of them identified this as the most important reason. This is consistent with the earlier finding that the vast majority of UK exporters rely on their customers' ability to speak English when selling to overseas markets (see Chapter 11.1).

The following table below provides more details of firms' market entry motivations by the type of market entered and the geographic area in which it lies.

Table 11.2.6 Market Entry Motivations (Most Recent Market)
- By Market Type & Region

	Most Recent Market - Type			Most Recent Market - Area				
	High growth	EEA	Other	Europe	North America	Latin America	M.East & Africa	Asia Pacific
<i>Base: All exporters</i>	226	323	269	401	85	35	122	173
All reasons								
Customer enquiry	74%	80%	77%	80%	78%	80%	76%	73%
Identified opportunities	56%	52%	52%	51%	56%	46%	56%	55%
Already had contacts	49%	44%	47%	43%	55%	43%	52%	47%
Knew someone in UK with experience	24%	20%	26%	20%	32%	20%	31%	22%
Common language	-	8%	25%	6%	50%	-	-	14%
Foreign language skills	10%	9%	5%	8%	-	6%	11%	9%
None of these	3%	1%	3%	1%	4%	3%	2%	3%
Don't know	0%	0%	1%	0%	1%	0%	1%	0%
Most important reason								
Customer enquiry	48%	54%	51%	54%	40%	62%	56%	45%
Identified opportunities	20%	18%	20%	18%	25%	11%	13%	25%
Already had contacts	23%	19%	17%	19%	21%	20%	21%	20%
Knew someone in UK with experience	4%	5%	6%	4%	5%	3%	7%	6%
Common language	-	1%	1%	0%	1%	-	-	1%
Foreign language skills	0%	1%	0%	1%	-	0%	0%	0%
None of these	4%	2%	4%	3%	7%	3%	2%	4%
Don't know	0%	0%	1%	0%	1%	0%	1%	0%

The above analysis suggests that firms' motivations are similar, irrespective of whether they are entering high growth markets, those in the European Economic Area or those elsewhere in the world. In each case, the primary reason for starting to do business in the country is in response to an enquiry from a potential customer.

There are also relatively few differences by geographical area, other than the higher incidence of the common language factor in North America (although this is still only identified as the most important reason by just 1% of firms).

12. Overseas Business Risks & Deterrents

12.1 Impact of Perceived Risks on Overseas Activity

Firms were read out a list of 6 possible risks associated with doing business overseas, and asked whether they had been put off from entering any overseas markets in the last 5 years as a result of each one. These results are summarised below.

Chart 12.1.1 Proportion Deterred from Entering an Overseas Market Due to Risk



Base: All respondents (Base, Don't know) Total (901, 0%)

Overall, around two-thirds (64%) of internationalising firms have been put off from entering a market due to one of the above risks.

All of the individual risks tested have affected the behaviour of a significant number of internationalising firms, with at least 24% reporting that that they have decided against entering an overseas market because of each one. However, the risk of not being paid (in full or on time) is the most significant deterrent to overseas expansion.

As seen below, UKTI users are significantly more likely than non-users to have decided against entering overseas markets because of the risks involved (75% vs. 60%). However, this should not necessarily be interpreted as meaning that UKTI users are more risk averse. Instead, it may be a reflection of the fact that UKTI users tend to be more 'involved' exporters (i.e. have been exporting longer, operate in more markets) and hence have had more opportunity to encounter these risks. It is also the case that users are more likely to be active in fast growing or emerging markets, where the likelihood of encountering some of these risks may be higher.

Table 12.1.1 Proportion Deterred from Entering an Overseas Market Due to Risk
- By UKTI Usage

	Total	UKTI Usage	
		UKTI User	Non-User
<i>Base</i>	901	281	620
Not being paid in full or on time	40%	48%	37%
Safety or security of staff	24%	29%	21%
Political or economic instability	36%	44%	32%
IP Theft	24%	33%	20%
Bribery, corruption or organised crime	30%	32%	29%
Not seeing return on investment	35%	39%	33%
None of these	35%	25%	40%
Don't know	0%	0%	0%
<i>Net: Put off by any risk</i>	64%	75%	60%

There is little difference in the impact of perceived risks on market entry by age or size of firm. It should be noted that although large firms (250+ employees) appear more likely to be affected by many of these risks, the base for this group is extremely low (just 12 respondents) so results should be treated with caution.

Table 12.1.2 Proportion Deterred from Entering an Overseas Market Due to Risk
- By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	249	191	461	62	539	601	224	62	12	887
Not being paid in full or on time	41%	42%	39%	39%	40%	40%	41%	37%	42%	40%
Safety or security of staff	25%	22%	23%	24%	21%	22%	26%	26%	58%	23%
Political or economic instability	38%	36%	35%	39%	35%	35%	38%	32%	59%	36%
IP Theft	25%	26%	23%	23%	24%	24%	26%	19%	8%	24%
Bribery, corruption or organised crime	35%	30%	28%	34%	30%	30%	30%	26%	58%	30%
Not seeing return on investment	41%	35%	32%	32%	34%	34%	37%	36%	25%	35%
None of these	33%	35%	37%	42%	36%	36%	34%	36%	25%	36%
Don't know	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
<i>Net: Put off by any risk</i>	67%	65%	63%	58%	64%	64%	66%	64%	75%	64%

As seen below, MSBs are more likely than smaller firms (i.e. with an annual turnover of less than £25million) to have been put off doing business in a particular market because of the potential risks involved.

Table 12.1.3 Proportion Deterred from Entering an Overseas Market Due to Risk – By Annual Turnover

	Annual Turnover			
	Up to 500k	£500k-£2m	£2m-£25m	£25m-£250m (MSBs)
<i>Base</i>	441	214	154	68
Not being paid in full or on time	37%	44%	43%	50%
Safety or security of staff	21%	24%	29%	31%
Political or economic instability	32%	38%	44%	59%
IP Theft	25%	26%	20%	18%
Bribery, corruption or organised crime	28%	33%	32%	46%
Not seeing return on investment	34%	36%	34%	44%
None of these	39%	31%	36%	13%
Don't know	0%	0%	0%	1%
<i>Net: Put off by any risk</i>	61%	69%	64%	85%

There are no clear or consistent differences in the impact of perceived risks by the number of markets in which firms are operating, or by the regions in which they do business.

Table 12.1.4 Impact of Perceived Risk on Overseas Activity – By Number of Markets & Regions Doing Business In

	Number of Markets				Regions				
	0	1-5	6-10	>10	Europe	North America	Latin America	M.East / Africa	Asia Pacific
<i>Base</i>	82	399	184	231	738	419	198	367	441
Not being paid in full or on time	43%	40%	41%	39%	39%	38%	35%	38%	39%
Safety or security of staff	28%	24%	16%	28%	22%	21%	27%	27%	24%
Political or economic instability	36%	36%	30%	40%	34%	33%	36%	37%	37%
IP Theft	31%	24%	18%	26%	22%	24%	23%	22%	25%
Bribery, corruption or organised crime	29%	28%	33%	31%	30%	30%	28%	30%	30%
Not seeing return on investment	43%	38%	34%	29%	34%	34%	27%	29%	35%
None of these	34%	37%	39%	32%	36%	38%	37%	34%	33%
Don't know	0%	0%	0%	0%	0%	0%	1%	0%	0%
<i>Net: Put off by any risk</i>	66%	63%	61%	68%	64%	62%	63%	66%	67%

It is interesting to note that more dynamic firms (i.e. those that have grown over the last 5 years or expect to grow over the next 5 years) are more likely to have been put off from doing business in overseas markets due to these risks.

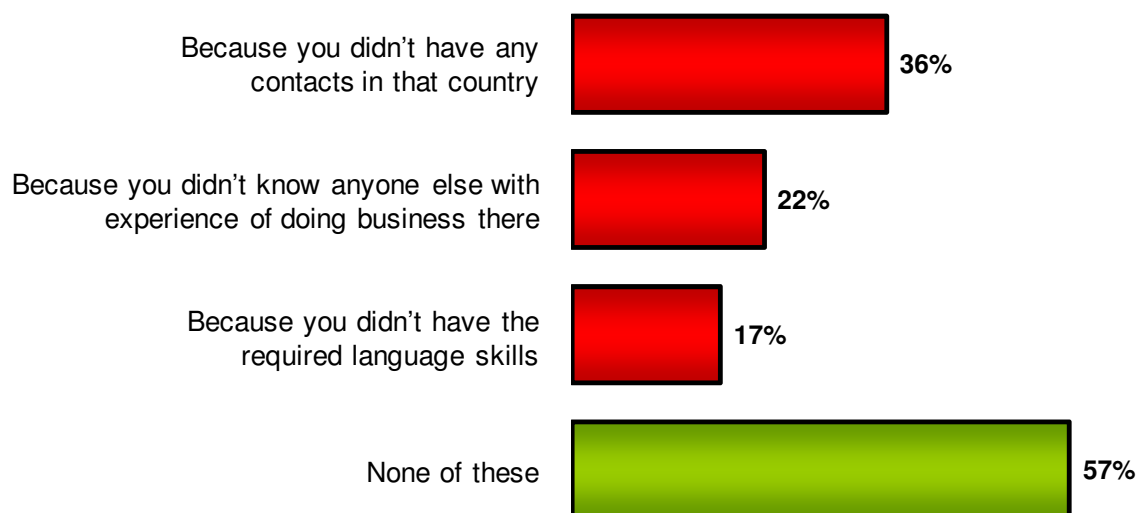
Table 12.1.5 Impact of Perceived Risk on Overseas Activity – By Growth

	Past Growth			Growth Objectives		
	Stayed same	Moderate growth	Substantial growth	Stayed same	Moderate growth	Substantial growth
<i>Base</i>	200	374	205	112	443	310
Not being paid in full or on time	33%	40%	46%	30%	41%	45%
Safety or security of staff	19%	25%	25%	19%	25%	25%
Political or economic instability	34%	34%	42%	31%	36%	41%
IP Theft	22%	23%	26%	12%	23%	31%
Bribery, corruption or organised crime	26%	31%	38%	23%	29%	38%
Not seeing return on investment	31%	32%	43%	24%	32%	46%
None of these	40%	36%	31%	51%	35%	28%
Don't know	0%	0%	1%	0%	0%	0%
<i>Net: Put off by any risk</i>	60%	64%	68%	49%	65%	71%

12.2 Other Deterrents to Overseas Activity

Firms were also read out a list of 3 other possible deterrents to doing business overseas, and asked whether they had decided not to do business in a particular country for each reason. These results are summarised below.

Chart 12.2.1 Proportion Deterred from Entering an Overseas Market Due to Other Factors



Base: All respondents (Base, Don't know) Total (901, 0%)

Overall, almost half (43%) of internationalising firms have decided not to enter a particular market due to one of the above reasons. The most significant of these was that firms did not have any contacts, with a third (36%) indicating that this deterred them from entering an overseas market.

As detailed earlier in this report, language is rarely a positive driver of market choice, with just 8% of firms choosing to enter their most recent market because they had the necessary language skills in-house (and none identifying this as the most important reason). However, although language skills do not tend to attract firms to markets, the lack of them can still be a significant deterrent with 17% claiming to have avoided a particular market for this reason.

There are few differences between UKTI users and non-users in this respect, although the latter are significantly more likely to have decided against entering overseas markets because they didn't have the required language skills (19% vs. 13%).

Table 12.2.1 Proportion Deterred from Entering an Overseas Market Due to Other Factors - By UKTI Usage

	Total	UKTI Usage	
		UKTI User	Non-User
<i>Base</i>	901	281	620
Didn't have required language skills	17%	13%	19%
Didn't have contacts in that country	36%	37%	36%
Didn't know anyone with experience of doing business there	22%	21%	22%
None of these	57%	56%	57%
Don't know	0%	0%	0%

The longer a firm has been trading, the less likely they are to have been put off entering a particular market for each of these reasons. The same is also true as size of firm increases.

Table 12.2.2 Proportion Deterred from Entering an Overseas Market Due to Other Factors – By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	249	191	461	62	539	601	224	62	12	887
Didn't have required language skills	23%	18%	13%	8%	21%	19%	14%	2%	8%	17%
Didn't have contacts in that country	40%	39%	33%	37%	39%	38%	33%	27%	25%	36%
Didn't know anyone with experience of doing business there	27%	24%	18%	18%	24%	24%	19%	10%	25%	22%
None of these	49%	58%	61%	58%	54%	54%	59%	69%	75%	57%
Don't know	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

As with employee numbers, firms with larger turnovers are less likely to have been put off entering a market because they didn't have the required language skills or because they didn't know anyone with experience of doing business in that country.

Table 12.2.3 Proportion Deterred from Entering an Overseas Market Due to Other Factors – By Annual Turnover

	Annual Turnover			
	Up to 500k	£500k-£2m	£2m-£25m	£25m-£250m (MSBs)
<i>Base</i>	441	214	154	68
Didn't have required language skills	20%	17%	10%	4%
Didn't have contacts in that country	38%	36%	32%	31%
Didn't know anyone with experience of doing business there	24%	22%	18%	12%
None of these	55%	56%	63%	65%
Don't know	0%	0%	0%	1%

The more markets that firms are active in, the less likely to have been put off entering a particular country for any of these reasons.

Table 12.2.4 Proportion Deterred from Entering an Overseas Market Due to Other Factors – By Number of Markets & Regions Doing Business In

	Number of Markets				Regions				
	0	1-5	6-10	>10	Europe	North America	Latin America	M.East / Africa	Asia Pacific
<i>Base</i>	82	399	184	231	738	419	198	367	441
Didn't have required language skills	30%	19%	18%	7%	14%	14%	8%	12%	12%
Didn't have contacts in that country	43%	41%	39%	24%	35%	33%	28%	30%	33%
Didn't know anyone with experience of doing business there	39%	23%	22%	13%	19%	18%	14%	17%	18%
None of these	39%	53%	55%	71%	60%	62%	66%	64%	61%
Don't know	1%	0%	0%	0%	0%	0%	1%	0%	0%

There are no significant differences in the proportion being put off entering overseas markets for these reasons when analysing by firms' past growth. However, the more ambitious a firm's growth objectives for the next 5 years, the more likely they are to have been deterred by a lack of language skills or lack of contacts.

Table 12.2.5 Proportion Deterred from Entering an Overseas Market Due to Other Factors – By Growth

	Past Growth			Growth Objectives		
	Stayed same	Moderate growth	Substantial growth	Stayed same	Moderate growth	Substantial growth
<i>Base</i>	<i>200</i>	<i>374</i>	<i>205</i>	<i>112</i>	<i>443</i>	<i>310</i>
Didn't have required language skills	14%	17%	18%	12%	16%	20%
Didn't have contacts in that country	36%	34%	36%	28%	36%	40%
Didn't know anyone with experience of doing business there	19%	23%	19%	20%	22%	23%
None of these	60%	56%	58%	66%	57%	53%
Don't know	0%	0%	1%	0%	0%	0%

13. Barriers to Overseas Trade

13.1 Individual Barriers

For the section of the interview relating to barriers, firms were asked to focus on just one market, as follows:

- Firms were asked to select the '**most challenging**' country that they had done business in over the last 5 years
- If they were unable to pick one, they were asked about the country they had started doing business in '**most recently**'

For full details of the markets selected by users and non-users of UKTI, please refer to Annex A.

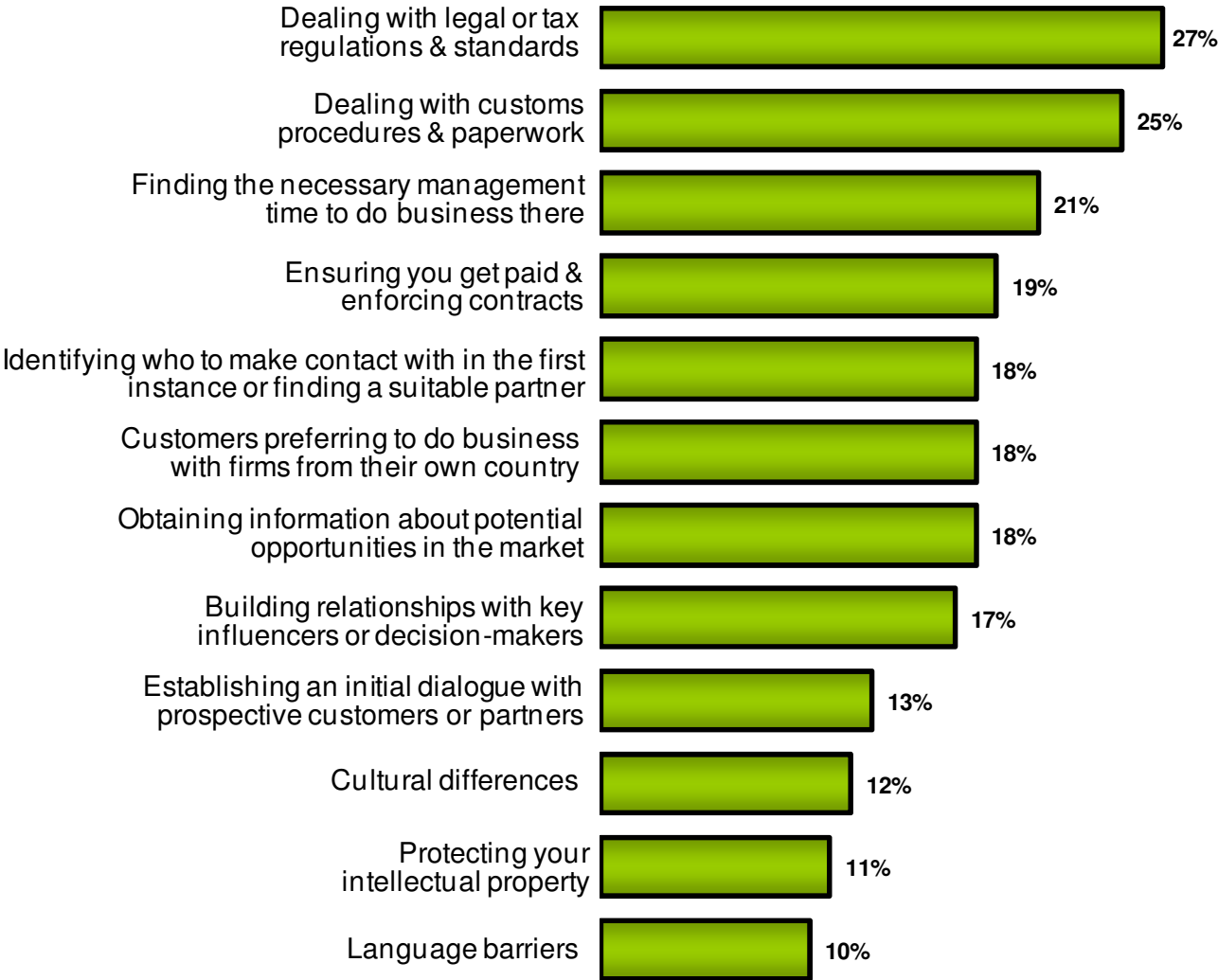
Firms were read out 12 potential barriers that they might have faced when trying to develop their business in the selected market, and asked to indicate the extent to which each one had been a difficulty (using a 5 point scale, where 5 meant it had been 'extremely difficult' and 1 meant it had 'not been at all difficult'). The barriers tested were as follows:

- Dealing with legal or tax regulations or standards
- Protecting your intellectual property
- Ensuring you get paid and enforcing contracts
- Dealing with customs procedures or paperwork
- Identifying who to make contact with in the first instance or finding a suitable partner
- Establishing an initial dialogue with prospective customers or business partners
- Building relationships with key influencers or decision-makers
- Obtaining information about the potential opportunities for your business
- Finding the necessary management time to devote to doing business there
- Language barriers
- Cultural differences
- Customers preferring to do business with firms from their own country (rather than with UK firms)

Please note that all analysis in this section of the report is based just on firms that were already doing business overseas.

The chart below shows the proportion of firms experiencing each barrier to a significant extent (i.e. scoring 4 or 5 out of 5 for the extent to which it was a difficulty).

Chart 13.1.1 Individual Barriers (Proportion Experiencing Significant Difficulties)



Base: All exporters (Base) (819)

The most widely experienced barriers both relate to the formalities and bureaucracy of doing business overseas, with 27% of firms reporting significant problems dealing with legal or tax regulations and 25% dealing with customs procedures.

As seen earlier (in Chapter 12.1), 40% of firms had been deterred from entering a new market due to the risk of not being paid. It is clear from the above analysis that this fear is not without substance as a fifth (19%) of exporters reported significant problems in this area.

It is also noteworthy that only 1 in 10 firms report significant difficulties with language barriers. This is consistent with the fact that the vast majority of firms use English when dealing with overseas customers (see Chapter 11.1). However, it may be that firms' overseas growth is being limited by their lack of language skills (e.g. through being unable to form deeper relationships, though lack of awareness of potential opportunities, etc) but they simply do not perceive this to be the case.

This finding is consistent with work conducted by Professor James Forman-Peck of the Welsh Institute for Research in Economic and Development, Cardiff University¹¹. This highlighted a ‘trade destruction’ effect whereby inadequate language skills reduce the chances of identifying profitable trading opportunities. It also hypothesised that ignorance of the benefits of language skills is more marked among British SME exporters who mistakenly rely on a supposed universal knowledge of the English language in foreign markets.

The table below shows further analysis of the barriers encountered by users and non-users of UKTI.

Table 13.1.1 Individual Barriers – By UKTI Usage

Proportion experiencing significant difficulty (4-5 out of 5) with...	Total	UKTI Usage	
		UKTI User	Non-User
<i>Base: All exporters</i>	819	264	555
Dealing with legal or tax regulations & standards	27%	30%	25%
Dealing with customs procedures & paperwork	25%	34%	21%
Finding the necessary management time to devote to doing business in there	21%	26%	19%
Ensuring you get paid and enforcing contracts	19%	21%	18%
Identifying who to make contact with in the first instance or finding a suitable partner	18%	26%	15%
Obtaining information about the potential opportunities for your business	18%	26%	15%
Customers preferring to do business with firms from their own country	18%	22%	16%
Building relationships with key influencers or decision-makers	17%	22%	14%
Establishing an initial dialogue with prospective customers or partners	13%	19%	10%
Cultural differences	12%	16%	9%
Protecting your intellectual property	11%	17%	7%
Language barriers	10%	13%	9%

It appears that UKTI users are more likely to experience most of these barriers than non-users. These differences are statistically significant for every barrier except dealing with legal/tax regulations, ensuring payment and language barriers.

This marked difference between users and non-users might suggest that it is the experience of encountering these difficulties that prompts firms to contact UKTI (or even that UKTI support serves to raise awareness of the barriers and issues that may be encountered overseas). However, it should be remembered that respondents were asked to talk about the ‘most challenging’ market that they had done business in, and this is likely to be contributing towards the difference in the barriers experienced by users and non-users. UKTI users tend to have been doing business overseas longer, be operating in more markets and are more likely to be doing business in high growth markets. As such, they would appear to have a higher chance of having encountered a particularly ‘challenging’ market which involves significant barriers.

¹¹ Language Skills & Exports presentation, UKTI ‘Stimulating Export Growth’ Conference, June 2013.

13.2 Summary Barriers

The 12 individual barriers that firms were prompted with have been combined into common themes for ease and clarity of analysis, as outlined below.

Summary Barriers

Legal & regulatory barriers

- Dealing with legal or tax regulations or standards
- Or, Protecting your intellectual property
- Or, Ensuring you get paid and enforcing contracts

Customs barriers

- Dealing with customs procedures or paperwork

Contacts barriers

- Identifying who to make contact with in the first instance or finding a suitable partner
- Or, Establishing an initial dialogue with prospective customers or business partners
- Or, Building relationships with key influencers or decision-makers

Information barriers

- Obtaining information about the potential opportunities for your business there

Resource barriers

- Finding the necessary management time to devote to doing business there

Language & cultural barriers

- Language barriers
- Cultural differences

Bias barriers

- Customers preferring to do business with firms from their own country (rather than UK firms)

Firms are classified as experiencing each of these barriers if they report significant difficulties with any of the constituent elements (i.e. 4-5 on a 5 point scale, where 1 meant it had 'not been at all difficult' and 5 meant it had been 'extremely difficulty'.

The table below shows the proportion of firms experiencing each type of barrier, along with the number of individual barriers experienced.

Table 13.2.1 Summary Barriers – By UKTI Usage

	Total	UKTI Usage	
		UKTI User	Non-User
<i>Base: All exporters</i>	819	264	555
Types of Barriers			
Legal & regulatory barriers	40%	46%	38%
Contacts barriers	28%	37%	24%
Customs barriers	25%	34%	21%
Resource barriers	21%	26%	19%
Information barriers	18%	26%	15%
Bias barriers	18%	22%	16%
Language & cultural barriers	17%	21%	14%
Number of Barriers			
At least one significant individual barrier	66%	79%	60%
- One	18%	17%	18%
- Two	14%	16%	13%
- Three	11%	14%	10%
- Four or more	24%	32%	20%
No significant barriers	34%	21%	40%

As has been the case in past UKTI studies, internationalising firms are most likely to be affected by legal and regulatory barriers, followed by contacts and customs barriers.

Overall, two-thirds (66%) of firms have experienced at least one significant barrier in their selected market and many firms encounter multiple barriers, with a quarter (24%) reporting significant difficulties with four or more of the individual barriers tested. This suggests there is a clear need for some form of external assistance to help firms overcome these barriers and successfully trade in overseas markets.

UKTI users clearly come across more significant barriers than non-users, with 79% experiencing at least one, compared to only 60% of non-users. Users are significantly more likely to encounter all of the barrier types. However, as mentioned previously, firms were focussing on their 'most challenging' market. UKTI users tend to have been doing business overseas longer, be operating in more markets and are more likely to be doing business in high growth markets and as a result have a higher chance of having encountered a particularly 'challenging' market which involves significant barriers.

The table below provides further analysis of the barriers experienced by whether firms were prompted to enter the market as a result of a customer enquiry and whether they already employed someone with experience/contacts in the market when they started doing business there.

Table 13.2.2 Summary Barriers – By Market Entry Context

	Market Entry Context		
	Received approach or enquiry from potential customer or partner in <MARKET>	Already employed someone with experience of <MARKET> or contact there	Neither
<i>Base: All exporters</i>	661	270	88
Types of Barriers			
Legal & regulatory barriers	42%	46%	31%
Contacts barriers	27%	29%	34%
Customs barriers	26%	24%	20%
Resource barriers	22%	21%	23%
Information barriers	18%	17%	21%
Bias barriers	18%	19%	19%
Language & cultural barriers	17%	17%	17%
Number of Barriers			
At least one significant individual barrier	66%	67%	69%
- One	18%	15%	19%
- Two	13%	16%	15%
- Three	11%	10%	14%
- Four or more	25%	26%	22%
No significant barriers	34%	33%	31%

Firms who entered markets in response to an approach from a potential customer/partner or because they already had staff with experience and/or contacts there were just as likely to encounter significant barriers as those who did not. This demonstrates that even in cases where the contacts have already been made, firms can still face difficulties.

Please note that it is not possible to provide meaningful analysis by market entry mode, as data was only collected on all modes used by the firm when doing business overseas and not the specific mode employed in this particular market. However, the 2012 survey did identify the market-specific mode and revealed that firms operating overseas sites were most likely to have encountered all of the barrier types and also tended to experience a greater number of barriers. Doing business overseas through contractual arrangements was also associated with a greater incidence of barriers.

While it might be expected that larger and older firms are less likely to experience barriers due to their greater resources (and typically greater overseas experience), the tables below demonstrate that the opposite is in fact true. The likelihood encountering significant barriers increases with among firms with more employees and higher turnovers, and also increases (albeit to a lesser extent) among older firms.

Table 13.2.3 Summary Barriers – By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base: All exporters</i>	203	175	441	51	480	531	212	62	12	805
Types of Barriers										
Legal & regulatory	35%	47%	40%	33%	39%	38%	43%	47%	59%	40%
Contacts	28%	33%	27%	14%	29%	27%	28%	39%	33%	28%
Customs	22%	30%	25%	16%	25%	24%	25%	32%	59%	25%
Resource	20%	20%	22%	14%	21%	21%	23%	26%	17%	22%
Information	18%	18%	19%	12%	19%	18%	17%	23%	17%	18%
Bias	12%	15%	21%	16%	16%	16%	21%	26%	17%	18%
Language & cultural	15%	11%	20%	14%	16%	16%	16%	26%	8%	17%
Number of Barriers										
At least one barrier	61%	66%	69%	55%	65%	64%	69%	79%	75%	66%
- One	17%	18%	18%	20%	18%	18%	18%	15%	8%	18%
- Two	15%	9%	15%	16%	12%	13%	15%	13%	25%	13%
- Three	7%	13%	12%	8%	10%	10%	11%	19%	8%	11%
- Four or more	22%	26%	24%	12%	24%	23%	24%	32%	33%	24%
No significant barriers	39%	34%	31%	45%	35%	36%	32%	21%	25%	34%

Table 13.2.4 Summary Barriers – By Annual Turnover

	Annual Turnover			
	Up to 500k	£500k-£2m	£2m-£25m	£25m-£250m (MSBs)
<i>Base: All exporters</i>	380	200	151	68
Types of Barriers				
Legal & regulatory	38%	41%	44%	54%
Contacts	28%	26%	33%	34%
Customs	23%	28%	30%	38%
Resource	22%	25%	19%	25%
Information	17%	21%	19%	18%
Bias	15%	23%	19%	21%
Language & cultural	15%	18%	20%	22%
Number of Barriers				
At least one barrier	64%	69%	72%	81%
- One	21%	15%	18%	19%
- Two	12%	14%	16%	19%
- Three	9%	15%	11%	15%
- Four or more	22%	26%	26%	28%
No significant barriers	36%	31%	28%	19%

There is also no evidence that barriers decline as firms become more experienced overseas and in fact the opposite is true. The longer firms have been exporting and the greater the number of markets and regions they operate in, the more likely they are to report significant barriers. However, it should be remembered that this data relates to firms' most challenging market, and experienced exporters are more likely to have encountered more difficult markets.

Table 13.2.5 Summary Barriers – By Overseas Experience

	Years Exporting			Number of Markets		
	Less than 2 years	2-10 years	Over 10 years	1-5	6-10	More than 10
<i>Base: All exporters</i>	123	378	310	399	184	231
Types of Barriers						
Legal & regulatory	33%	41%	43%	33%	43%	52%
Contacts	29%	29%	28%	26%	29%	33%
Customs	15%	29%	25%	17%	29%	37%
Resource	20%	20%	24%	21%	23%	21%
Information	15%	19%	20%	15%	20%	23%
Bias	15%	16%	21%	17%	17%	20%
Language & cultural	14%	14%	21%	13%	19%	22%
Number of Barriers						
At least one barrier	55%	68%	70%	60%	69%	76%
- One	16%	20%	16%	19%	21%	13%
- Two	10%	13%	15%	12%	10%	19%
- Three	5%	11%	13%	10%	10%	14%
- Four or more	24%	23%	25%	19%	29%	29%
No significant barriers	45%	32%	30%	40%	31%	24%

Table 13.2.6 Summary Barriers – By Number of Regions

	Number of Overseas Regions Active In				
	One	Two	Three	Four	Five
<i>Base: All exporters</i>	228	165	193	129	102
Types of Barriers					
Legal & regulatory	32%	35%	41%	54%	48%
Contacts	25%	24%	31%	35%	30%
Customs	13%	22%	30%	36%	34%
Resource	21%	25%	20%	20%	22%
Information	14%	20%	19%	18%	26%
Bias	16%	16%	18%	18%	25%
Language & cultural	10%	17%	20%	20%	22%
Number of Barriers					
At least one barrier	54%	66%	70%	75%	76%
- One	17%	24%	17%	16%	15%
- Two	10%	11%	13%	20%	16%
- Three	7%	10%	14%	11%	17%
- Four or more	20%	21%	26%	29%	29%
No significant barriers	46%	34%	30%	25%	25%

As seen below, innovative and IP active firms are more likely to experience barriers when operating overseas – particularly legal and regulatory, customs, resource and language and cultural barriers.

Table 13.2.7 Summary Barriers – By Innovation

	Innovative			IP Active	
	Yes (alternative)	Yes	No	Yes	No
<i>Base: All exporters</i>	367	623	196	215	596
Types of Barriers					
Legal & regulatory	49%	41%	36%	50%	37%
Contacts	31%	29%	27%	33%	27%
Customs	30%	27%	20%	33%	23%
Resource	27%	23%	16%	27%	20%
Information	19%	18%	18%	20%	18%
Bias	19%	18%	18%	22%	16%
Language & cultural	21%	19%	10%	24%	14%
Number of Barriers					
At least one barrier	73%	69%	59%	77%	63%
- One	17%	17%	21%	15%	19%
- Two	13%	14%	11%	15%	13%
- Three	14%	12%	7%	14%	10%
- Four or more	30%	25%	20%	33%	21%
No significant barriers	27%	31%	41%	23%	37%

The more ambitious a firm's growth objectives the more likely they are to encounter significant barriers. This suggests that growing firms are most in need of external assistance to enable them to achieve their objectives.

Table 13.2.8 Summary Barriers – By Innovation & Growth

	Growth Objectives			Innovation & Growth		
				Innovative		Non innovative
	Stay same	Mod. growth	Sub. growth	Expect sub. growth	Other	
<i>Base: All exporters</i>	109	405	270	239	384	196
Types of Barriers						
Legal & regulatory	26%	41%	46%	47%	38%	36%
Contacts	20%	27%	35%	35%	25%	27%
Customs	22%	24%	31%	31%	24%	20%
Resource	16%	21%	26%	27%	20%	16%
Information	12%	17%	23%	23%	15%	18%
Bias	14%	17%	21%	21%	16%	18%
Language & cultural	14%	15%	22%	23%	16%	10%
Number of Barriers						
At least one barrier	54%	67%	74%	76%	64%	59%
- One	17%	19%	16%	18%	17%	21%
- Two	14%	15%	13%	13%	15%	11%
- Three	7%	11%	13%	13%	11%	7%
- Four or more	16%	22%	32%	32%	21%	20%
No significant barriers	46%	33%	26%	24%	36%	41%

There is some suggestion that firms classified as 'born global' under the tighter definition and young, technology intensive firms are more likely to experience barriers than other young firms, but these differences are not statistically significant.

Table 13.2.9 Summary Barriers – By Born Global & Young, Tech Intensive

	Up to 5 years old				Over 5 years old
	Total	Born global	Born global (alternative)	Young, tech intensive	
<i>Base: All exporters</i>	203	111	45	87	616
Types of Barriers					
Legal & regulatory	35%	39%	40%	43%	42%
Contacts	28%	23%	25%	30%	29%
Customs	22%	24%	36%	28%	26%
Resource	20%	15%	16%	31%	22%
Information	18%	17%	25%	17%	19%
Bias	12%	9%	13%	11%	20%
Language & cultural	15%	12%	16%	20%	17%
Number of Barriers					
At least one barrier	61%	59%	67%	69%	68%
- One	17%	14%	13%	17%	18%
- Two	15%	19%	24%	16%	13%
- Three	7%	5%	2%	10%	12%
- Four or more	22%	20%	27%	25%	25%
No significant barriers	39%	41%	33%	31%	32%

There is clear evidence that high growth markets are associated with greater barriers than those elsewhere in the world, with legal and regulatory issues a particular problem. However, it is still the case that more than half of the firms that were focussing on EEA markets had still experienced at least one significant barrier.

Table 13.2.10 Summary Barriers – By Market Type

	Market		
	High Growth	EEA	Other
<i>Base: All exporters</i>	297	264	258
Types of Barriers			
Legal & regulatory	52%	31%	36%
Contacts	35%	23%	26%
Customs	37%	12%	25%
Resource	25%	17%	22%
Information	23%	13%	19%
Bias	16%	19%	18%
Language & cultural	24%	11%	14%
Number of Barriers			
At least one barrier	77%	57%	64%
- One	17%	18%	19%
- Two	16%	13%	11%
- Three	12%	10%	11%
- Four or more	32%	16%	23%
No significant barriers	23%	43%	36%

The table below provides analysis of the barriers experienced by individual market. Please note that it has only been possible to provide this analysis for markets selected by at least 30 respondents.

Table 13.2.11 Summary Barriers – By Individual Market

	Individual Market (selected by 30+ respondents)							
	China	France	Germany	India	Ireland	Russia	UAE	USA
<i>Base: All exporters</i>	66	51	37	47	38	45	39	89
Types of Barriers								
Legal & regulatory	62%	27%	24%	49%	34%	53%	31%	33%
Contacts	42%	24%	38%	36%	5%	35%	38%	27%
Customs	30%	4%	14%	40%	11%	49%	21%	21%
Resource	24%	22%	16%	34%	8%	29%	21%	24%
Information	21%	12%	19%	21%	5%	29%	26%	14%
Bias	18%	33%	30%	15%	5%	20%	8%	24%
Language & cultural	35%	16%	16%	23%	0%	18%	13%	5%
Number of Barriers								
At least one barrier	82%	57%	68%	79%	42%	82%	56%	64%
- One	9%	14%	22%	19%	24%	20%	15%	22%
- Two	17%	18%	11%	19%	8%	22%	3%	13%
- Three	17%	12%	14%	8%	5%	9%	10%	14%
- Four or more	39%	14%	22%	32%	5%	31%	28%	16%
No sig. barriers	18%	43%	32%	21%	58%	18%	44%	36%

Based on the above analysis, there are significant variations in the type and extent of barriers experienced in different markets. China, Russia and India appear to be the most challenging markets, with the vast majority of firms (82%, 82% and 79% respectively) reporting at least one significant barrier. However, even in an established, English-speaking market like the USA or geographically close markets such as France or Germany, well over half of firms still report significant difficulties.

Legal and regulatory issues are very significant issues in China, with 62% reporting a significant difficulty in these areas. Customs procedures are a major problem for firms doing business in Russia, with around half of firms reporting issues in this area (compared to 25% overall). They are also a relatively widespread problem in India (40%).

It also appears that many firms are having difficulty finding the necessary management time to devote to doing business in India, with 34% experiencing this barrier (compared to 21% across all markets).

As in previous years, bias barriers (i.e. where firms in an overseas market demonstrate a preference for doing business with other firms from their own market rather than from the UK) are considerably higher than average in France, and also emerge as an issue in Germany.

Perhaps unsurprisingly, China was the market most widely cited as involving language and cultural barriers (35%, compared to 17% across all markets).

As seen below, UKTI users are more likely to report significant barriers than non-users across all market types. This suggests that the greater incidence of barriers amongst UKTI clients is not simply a reflection of the type of markets they do business in.

Table 13.2.12 Summary Barriers – By Market Type & UKTI Usage

	High Growth		EEA		Other	
	UKTI User	Non-User	UKTI User	Non-User	UKTI User	Non-User
<i>Base: All exporters</i>	109	188	66	198	89	169
Types of Barriers						
Legal & regulatory	59%	47%	38%	29%	36%	36%
Contacts	43%	30%	29%	21%	37%	21%
Customs	48%	30%	11%	13%	35%	20%
Resource	28%	23%	15%	18%	34%	15%
Information	31%	18%	18%	11%	26%	15%
Bias	17%	16%	26%	17%	25%	15%
Language & cultural	28%	21%	11%	12%	20%	10%
Number of Barriers						
At least one barrier	86%	71%	71%	52%	75%	58%
- One	14%	19%	21%	17%	19%	19%
- Two	17%	15%	18%	11%	11%	11%
- Three	17%	9%	11%	10%	12%	10%
- Four or more	38%	28%	21%	15%	33%	18%
No significant barriers	14%	29%	29%	48%	25%	42%

Similarly, when the analysis compares users and non-users that are active in a similar number of markets, UKTI users are still more likely to report significant barriers (although this difference is only significant for those active in 1-5 markets).

Table 13.2.13 Summary Barriers – By Number of Markets & UKTI Usage

	1-5 markets		6-10 markets		More than 10 markets	
	UKTI User	Non-User	UKTI User	Non-User	UKTI User	Non-User
<i>Base: All exporters</i>	136	348	55	79	51	51
Types of Barriers						
Legal & regulatory	42%	35%	45%	47%	61%	53%
Contacts	37%	25%	33%	24%	49%	27%
Customs	32%	20%	40%	25%	47%	41%
Resource	27%	22%	27%	14%	26%	20%
Information	23%	16%	24%	15%	43%	14%
Bias	17%	20%	20%	10%	41%	14%
Language & cultural	19%	16%	22%	15%	33%	20%
Number of Barriers						
At least one barrier	79%	61%	80%	66%	83%	76%
- One	24%	18%	7%	19%	6%	18%
- Two	12%	12%	33%	18%	8%	18%
- Three	13%	9%	14%	9%	16%	20%
- Four or more	30%	22%	25%	20%	53%	22%
No significant barriers	21%	39%	20%	34%	17%	24%

The analysis below suggests that firms with over 2 year export experience are more likely to encounter barriers in all types of market, although it should be noted that none of these differences are statistically significant due to the low bases sizes.

Table 13.2.14 Summary Barriers – By Market Type & Overseas Experience

	High Growth			EEA			Other		
	Exp. up to 2 yrs	Exp. 2-10 yrs	Exp. over 10 yrs	Exp. up to 2 yrs	Exp. 2-10 yrs	Exp. over 10 yrs	Exp. up to 2 yrs	Exp. 2-10 yrs	Exp. over 10 yrs
<i>Base: All exporters</i>	36	139	120	43	124	95	44	115	95
Types of Barriers									
Legal & regulatory	47%	51%	53%	30%	33%	31%	25%	37%	41%
Contacts	42%	39%	28%	21%	23%	24%	25%	24%	31%
Customs	22%	41%	36%	9%	19%	5%	14%	25%	31%
Resource	39%	23%	23%	14%	16%	20%	11%	22%	27%
Information	22%	24%	23%	14%	13%	13%	9%	18%	23%
Bias	14%	17%	16%	16%	16%	25%	16%	16%	23%
Language & cultural	36%	18%	27%	0%	14%	14%	9%	10%	21%
Number of Barriers									
At least one barrier	69%	77%	79%	46%	59%	60%	52%	66%	67%
- One	17%	19%	14%	14%	19%	19%	18%	21%	16%
- Two	11%	14%	21%	9%	14%	14%	9%	13%	11%
- Three	3%	12%	15%	9%	10%	11%	2%	13%	13%
- Four or more	39%	32%	29%	14%	17%	17%	23%	19%	28%
No significant barriers	31%	23%	21%	54%	41%	40%	48%	34%	33%

In EEA markets, micro SMEs are less likely to report barriers than larger firms. There are no significant differences in this respect in high growth or other markets due to the low bases.

Table 13.2.15 Summary Barriers – By Market Type & Size

	High Growth				EEA				Other			
	0-9	10-249	250+	SME total	0-9	10-249	250+	SME total	0-9	10-249	250+	SME total
<i>Base: All exporters</i>	181	108	7	289	174	89	1	263	176	77	4	253
Types of Barriers												
Legal & regulatory	50%	54%	57%	52%	28%	38%	0%	32%	35%	36%	75%	36%
Contacts	36%	32%	29%	35%	20%	29%	0%	23%	25%	30%	50%	26%
Customs	37%	36%	57%	36%	13%	10%	0%	12%	21%	33%	75%	25%
Resource	25%	25%	14%	25%	17%	17%	0%	17%	19%	29%	25%	22%
Information	24%	21%	14%	23%	13%	12%	100%	13%	18%	21%	0%	19%
Bias	15%	19%	0%	17%	14%	28%	100%	19%	18%	19%	25%	18%
Language & cultural	24%	24%	14%	24%	10%	14%	0%	11%	13%	16%	0%	14%
Number of Barriers												
At least one barrier	76%	78%	72%	77%	52%	65%	100%	57%	63%	68%	75%	64%
- One	17%	16%	14%	17%	17%	19%	0%	18%	20%	18%	0%	19%
- Two	16%	17%	14%	16%	11%	15%	100%	13%	11%	12%	25%	11%
- Three	9%	16%	14%	12%	9%	11%	0%	10%	11%	10%	0%	11%
- Four or more	34%	30%	29%	32%	14%	20%	0%	16%	21%	27%	50%	23%
No sig. barriers	24%	22%	28%	23%	48%	35%	0%	43%	37%	32%	25%	36%

At the total level, there are no significant differences in the barriers encountered by production and service sector firms.

Table 13.2.16 Summary Barriers – By Market Type & Sector

	Total		High Growth		EEA		Other	
	Prod.	Serv.	Prod.	Serv.	Prod.	Serv.	Prod.	Serv.
<i>Base: All exporters</i>	238	581	80	217	93	171	65	193
Types of Barriers								
Legal & regulatory	37%	42%	46%	54%	32%	31%	32%	37%
Contacts	27%	29%	36%	34%	20%	25%	25%	27%
Customs	24%	26%	41%	35%	10%	13%	25%	25%
Resource	21%	22%	28%	24%	17%	17%	18%	23%
Information	22%	17%	26%	22%	15%	12%	26%	16%
Bias	16%	18%	15%	17%	18%	20%	15%	19%
Language & cultural	13%	18%	20%	25%	5%	15%	14%	14%
Number of Barriers								
At least one barrier	65%	67%	75%	78%	55%	58%	68%	63%
- One	18%	18%	12%	18%	18%	18%	23%	18%
- Two	14%	13%	17%	16%	10%	15%	15%	10%
- Three	14%	10%	21%	8%	12%	9%	8%	12%
- Four or more	20%	26%	24%	35%	15%	17%	22%	23%
No sig. barriers	35%	33%	25%	22%	45%	42%	32%	37%

14. Importing

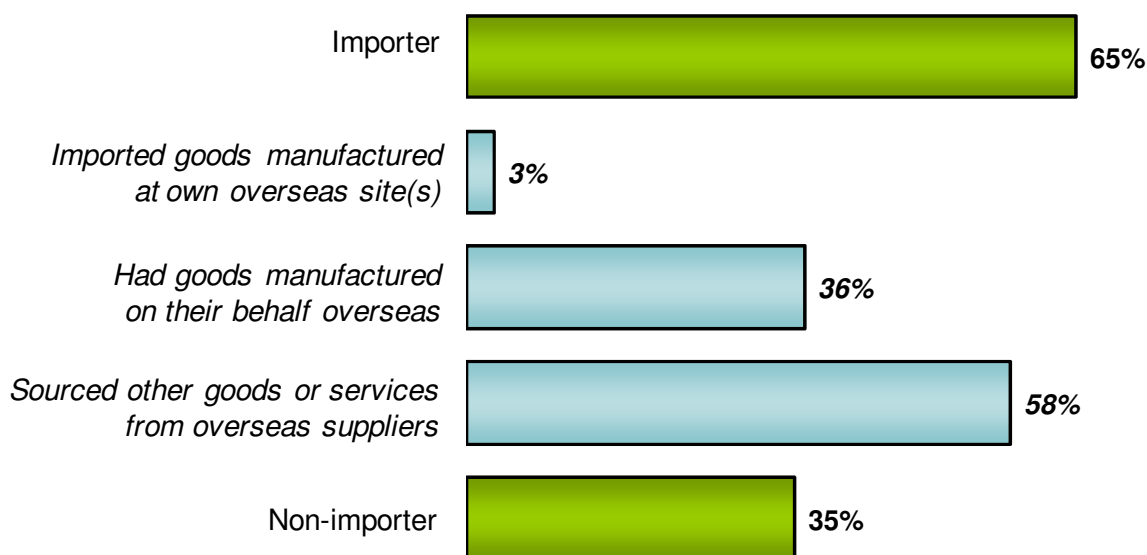
14.1 Proportion of Exporters That Also Import

Firms were asked about their importing activity, and have been classified as 'importers' if they had done any of the following in the previous 5 years:

- Imported goods into the UK that had been manufactured at their own overseas site;
- Imported goods into the UK that had been manufactured for them overseas (i.e. by an overseas supplier under contract to them, or from their parent/other group companies)
- Sourced any other goods or services from overseas suppliers.

The chart below summarises these results.

Chart 14.1.1 Proportion of Exporters That Also Import



Base: All respondents (Base, Don't know) (901, 0%)

Two-thirds (65%) of exporters have also imported goods or services into the UK. This most commonly involves simply purchasing goods/services from overseas suppliers. However, over a third are 'off-shoring' in the sense that they have had goods manufactured overseas (either on their behalf or, in a minority of cases, at their own site).

The table below shows the proportion of firms that import, by UKTI usage and whether they are UK or foreign-owned¹².

Table 14.1.1 Proportion of Exporters That Also Import
– By UKTI Usage & Ownership

	Total	UKTI Usage		Company Ownership	
		UKTI User	Non-User	UK	Foreign
<i>Base</i>	901	281	620	839	60
Importer	65%	74%	61%	63%	87%
- Imported goods manufactured at own overseas site(s)	3%	5%	2%	2%	17%
- Had goods manufactured on their behalf overseas	36%	47%	31%	33%	68%
- Sourced others goods or services from overseas suppliers	58%	64%	54%	56%	75%
Non-importer	35%	26%	39%	37%	13%

UKTI users are more likely to import goods or services, and this is true of all the three types of import activity. Foreign-owned firms are also more heavily involved in importing, and over-two thirds of this group have goods manufactured on their behalf overseas (often by other firms in their group).

For the remainder of this section of the report **all the analysis is based solely on the 65% of firms that have imported** in the last 5 years.

14.2 Types of Goods/Services Imported

Firms were asked what types of goods and services they had imported in the last 5 years.

Table 14.2.1 Types of Goods/Services Imported
– By UKTI Usage & Company Ownership

	Total	UKTI Usage		Company Ownership	
		UKTI User	Non-User	UK	Foreign
<i>Base: All importers</i>	583	207	376	529	52
Finished products	68%	68%	69%	68%	71%
Components	39%	46%	35%	38%	56%
Raw materials	28%	33%	26%	26%	44%
Business services	20%	17%	22%	20%	21%
R&D	12%	14%	10%	11%	21%
Other	5%	5%	5%	5%	8%
Don't know	2%	3%	1%	2%	2%

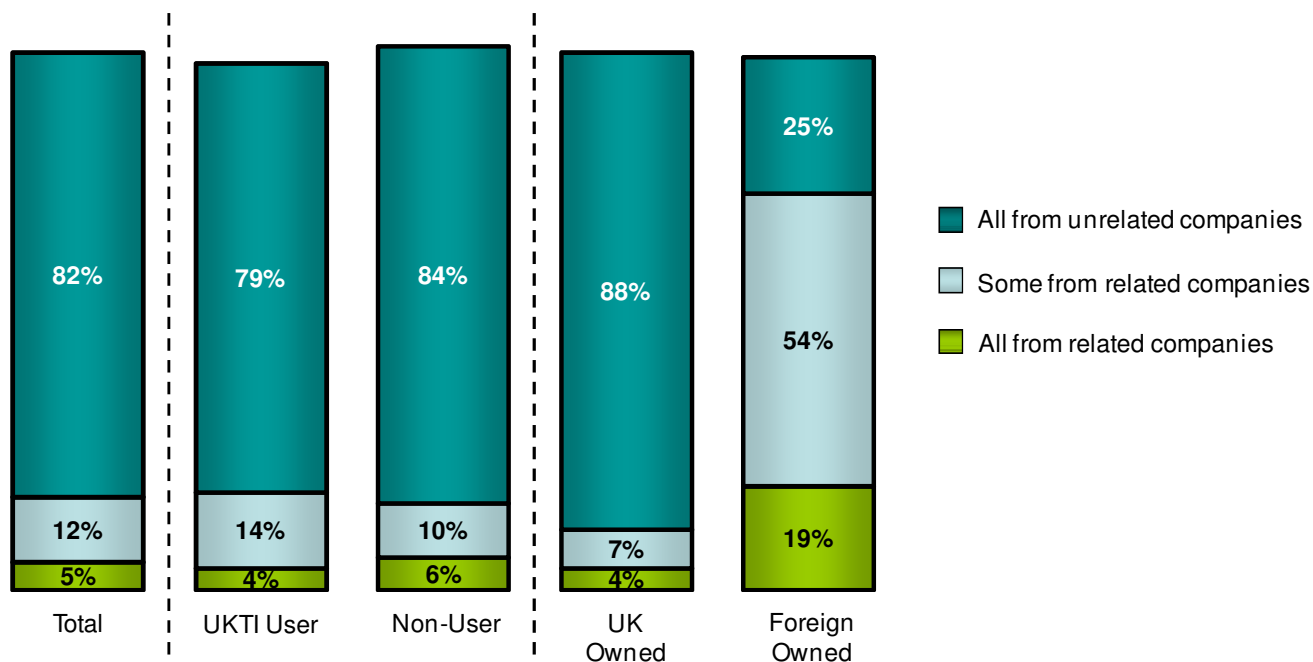
Two-thirds of importing firms purchase finished products from overseas suppliers, with over a third sourcing components. Foreign-owned companies are more likely to have imported components, raw materials and R&D than domestically-owned firms.

¹² Please note that firms that are joint UK & foreign owned have been included in the foreign owned category.

14.3 Whether Import From Associated Companies

Firms were also asked whether the goods and services they have imported were provided by a company related to their business (e.g. a parent company, subsidiary, sister company, etc).

Chart 14.3.1 Whether Imported From Related Companies
– By UKTI Usage & Company Ownership



Base: All importers (Base, Don't know)
Total (583, 1%), UKTI Users (207, 2%), Non-Users (376, 1%), UK Owned (529, 1%), Foreign Owned (52, 2%)

As detailed above, the vast majority of firms (82%) solely import from suppliers that are not related to their company. However, the glaring exception to this is foreign-owned firms, with 73% of this group sourcing at least some of these goods or services from associated companies (and 19% importing solely from within their wider organisation).

14.4 Reasons for Importing

Those firms that had imported in the last 5 years were asked for their reasons for doing so, with the results shown below.

Table 14.4.1 Reasons For Importing
– By UKTI Usage & Company Ownership

	Total	UKTI Usage		Company Ownership	
		UKTI User	Non-User	UK	Foreign
<i>Base: All importers</i>	583	207	376	529	52
To get more competitive prices	69%	72%	67%	69%	62%
No UK supplier of these products/services	55%	51%	57%	54%	56%
To get better quality products or services	42%	40%	43%	40%	58%
No choice due to company policy	9%	8%	9%	7%	25%
Other reason	10%	8%	10%	10%	8%
Don't know	1%	1%	0%	0%	2%

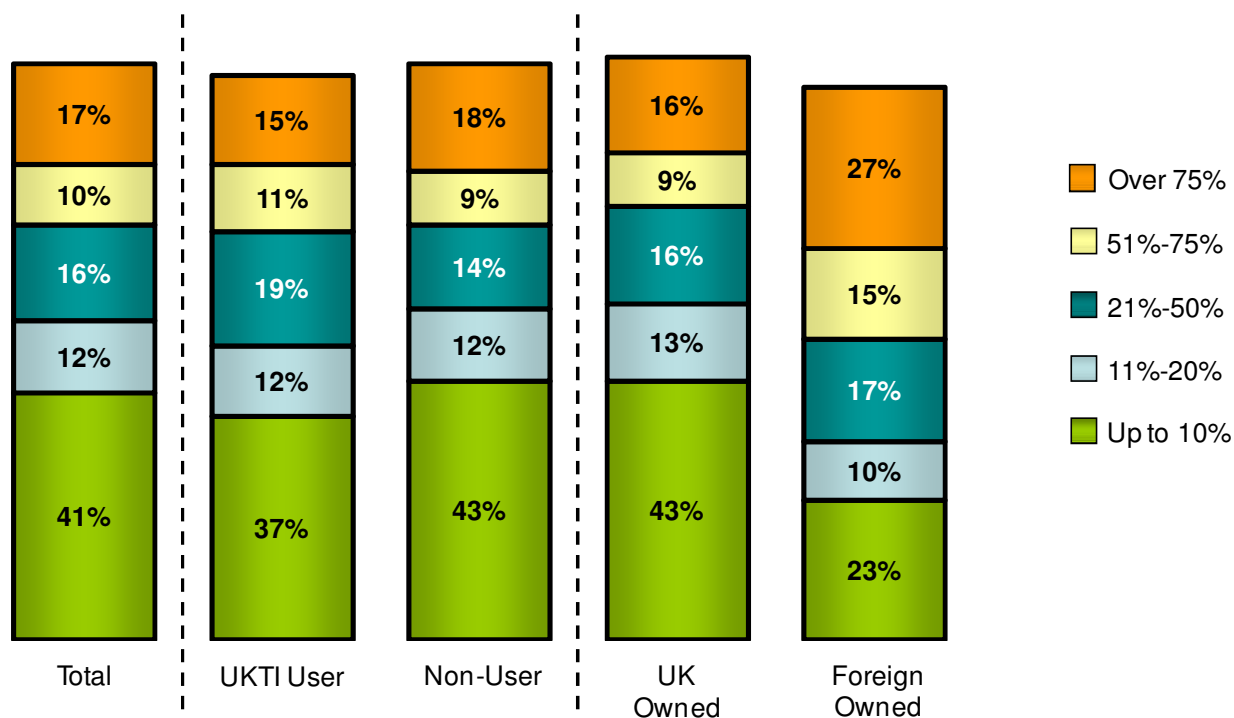
The main drivers of import activity are cost and a perceived lack of UK alternatives, with these mentioned by 69% and 55% of firms respectively. Product/service quality is also a significant factor, with two-fifths of firms citing this as a reason for purchasing from overseas suppliers.

At the total level, only a small minority of firms (9%) indicated that they import because they have no choice (i.e. their procurement channels are dictated by their parent company). However, this proportion rises sharply among foreign-owned firms, to 25%.

14.5 Import Proportion (% of All Purchases)

Importing firms were asked to estimate the proportion of all their purchases (in cost terms) that were sourced from overseas supplier.

Chart 14.5.1 Proportion of Total Purchases Sourced From Overseas Suppliers – By UKTI Usage & Company Ownership



Base: All importers (Base, Don't know)
 Total (583, 4%), UKTI Users (207, 6%), Non-Users (376, 3%), UK Owned (529, 4%), Foreign Owned (52, 8%)

As detailed above, around a quarter of firms are very substantial importers who source over 50% of their goods or services from overseas suppliers. This is more likely to be the case among foreign-owned firms, 42% of whom import the majority of their purchases.

Firms were also asked whether the proportion of their total purchases accounted for by imports had changed over the last 3 years, and whether they expected it to change over the next 3 years.

Table 14.5.1 Changes in Import Proportion Over Time
– By UKTI Usage & Company Ownership

	Total	UKTI Usage		Company Ownership	
		UKTI User	Non-User	UK	Foreign
<i>Base: All importers</i>	583	207	376	529	52
Last 3 years - Change in % of purchases accounted for by imports					
Increased	36%	34%	37%	37%	27%
Stayed same	51%	50%	51%	51%	56%
Decreased	10%	11%	10%	10%	12%
Don't know	3%	4%	2%	2%	6%
Next 3 years – Anticipated change in % of purchases accounted for by imports					
Increase	36%	34%	37%	36%	38%
Stay same	53%	53%	53%	52%	58%
Decrease	8%	8%	7%	8%	2%
Don't know	4%	5%	3%	4%	2%

On balance, imports have grown in importance over the past 3 years and are expected to increase further over the next 3 years. There are no notable differences by UKTI usage or company ownership in this respect.

The table below provides further analysis of the change in the import proportion by the proportion of firms' purchases that are currently accounted for by imports.

Table 14.5.2 Changes in Import Proportion Over Time
– By Current Import Proportion

	Current Import Proportion (% of all purchases)				
	1-10%	11-20%	21-50%	51-75%	>75%
<i>Base: All importers</i>	239	71	93	56	99
Last 3 years - Change in % of purchases accounted for by imports					
Increased	27%	51%	47%	48%	39%
Stayed same	59%	39%	50%	36%	55%
Decreased	13%	9%	3%	16%	5%
Don't know	1%	1%	0%	0%	1%
Next 3 years – Anticipated change in % of purchases accounted for by imports					
Increase	29%	44%	48%	39%	33%
Stay same	58%	45%	46%	52%	59%
Decrease	9%	6%	4%	9%	8%
Don't know	4%	6%	1%	0%	0%

It appears that the overall increase in import proportions is not simply a trend towards the mean (i.e. lower-level importers doing more), but is instead driven by slightly larger importers (who already import over 10% of their purchases) buying more from overseas.

14.6 Associated Benefits to Export Activity

Importing firms were asked if their experiences of buying goods or services overseas had helped at all when it comes to selling their products or services overseas. Firms who reported a benefit were then asked about the reasons for this.

Table 14.6.1 Whether Experiences of Importing Have Helped when Exporting
– By UKTI Usage

	Total	UKTI Usage	
		UKTI User	Non-User
<i>Base: All exporters</i>	583	207	376
Yes	44%	42%	45%
- <i>Your experiences of importing have improved your knowledge and understanding of overseas markets</i>	33%	33%	34%
- <i>You made contacts when importing that were helpful when selling overseas</i>	22%	19%	24%
- <i>Other reason</i>	10%	9%	10%
- <i>Don't know</i>	1%	0%	1%
No	53%	54%	53%
Don't know	3%	4%	2%

As seen below, almost half (44%) of exporters feel that importing has benefitted their export activities in some way, most commonly because it has provided them with improved knowledge of overseas markets. Significant numbers also indicated that importing has allowed them to make contacts that are helpful when selling overseas.

There are no statistically significant differences between UKTI users and non users in this respect.

The table below provides further analysis by the types of goods/services that firms have imported. Please note that many firms have imported more than one type of good/service so will appear in multiple categories in this analysis.

Table 14.6.2 Whether Experiences of Importing Have Helped when Exporting
– By Type of Goods/Services Imported

	Type of Goods/Services Imported				
	Raw materials	Components	Finished products	Services	R&D
<i>Base: All exporters</i>	164	228	399	117	68
Yes	41%	42%	45%	46%	52%
- <i>Your experiences of importing have improved your knowledge and understanding of overseas markets</i>	33%	33%	35%	46%	43%
- <i>You made contacts when importing that were helpful when selling overseas</i>	19%	20%	23%	30%	28%
- <i>Other reason</i>	7%	10%	11%	12%	10%
- <i>Don't know</i>	0%	0%	1%	1%	0%
No	55%	57%	53%	42%	47%
Don't know	4%	1%	2%	3%	1%

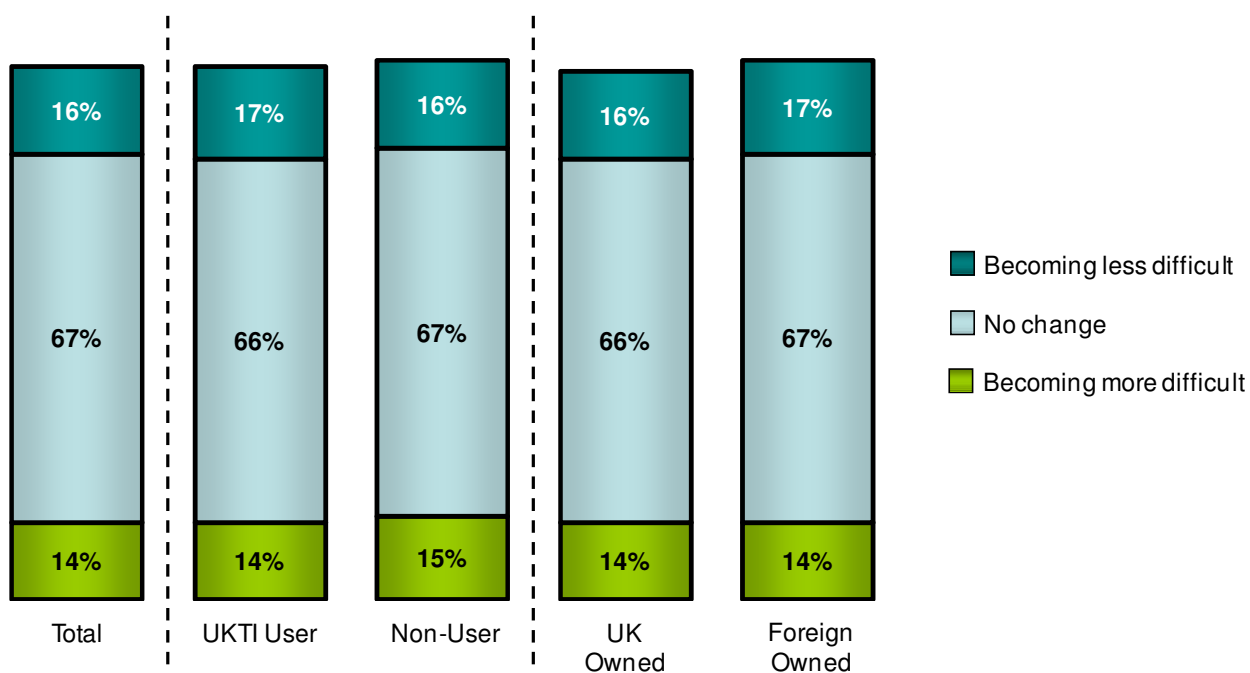
There is little difference by the types of goods/services imported when it comes to the overall proportion reporting that their experiences of importing have been beneficial to their export activity. Although it appears that firms that have sourced R&D services from overseas suppliers are slightly more likely to benefit, but this difference is not statistically significant.

However, when it comes to the specific ways in which firms' export activities have benefited from importing, there are a few differences by the types of goods/services imported. Firms who have imported business services are most likely to report benefits in terms of increased knowledge of overseas markets and making contacts that were helpful when exporting.

14.7 Off-shoring & Re-shoring

As seen earlier, over a third of internationalising firms were involved in 'off-shoring' and had goods manufactured overseas (either at their own overseas site, by their parent company or other group companies, or by contracting overseas suppliers to do this for them). These companies were asked whether they felt that having goods manufactured overseas was getting more or less difficult, and the results are shown in the chart below.

Chart 14.7.1 Changes in Ease of Manufacturing Goods Overseas
– By UKTI Usage & Company Ownership



Base: All having goods manufactured overseas (Base, Don't know/refused)
Total (324, 3%), UKTI Users (132, 4%), Non-Users (192, 3%), UK Owned (280, 3%), Foreign Owned (42, 2%)

The majority of firms reported no change in this respect and, of the remainder, there was a fairly even split between those that thought overseas manufacturing had become more difficult and those that perceived it to have become less difficult.

There are no differences by UKTI usage or company ownership in this respect.

Those firms who felt that having goods manufactured overseas was becoming more difficult were asked whether they were therefore planning to source or manufacture more of these goods in the UK in future.

Table 14.7.1 Whether Firms Will Source/Manufacture More Goods in the UK – By UKTI Usage & Company Ownership

	Firms finding overseas manufacturing more difficult
<i>Base: All finding it more difficult to have goods manufactured overseas</i>	46
Yes	48%
- Will manufacture more in the UK ourselves	17%
- Will buy more from other UK manufacturers	11%
- Both	20%
No	50%
Don't know	2%

Although only a minority of firms are finding it more difficult to have goods manufactured overseas, half of this group are planning to produce or source more in the UK as a result. However, it should be noted that this still only equates to 7% of those firms currently off-shoring.

Annex A: Markets Selected

A.1 Most Recent Market

For the survey questions on market entry motivations and language used (see Chapter 11), firms were asked to give details of the overseas market that they had entered most recently. The table below gives details of the most recently entered markets, shown separately for users and non-users of UKTI.

Table A.1 Most Recent Market – By UKTI Usage

Market	Total	UKTI User	Non-User
<i>Base: All exporting</i>	819	264	555
USA	10%	10%	10%
France	6%	3%	8%
Ireland (Republic)	6%	4%	7%
Germany	5%	4%	5%
China	5%	5%	5%
Australia	5%	7%	4%
Russia	4%	5%	4%
UAE	3%	3%	4%
Spain	3%	2%	3%
Netherlands	3%	3%	2%
South Africa	3%	3%	3%
India	2%	3%	2%
Switzerland	2%	2%	2%
Turkey	2%	3%	1%
Italy	2%	1%	2%
Sweden	2%	2%	2%
Poland	2%	2%	1%
Japan	2%	2%	1%
Brazil	1%	3%	1%
Saudi Arabia	1%	2%	1%
Romania	1%	1%	1%
Belgium	1%	2%	1%
New Zealand	1%	1%	1%
Singapore	1%	2%	1%
Czech Republic	1%	2%	1%
South Korea	1%	2%	1%
Kenya	1%	1%	1%

Market	Total	UKTI User	Non-User
<i>Base: All exporting</i>	819	264	555
Denmark	1%	1%	1%
Canada	1%	1%	1%
Mexico	1%	0%	1%
Norway	1%	1%	1%
Finland	1%	0%	1%
Nigeria	1%	1%	1%
Portugal	1%	0%	1%
Lithuania	1%	0%	1%
Malta	1%	0%	1%
Greece	1%	0%	1%
Hong Kong	1%	2%	0%
Azerbaijan	0%	1%	0%
Ghana	0%	0%	1%
Hungary	0%	0%	1%
Ukraine	0%	0%	1%
Jordan	0%	0%	1%
Cyprus	0%	0%	1%
Indonesia	0%	0%	1%
Thailand	0%	1%	0%
Kuwait	0%	0%	1%
Mongolia	0%	1%	0%
Iraq	0%	0%	1%
Egypt	0%	1%	0%
Pakistan	0%	0%	1%
Israel	0%	0%	1%
Qatar	0%	1%	0%
Zimbabwe	0%	1%	0%

A.2 Most Challenging Market

For the survey questions on barriers to overseas business (see Chapter 13), firms were also asked to identify the most challenging overseas market that they had done business. The table below gives details of the markets selected as being the 'most challenging', shown separately for users and non-users of UKTI.

Table A.2 Most Challenging Market – By UKTI Usage

Market	Total	UKTI User	Non-User
<i>Base: All exporting</i>	819	264	555
USA	11%	11%	11%
China	8%	12%	6%
France	6%	6%	6%
India	6%	6%	6%
Russia	6%	8%	4%
UAE	5%	4%	5%
Ireland (Republic)	5%	3%	6%
Germany	5%	3%	5%
Italy	3%	3%	4%
Spain	2%	2%	3%
Australia	2%	2%	2%
Saudi Arabia	2%	3%	2%
Brazil	2%	2%	2%
Turkey	2%	2%	2%
Japan	2%	4%	1%
Nigeria	2%	2%	2%
Netherlands	2%	2%	2%
Switzerland	1%	1%	2%
South Africa	1%	0%	2%
Singapore	1%	2%	1%
Romania	1%	0%	1%
Greece	1%	1%	1%
Mexico	1%	0%	1%
Libya	1%	2%	0%
Iraq	1%	2%	1%
Denmark	1%	1%	1%

Market	Total	UKTI User	Non-User
<i>Base: All exporting</i>	819	264	555
Egypt	1%	1%	1%
Hungary	1%	0%	1%
Sweden	1%	1%	1%
Poland	1%	1%	1%
Hong Kong	1%	1%	1%
Canada	1%	1%	1%
Portugal	1%	0%	1%
New Zealand	1%	0%	1%
Ukraine	1%	1%	0%
Norway	1%	1%	1%
Malaysia	0%	0%	1%
Oman	0%	0%	1%
Qatar	0%	0%	1%
Belgium	0%	0%	1%
Israel	0%	0%	1%
Malta	0%	0%	1%
Czech Republic	0%	1%	0%
Finland	0%	0%	1%
Macedonia	0%	0%	1%
Pakistan	0%	0%	1%
Lithuania	0%	0%	1%
Jordan	0%	0%	1%
Africa	0%	1%	0%
Peru	0%	1%	0%
Turkmenistan	0%	1%	0%

Annex B: Questionnaire

OMB RESEARCH LIMITED
UKTI – International Business Strategies, Barriers & Awareness Survey 2014
Questionnaire
February-April 2014

QUOTAS (950 INTERVIEWS):

- 200 interviews with firms <4 years old (S7=1-4 or 9)
- 250 interviews with firms 4-9 years old (S7=5-6)
- 450 interviews with firms 10+ years old (S7=7-8)
- Plus boost of additional 50 interviews with £25m-£250m turnover (no age quota)

INTRO

ASK ALL

Could I please speak to either the owner or someone responsible for your firm's strategy in relation to overseas business?

Good morning/afternoon, my name is ... and I am calling on behalf of OMB Research, an independent market research agency. We have been commissioned by UK Trade & Investment and the Department for Business, Innovation & Skills (BIS) to conduct a survey of businesses on the topic of doing business overseas.

IF NECESSARY We are interested in talking to firms who are either involved in any form of overseas business activity or who are seriously considering doing business overseas in the next year. This overseas business activity could include selling directly to customers based overseas, selling overseas through agents or distributors, licensing, franchising or joint venturing overseas, or operating your own overseas office or site.

INTERVIEWER NOTE - YOU MAY TAKE REFERRALS TO ANOTHER SITE WITHIN THE UK.

INTERVIEWER NOTE – IF FIRM IS NOT CURRENTLY DOING BUSINESS OVERSEAS, BUT PLANNING DOING SO WITHIN THE NEXT YEAR CONTINUE WITH THE INTERVIEW ON THIS BASIS

READ OUT TO ALL

This research will cover areas such as your current and planned overseas activities, including the way you go about doing business overseas and any issues you may have faced. It will take around 15-20 minutes, depending on your answers. It doesn't matter how much or how little overseas business you do – we're interested in speaking to a range of firms about their experiences.

AS NECESSARY: UKTI is responsible for helping UK firms do business overseas. They want to find out more about how firms are going about overseas business and any difficulties they have. This will help UKTI develop the type of help they offer to UK firms.

AS NECESSARY: We are able to offer all businesses taking part in this research an electronic link to a summary report of the research findings (which will be available later this year)

Is it convenient to speak to you now or would you prefer to make an appointment for another time?

ADD IF NECESSARY

- **The research is being conducted under the Code of Practice of the Market Research Society, which means that all of the answers you give are strictly confidential and anonymous. Participation in this survey is voluntary.**
- **The responses of all organisations taking part will be combined into a statistical report**
- **Your organisation was selected at random from a list of UK businesses held by a commercial list broker**
- **If you wish to check that OMB Research is a bona fide market research agency, you can contact the Market Research Society on 0500 396999, or call James Murray at OMB Research on 01732 220582 or Maria del Castillo at UK Trade & Investment on maria.delcastillo@ukti.gsi.gov.uk or 020 7215 8390.**

OFFER EMAIL/FAX REASSURANCE IF NECESSARY

ASK ALL

S1 – Can I confirm that you are one of the people best qualified to talk about your company’s overseas business activity?

INTERVIEWER NOTE: IF KNOW ALREADY THAT YOU ARE SPEAKING TO THE CORRECT PERSON THEN CODE YES AUTOMATICALLY

REFERRALS CAN BE TAKEN TO ANY UK SITE WHEN THE CONTACT FEELS THAT THERE IS SOMEONE WITHIN THE COMPANY BETTER PLACED TO ANSWER QUESTIONS ON THE TOPIC AREAS OUTLINED

Yes	1
No – take referral and being transferred	2
No – take referral and arrange call back	3
No – refused referral	4

CATI TO INSERT TIME MARKER

ASK ALL

S11 – And can I confirm that your organisation is a business rather than a trade association or public sector body? READ OUT. SINGLE CODE

A business	1
A trade association	2 – CLOSE
A public sector organisation such as a Government department, local council, etc.....	3 – CLOSE
(Other)	4
(Don't know)	5

IF SAMPLE GROUP 4 (£25m-£250m TURNOVER)

S12 – And can I just check that your annual turnover is between £25million and £250 million?

- Yes (turnover is £25m-£250m)..... 1
 No – turnover is under £25million 2 – CLOSE
 No – turnover is over £250million..... 3 – CLOSE
 (Don't know) 4 – CLOSE

READ OUT IF CODES 2-3 AT S12

Sorry, but on this occasion we are only looking to interview firms with an annual turnover of between £25million and £250 million.

OVERSEAS BUSINESS ACTIVITY

ASK ALL

S2a – Which of the following overseas business activities has your firm been involved in, over the last 5 years? READ OUT – CODE ALL THAT APPLY – DO NOT RANDOMISE

AS NECESSARY: Please only include overseas sites if you have some responsibility or control over them from the UK. Do not include sites or companies operated by your parent company or other group companies.

- Selling directly to overseas customers 1
 Selling to overseas customers through agents or distributors 2
 Licensing or franchising overseas, or other contractual arrangements such as joint ventures 3
 Operating your own overseas site or office 4
 (None of these) 5
 (Don't know) 6 – CLOSE

IF NONE AT S2a (CODE 5)

S2b – Are you seriously considering starting to conduct overseas business via any of these routes in the NEXT YEAR?

- Yes 1
 No 2 - CLOSE
 (Don't know) 3 - CLOSE

IF JUST CONSIDERING OVERSEAS BUSINESS (CODE 1 AT S2b)

S2c – Which of the following overseas business activities are you planning to become involved in, in the next year? READ OUT – CODE ALL THAT APPLY – DO NOT RANDOMISE

- Selling directly to overseas customers 1
 Selling to overseas customers through agents or distributors 2
 Licensing or franchising overseas, or other contractual arrangements such as joint ventures 3
 Operating your own overseas site or office 4
 (None of these) 5 – CLOSE
 (Don't know) 6 – CLOSE

ASK IF EXPORT (CODES 1-4 AT S2a)

S10a – And do you make any sales directly through your website when doing business overseas?

AS NECESSARY: **By this I mean sales where the customer places an order on your website and you don't have any other direct contact with them other than sending email confirmation, etc.**

- Yes1
 No.....2
 (Don't know)3

IF SELL THROUGH WEBSITE (CODE 1 AT S10a) & ONLY SELL DIRECT (CODE 1 AT S2a & NOT CODES 2-5 AT S2a)

S10b – And do you only sell to overseas customers directly through your website, or do you sometimes get orders in other ways (e.g. over the phone, face to face, responding to tenders, etc)?

- Only sell through the website1
 Use other ways as well2
 (Don't know)3

IF HAVE OVERSEAS SITE (CODE 4 AT S2a)

S5b – How many overseas sites do you have? READ OUT

AS NECESSARY: **Please only include those overseas sites that you have some responsibility for or control over from the UK.**

- One..... 1
 2-5 2
 6-10 3
 11-20 4
 21-50 5
 More than 50 6
 (Don't know) 7
 (Refused)..... 8

OVERALL FILTER FOR S5c: IF HAVE OR PLANNING OVERSEAS SITE (CODE 4 AT S2a OR CODE 4 AT S2c)

IF HAVE JUST ONE OVERSEAS SITE (CODE 1 AT S5b)

S5c – Would you say that the MAIN purpose of this site is...? READ OUT – AIM FOR SINGLE CODE BUT MULTI ALLOWED

IF HAVE MORE THAN ONE OVERSEAS SITE (CODES 2-8 AT S5b)

S5c – Thinking about all of your overseas sites, do any of these have the following purposes? READ OUT – CODE ALL THAT APPLY

IF PLANNING OVERSEAS SITE (CODE 4 AT S2c)

S5c – < IF CODE 4 AT S2c & CODES 1, 2 OR 3 ALSO MENTIONED AT S2c You mentioned operating your own overseas office or site. > Would you say that the MAIN purpose of this site will be...? READ OUT – AIM FOR SINGLE CODE BUT MULTI ALLOWED

- Manufacturing or assembly 1
- Call centre 2
- Distribution or sales office 3
- Service delivery 4
- Research, product or process development.... 5
- (Don't know/None of these) 6 – CLOSE IF ONLY CODE 4 AT S2a/S2c ((S2a=4 & S2a=Not 1, 2 OR 3) OR (S2a=5 & S2c=4 & S2c=Not 1, 2 or 3))

IF ONLY INTERNATIONALISATION MODE IS OVERSEAS MANUFACTURING/ CALL CENTRE/ R&D SITE ((S2a=4) & (S2a=NOT 1, 2 OR 3) & (S5c=1, 2 OR 5) & (S5c=NOT 3 OR 4))

A5a – Can I just check, have you made any sales at all to customers in overseas countries in the last year?

- Yes 1
- No..... 2
- (Don't know) 3

ASK IF HAVE OVERSEAS MANUFACTURING SITE (S2a=4 & S5c=1)

S6c – Thinking about the goods that you manufacture at your overseas site(s), do you import any of these back into the UK?

- Yes 1
- No..... 2
- (Don't know) 3

ASK ALL

S6b – <IF S2a=4 & S5c=1 Aside from through your own site / OTHERS Moving on>, have you had any goods manufactured for you overseas in the last 5 years?

AS NECESSARY: This includes having goods manufactured for you by an overseas parent company, sister company, etc or by any other overseas supplier under contract to you.

- Yes 1
- No..... 2
- (Don't know) 3

ASK ALL

S6a – And have you sourced any <IF S6c=1 OR S6b=1 other> goods or services from overseas suppliers over the last 5 years?

AS NECESSARY: **If you source goods or services from other overseas companies in your group <IF S2a=4 & S5c=not 1 or from your own overseas site(s)>, then still answer ‘yes’.**

- Yes 1
 No..... 2
 (Don't know) 3

IF CODE 1 AT S6a, S6b OR S6c

From now on, when I'm asking questions about your overseas business activity please DO NOT include importing <IF S5c=1, 2 OR 5 , other than through your own overseas site(s)>

ASK ALL

S7 – How long ago was your business established in the UK? READ OUT AS NECESSARY

AS NECESSARY: **This means when the business in its current form started trading**

AS NECESSARY: **If the business is a subsidiary this refers to the subsidiary in which you work**

- Within the last year 1
 Over 1, up to 2 years ago 2
 Over 2, up to 3 years ago 3
 Over 3, up to 4 years ago 4
 Over 4, up to 5 years ago 5
 Over 5, up to 10 years ago 6
 Over 10, up to 20 years ago 7
 Over 20 years ago 8
 (Not yet trading) 9
 (Don't know) 10 - CLOSE
 (Refused)..... 11 – CLOSE

ASK IF ESTABLISHED <2 YEARS (CODES 1-2 AT S7)

S7b – Can I just check, has your business actually started trading yet?

- Yes 1
 No 2
 (Don't know) 3

ASK ALL**H1b – Is the business UK or foreign-owned?**

UK-owned.....	1
Foreign-owned.....	2
(Joint UK and foreign-owned)	3
(Don't know)	4

READ OUT IF FOREIGN OWNED (CODES 2-3 AT H1b)

For the rest of this interview, please just answer about the firm where you work, and not your parent company or any other group companies. So when I ask about your overseas business, please just focus on the overseas activities of your UK firm.

ASK IF CODES 1-4 AT S2a UNLESS NOT YET TRADING OR ESTABLISHED <1 YEAR (CODES 1 OR 9 AT S7 OR CODE 2 AT S7b)

A4 – And how long ago did your company start conducting business overseas? READ OUT AS NECESSARY. CATI TO ONLY SHOW FEASIBLE CODES BASED ON ANSWER TO S7

IF IMPORTER (CODE 1 AT S6a, S6b OR S6c & A5a IS NOT 2-3)

AS NECESSARY: **By this I mean when did you start selling overseas, so please do not include importing.**

IF FOREIGN OWNED (CODES 2-3 AT H1b):

AS NECESSARY: **Please just focus on your UK firm, not your parent company**

INTERVIEWER NOTE: IF RESPONDENT SAYS THEY'VE NOT YET STARTED DOING BUSINESS OVERSEAS THEN YOU NEED TO GO BACK TO S2a AND CHANGE TO 'NONE OF THESE' & THEN ASK S2b & S2c

Within the last year	1
Over 1, up to 2 years ago	2
Over 2, up to 3 years ago	3
Over 3, up to 4 years ago	4
Over 4, up to 5 years ago	5
Over 5, up to 10 years ago	6
Over 10, up to 20 years ago	7
Over 20 years ago	8
(Don't know)	10
(Refused).....	11

ASK IF EXPORTING MORE THAN 2 YEARS (A4=3-11) UNLESS CODES 2-3 AT A5a

A15 – <IF A4=3-4 Since this time / IF A4=5-11 In the last 5 years>, have you had overseas sales every year or have there been some years where you haven't made any sales at all to overseas customers?

Overseas sales every year	1
Some years with no overseas sales.....	2
(Don't know)	3

ASK IF EXPORTING (CODES 1-4 AT S2a) BUT DO NOT ASK IF CODES 2-3 AT A5a OR CODE 9 AT S7 OR CODE 2 AT S7b)

A5c – In the last financial year, approximately what percentage of your turnover was accounted for by overseas sales?

READ OUT AS NECESSARY

IF CODE 4 AT S2a

AS NECESSARY: **Please include sales made by the overseas sites or subsidiaries that you control from the UK.**

IF CODE 3 AT S2a

AS NECESSARY: **Please include any fees received from overseas licensing or franchising deals.**

IF FOREIGN OWNED (CODES 2-3 AT H1b):

AS NECESSARY: **Please just focus on your UK firm, not your parent company**

Up to 5%	1
6 - 10%	2
11 - 15%	3
16 – 25%	4
26 – 50%	5
51 – 75%	6
More than 75%	7
(No overseas sales in last year)	8
(Don't know)	9
(Refused).....	10

ASK IF EXPORTING (CODES 1-4 AT S2a)

A5d – In 3 years time, do you think that the percentage of your turnover accounted for by overseas sales will be higher than it is now, lower or about the same?

Higher	1
Lower.....	2
About the same	3
(Don't know)	4
(Refused).....	5

ASK IF EXPORTING (CODES 1-4 AT S2a)

G5 – Which of the following regions of the world have you done business in <IF CODES 5-8 AT S7 over the last 5 years / IF CODES 1-4 OR 9 since you were established>? READ OUT. CODE ALL THAT APPLY

IF IMPORTER (CODE 1 AT S6a, S6b OR S6c & A5a IS NOT 2-3):

AS NECESSARY: **Please do NOT include countries that you have only imported from**

IF FOREIGN OWNED (CODES 2-3 AT H1b):

AS NECESSARY: **Please just answer about the areas where your UK firm is doing business, but don't include the activity of your parent company or any other group companies**

Europe (other than the UK)	1
North America.....	2
Latin America or the Caribbean	3
The Middle East or Africa.....	4
Asia Pacific (including Australia, New Zealand, etc).....	5
(Don't know)	6

ASK IF CODES 1-4 AT S2a

A1b – How many overseas countries have you done business in < IF CODES 5-8 AT S7 over the last 5 years / IF CODES 1-4 OR 9 since you were established >? READ OUT

IF IMPORTER (CODE 1 AT S6a, S6b OR S6c & A5a IS NOT 2-3):

AS NECESSARY: **Please do NOT include countries that you have only imported from**

One.....	1
2-5	2
6-10	3
11-20	4
21-50	5
More than 50	6
(Don't know)	7
(Refused).....	8

IF CODE 1 AT A1b

A2 – Which country was this? WRITE IN

CATI TO SHOW LIST OF MOST COMMON MARKETS, PLUS:

Other (SPECIFY)

(Don't know) - CLOSE

ASK IF CURRENTLY EXPORTING (S2a=1-4)

G7 – Over the next 3 years do you expect the number of countries in which you do business to increase, decrease or stay the same?

Increase.....	1
Decrease	2
Stay the same.....	3
(Don't know)	4

READ OUT TO ALL

I'm now going to ask you about the extent to which you see there being opportunities for **YOUR FIRM** in some of the world's fast growing and emerging economies over the next 2 years.

ASK ALL

G1 – For each of these countries please could you tell me whether you are already doing business there, you are very likely to, you are quite likely to, or you are unlikely to do business there in the next 2 years.

IF IMPORTER (CODE 1 AT S6a, S6b OR S6c)

AS NECESSARY: I'm interested in the likelihood of you selling to these countries, so please do not answer in relation to imports.

So firstly... RANDOMISE ORDER OF A-I

- a) Russia
- b) Turkey
- c) South Africa
- d) The United Arab Emirates
- j) Saudi Arabia
- f) Brazil
- g) Mexico
- h) China
- i) India

AS NECESSARY **Are you...?**

Already doing business there.....	1
Very likely	2
Quite likely	3
Or, unlikely to do business there in the next 2 years	4
(Don't know)	5

HIGH GROWTH MARKET ALLOCATION:

- APPLIES TO ANY FIRMS UNLIKELY TO DO BUSINESS IN ONE OR MORE HIGH GROWTH MARKETS (CODE 1 AT ANY OF G1a-i)
- FIRMS TO BE ALLOCATED ONE OF THE MARKETS THEY ARE UNLIKELY TO ENTER AT G1 (I.E. CODE 4) AT RANDOM

ASK IF 'UNLIKELY' (CODE 4) AT ANY OF G1a-i

G11 – You indicated that you are unlikely to do business in <INSERT SELECTED MARKET> in the next two years. Is this mainly because...? READ OUT ALL OPTIONS. SINGLE CODE. ROTATE CODES 1-2.

INTERVIEWER NOTE: If respondent mentions several reasons, please ask for the single most important one.

There is little or no demand for your products or services there	1
It's too risky to do business there	2
Or for some other reason?	3
(Don't know).....	4

CATI TO INSERT TIME MARKER

OVERSEAS STRATEGY, GROWTH & INNOVATION

ASK ALL

A17a – Moving on, is there anyone in the senior management team of your company who had significant experience of doing business overseas before they joined your firm?

- Yes 1
 No..... 2
 (Don't know) 3

IF DOING BUSINESS IN MORE THAN ONE MARKET (A1b=2-8)

A22 – Which overseas country have you started doing business in most recently? RECORD ONE COUNTRY ONLY – DO NOT ALLOW ‘DON'T KNOW’

IF NOT SURE ASK RESPONDENT TO JUST CHOOSE ONE OF THE COUNTRIES THAT THEY HAVE STARTED DOING BUSINESS IN RECENTLY (E.G. THE ONE THEY KNOW MOST ABOUT)

CATI TO SHOW LIST OF MOST COMMON MARKETS, PLUS:
 Other (SPECIFY)

MOST RECENT MARKET TEXT SUB

- IF A1b=2-8 INSERT MARKET FROM A22
- IF A1b=1 INSERT MARKET FROM A2

READ OUT IF ONLY DOING BUSINESS IN ONE MARKET (A1b=1)

You mentioned earlier that you have only done business in <MOST RECENT MARKET> < IF CODES 5-8 AT S7 in the last 5 years / IF CODES 1-4 OR 9 since you were established>. I'd just like to ask a few questions about your experiences of this country.

ASK IF CURRENTLY EXPORTING (S2a=1-4) BUT DO NOT ASK IF MOST RECENT MARKET IS ENGLISH SPEAKING MARKET (I.E. AUSTRALIA, CANADA, GIBRALTAR, IRELAND, NEW ZEALAND, USA)

A31 - What language do you use when doing business in <MOST RECENT MARKET>? Is it...? READ OUT. SINGLE CODE

INTERVIEWER NOTE: If the firm uses English-speaking distributors in this country then this would count as doing business in English.

- Always English 1
 Usually English..... 2
 Usually their language 3
 Always their language..... 4
 (Don't know) 5

ASK IF CURRENTLY EXPORTING (S2a=1-4)

A23a – When you first considered doing business in <MOST RECENT MARKET>, was this for any of the following reasons? READ OUT. RANDOMISE. CODE ALL THAT APPLY.

INTERVIEWER NOTE: Pause after reading each option to let the respondent say yes or no.

INTERVIEWER NOTE: Orders through the firm's website would count as 'an enquiry from a potential customer'

- Because you received an enquiry from a potential customer . 1
- Because you identified that there may be opportunities for your business there 2
- Because you already had contacts there 3
- ALL EXCEPT ENGLISH SPEAKING MARKETS: Because you had the necessary foreign language skills in-house..... 4
- ENGLISH SPEAKING MARKETS: Because you shared a common language 8
- Because you knew someone in the UK with experience of doing business in <MOST RECENT MARKET>..... 5
- (None of these) 6
- (Don't know/Can't remember) 7

CATI Note: English speaking markets are defined as at A31 filter (i.e. Australia, Canada, Gibraltar, Ireland, New Zealand, USA)

ASK IF MORE THAN ONE OF CODES 1-5 SELECTED AT A23A

A23b – And which of these would you say was the single most important reason for considering <MOST RECENT MARKET>? CATI TO DISPLAY ALL CODES SELECTED AT A23A (IN SAME ORDER AS AT A23a). READ OUT AS NECESSARY. SINGLE CODE.

- Because you received an enquiry from a potential customer 1
- Because you identified that there may be opportunities for your business there 2
- Because you already had contacts there 3
- ALL EXCEPT ENGLISH SPEAKING MARKETS: Because you had the necessary foreign language skills in-house..... 4
- ENGLISH SPEAKING MARKETS: Because you shared a common language 8
- Because you knew someone in the UK with experience of doing business in <MOST RECENT MARKET>..... 5
- (None of these) 6
- (Don't know/Can't remember) 7

ASK IF BUSINESS OVER 1 YEAR OLD (CODES 2-8 AT S7)

H11a – Now thinking about your business as a whole, <IF S7=6-8 in the last five years / IF S7=2-5 since it was established> would you say that it has...? READ OUT. SINGLE CODE

AS NECESSARY: This is just your overall impression of the growth of the business taking account of factors like size, number of employees, turnover, etc.

- | | |
|------------------------------|---|
| Remained the same size | 1 |
| Become smaller | 2 |
| Grown moderately | 3 |
| Grown substantially | 4 |
| (Don't know) | 5 |
| (Refused)..... | 6 |

ASK ALL

H10 – <IF S7=1 OR 9 Now / IF S7=2-8 Still> thinking about your business as a whole, what growth objectives do you have for the business over the next five years? Do you plan to...? READ OUT

- | | |
|----------------------------|---|
| Remain the same size | 1 |
| Become smaller..... | 2 |
| Grow moderately | 3 |
| Grow substantially | 4 |
| (Don't know) | 5 |
| (Refused)..... | 6 |

ASK IF PLANNING TO GROW (CODES 3-4 AT H10)

A27a – Do you expect this growth to mainly come from...? READ OUT. SINGLE CODE.

- | | |
|--|---|
| Entering new overseas countries | 1 |
| Or, increasing sales to countries where you are already doing business . | 2 |
| (Both)..... | 3 |
| (Don't know) | 4 |

ASK IF PLANNING TO GROW (CODES 3-4 AT H10)

A27b – And do you expect this growth to mainly come from...? READ OUT. SINGLE CODE.

- | | |
|---|---|
| Selling to new customers | 1 |
| Or, increasing sales to your existing customers | 2 |
| (Both)..... | 3 |
| (Don't know) | 4 |

ASK IF PLANNING TO GROW (CODES 3-4 AT H10)

A27c – And do you expect this growth to mainly come from...? READ OUT. SINGLE CODE.

- Introducing new products or services..... 1
- Or, increasing sales of your existing products or services..... 2
- (Both)..... 3
- (Don't know) 4

ASK IF PLANNING TO STAY SAME SIZE (CODE 1 AT H10)

A28a – To help maintain your current sales levels, will you be mainly focussing on...? READ OUT. SINGLE CODE.

- Entering new overseas countries 1
- Or, selling to countries where you are already doing business..... 2
- (Both)..... 3
- (Don't know) 4

ASK IF PLANNING TO STAY SAME SIZE (CODE 1 AT H10)

A28b – And will you be mainly focussing on...? READ OUT. SINGLE CODE.

- Selling to new customers 1
- Or, selling to existing customers 2
- (Both)..... 3
- (Don't know) 4

ASK IF PLANNING TO STAY SAME SIZE (CODE 1 AT H10)

A28c – And will you be mainly focussing on...? READ OUT. SINGLE CODE.

- Introducing new products or services..... 1
- Or, selling your existing products or services 2
- (Both)..... 3
- (Don't know) 4

ASK ALL

A9a – Thinking about your business overall, over the next 3 years do you think that you will...? READ OUT. SINGLE CODE.

- Develop any new products or services..... 1
- Make changes or modifications to any of your existing products or services..... 2
- Or do both of these 3
- (None of these) 4
- (Don't know) 5

ASK IF PLANNING ANY PRODUCT/SERVICE DEVELOPMENT (CODES 1-3 AT A9a)

A9h – And do you expect this product or service development activity to be aimed at UK customers, overseas customers or both? READ OUT. SINGLE CODE.

- | | |
|-------------------------|---|
| UK customers..... | 1 |
| Overseas customers..... | 2 |
| Both..... | 3 |
| (Don't know) | 4 |

IF WILL INTRODUCE OR MODIFY PRODUCTS/SERVICES (CODES 1-3 AT A9a)

A9f – In your view, are some countries more important than others in terms of being a stimulus for your company's innovation and product or service development activity?

AS NECESSARY: For example, this might be because a country is at the forefront of developments in your sector, because the market has specific requirements, because you have important customers there, etc

- | | |
|--------------------|---|
| Yes | 1 |
| No..... | 2 |
| (Don't know) | 3 |

IF SOME COUNTRIES MORE IMPORTANT (CODE 1 AT A9f)

A9g – And which countries are most important to you in this respect? CODE ALL THAT APPLY

INTERVIEWER NOTE: They don't need to be doing business in these countries, and they could include the UK.

- CATI TO SHOW LIST OF MOST COMMON MARKETS (INCLUDING THE UK), PLUS:
- | |
|-----------------------|
| Other (SPECIFY) |
| (None/Don't know) |

CATI TO INSERT TIME MARKER

 OVERSEAS BUSINESS RISKS & DETERRENTS

READ OUT TO ALL

I'd like to move on to thinking about reasons for deciding not to do business in particular countries.

ASK ALL

B10 – < IF CODES 5-8 AT S7 In the last 5 years / IF CODES 1-4 OR 9 Since you were established >, have you decided not to do business in a particular country for any of the following reasons? READ OUT. CODE ALL THAT APPLY. RANDOMISE ORDER.

READ OUT AFTER FIRST 1-2 STATEMENTS & AS NECESSARY: **Have you decided not to do business in a particular country for this reason?**

INTERVIEWER NOTE: Pause after reading each option to let the respondent say yes or no.

- Because you didn't have the required language skills 1
- Because you didn't have any contacts in that country 2
- Because you didn't know anyone else with experience of doing business there 3
- (None of these reasons)..... 4
- (Don't know)..... 5

ASK ALL

B1 – Now thinking about the risks involved in starting to do business in new overseas countries, < IF CODES 5-8 AT S7 in the last 5 years > have you been put off from doing business in a particular country for any of the following reasons? READ OUT. CODE ALL THAT APPLY. RANDOMISE ORDER.

READ OUT AFTER FIRST 1-2 STATEMENTS & AS NECESSARY: **Have you decided not to do business in a particular country for this reason?**

INTERVIEWER NOTE: Pause after reading each option to let the respondent say yes or no.

- The risk of not being paid in full or on time 1
- The risk to the safety and security of your staff 2
- The risks associated with political or economic instability in that country . 3
- The risk of intellectual property theft (i.e. your products or technology being copied) 4
- The risk of encountering bribery, corruption or organised crime 5
- The risk of not seeing a return on the investment you would need to make to enter that country 6
- (None of these) 7
- (Don't know)..... 8

CATI TO INSERT TIME MARKER

 BARRIERS

IF DOING BUSINESS IN MORE THAN ONE MARKET (A1b=2-8)

B4 – Thinking now about all the overseas countries that you have done business in < IF CODES 5-8 AT S7 over the last 5 years / IF CODES 1-4 OR 9 since you were established >, which of these was the most challenging country to do business in? RECORD ONE COUNTRY ONLY

INTERVIEWER NOTE: This must be a country that the firm has actually done business in.

CATI TO SHOW LIST OF MOST COMMON MARKETS, PLUS:

Other (SPECIFY)

(None/Don't know/All equally challenging)

CATI TO ALLOCATE <MARKET> AS FOLLOWS:

- FROM B4: IF IN MORE THAN ONE MARKET (A1b=2-8) AND MARKET PROVIDED AT B4
- FROM A22: IF IN MORE THAN ONE MARKET (A1b=2-8) & NONE/DON'T KNOW AT B4
- FROM A2: IF ONLY IN ONE MARKET (A1b=1)

READ OUT IF CURRENTLY EXPORTING (CODES 1-4 AT S2a)

I'd like to ask you some questions now about your experience of doing business in <MARKET> <IF A1b=2-8 & NONE/DON'T KNOW AT B4 as you indicated earlier that this is the country you've started doing business in most recently>.

ASK IF CURRENTLY EXPORTING (CODES 1-4 AT S2a)

C4a – Thinking back to when you decided to do business in <MARKET>, had you received an approach or enquiry from a potential customer or partner there?

INTERVIEWER NOTE: An order through the firm's website would count as an enquiry from a potential customer so code as 'yes'

Yes 1

No..... 2

(Don't know) 3

ASK IF CURRENTLY EXPORTING (CODES 1-4 AT S2a)

C4b – And when you started doing business there, was there anyone employed by your company who already had experience of <MARKET> or contacts there?

Yes 1

No..... 2

(Don't know) 3

ASK IF CURRENTLY EXPORTING (S2a=1-4)

E1 – I'm now going to read out a list of issues that you may have had to tackle when trying to develop your business in <MARKET>. For each one, please give me a score of 1 to 5 for the extent to which you feel that this has been a difficulty, where 1 means it has 'not been at all difficult' and 5 means it has been 'extremely difficult'. So firstly... READ OUT. ROTATE LIST BUT ALWAYS ASK B, C & D IN ORDER

ON EACH OF THE E1 SCREENS (AT BOTTOM)

AS NECESSARY To what extent has this been a difficulty in <MARKET> (where 1 means it has 'not been at all difficult' and 5 means it has been 'extremely difficult')

INTERVIEWER NOTE: If respondent says it is not relevant or doesn't apply, then code as '1 – Not at all difficult'

- (a) Obtaining information about the potential opportunities for your business in < MARKET >**
- (b) Identifying who to make contact with in the first instance or finding a suitable partner**
- (c) Establishing an initial dialogue with prospective customers or business partners in < MARKET >**
- (d) Building relationships with key influencers or decision-makers**
- (i) Customers in < MARKET > preferring to do business with firms from < MARKET > (rather than with UK firms)**
- (k) Finding the necessary management time to devote to doing business in < MARKET >**
- (r) Dealing with legal or tax regulations or standards in < MARKET >**
- (s) Language barriers**
- (y) Cultural differences**
- (t) Protecting your intellectual property**
- (w) Ensuring you get paid and enforcing contracts**
- (x) Dealing with customs procedures or paperwork**

1 – Not at all difficult	1
2	2
3	3
4	4
5 – Extremely difficult	5
(Don't know)	6

CATI TO INSERT TIME MARKER

AWARENESS & USE OF UKTI

READ OUT TO ALL

I'd now like to ask you some questions about sources of information or advice that are available to help UK firms do business overseas.

ASK ALL

F2 – Prior to this interview, had you heard of...? READ OUT

(a) UK Trade & Investment or UKTI

(b) The commercial services provided by British embassies and consulates overseas

Yes 1
 No..... 2
 (Don't know) 3

IF AWARE OF UKTI OR POSTS (CODE 1 AT F2a OR CODE 1 AT F2b)

F3a – And has your firm actually <IF F2a=1 & F2b=2-3 used any of UK Trade & Investment's services / IF F2b=1 & F2a=2-3 obtained any business information or advice from a British embassy or consulate overseas / IF F2a=1 & F2b=1 used any of UK Trade & Investment's services or obtained any business information or advice from a British embassy or consulate overseas>?

Yes 1
 No..... 2
 (Tried to but got no help)..... 3
 (Don't know) 4

IF AWARE OF UKTI & NOT USED (CODE 1 AT F2a & CODES 2 OR 4 AT F3a)

F2c – Before today, were you aware that UK Trade & Investment provide assistance to help UK firms do business overseas?

Yes 1
 No..... 2
 (Don't know) 3

IF AWARE OF UKTI/POSTS BUT NOT USED (CODES 2-4 AT F3a)

F7a – Do you think that you will use any of the services provided by UK Trade & Investment or British embassies and consulates overseas in future?

Yes 1
 No..... 2
 (Don't know) 3

IF USED UKTI/POSTS (CODE 1 AT F3a)

F7b – Do you think that you will use any of the services provided by UK Trade & Investment or British embassies and consulates overseas again in future?

- Yes 1
- No..... 2
- (Don't know) 3

IF USED UKTI/POSTS BUT WILL NOT USE AGAIN (CODE 2 AT F7b)

F7c – Is there any particular reason why you won't use them again? DO NOT READ OUT BUT PROMPT TO CLARIFY. CODE ALL THAT APPLY

- Previous bad experience of UKTI support..... 1
- Manage fine as we are / don't need help 2
- Already have experience / expertise within the company 3
- Company too niche/specialised for support to be relevant 4
- Cost (lack of funding / services too expensive) 5
- (Other reason) 6
- (Don't know) 7

ASK ALL

F6 – And have you ever visited the 'Open to Export' website?

AS NECESSARY: The Open to Export website provides information, advice and support about exporting.

- Yes 1
- No..... 2
- (Don't know) 3

CATI TO INSERT TIME MARKER

 USE OF OVERSEAS SUPPLIERS

READ OUT IF IMPORTED IN LAST 5 YEARS (CODE 1 AT S6a, S6b OR S6c)

You mentioned earlier that your company has sourced goods or services from overseas suppliers <IF S7=5-9 over the last 5 years>. I'd now like to ask a few questions about your firm's experiences as a customer of overseas businesses.

AS NECESSARY:

- **It doesn't matter if this was on a very small scale, we're still interested in your views.**
- **This would include sourcing goods or services from your own overseas site, your parent company, other group companies, etc**

IF IMPORTED IN LAST 5 YEARS (CODE 1 AT S6a, S6b OR S6c)

J1 – Firstly, have you bought any of the following from overseas suppliers <IF S7=5-9 in the last 5 years>? READ OUT – CODE ALL THAT APPLY

AS NECESSARY: **Please include all goods and services you have obtained from overseas, even if it was from overseas companies that are associated with you (e.g. your parent company or other group companies).**

Raw materials	1
Components	2
Finished products	3
Business services such as marketing, accounts, call centre, professional advice, etc	4
Research & development (R&D)	5
(Other)	95
(Don't know)	97

IF IMPORTED IN LAST 5 YEARS (CODE 1 AT S6a, S6b OR S6c)

J2 – And were any of these goods or services provided by a company related to your business, such as a parent company, subsidiary, sister company, etc?

IF YES, PROBE FOR WHETHER ALL OR SOME. SINGLE CODE

Yes – all obtained from related companies	1
Yes – some obtained from related companies	2
No - all obtained from unrelated companies	3
(Don't know).....	4

IF IMPORTED IN LAST 5 YEARS (CODE 1 AT S6a, S6b OR S6c)

J3 – Did you decide to use overseas suppliers for any of the following reasons...? READ OUT – CODE ALL THAT APPLY. RANDOMISE ORDER.

Because there was no UK supplier of these products or services.....	1
To get better quality products or services	2
To get more competitive prices.....	3
You had no choice due to company policy.....	4
(Other reason)	95
(Don't know)	97

IF IMPORTED IN LAST 5 YEARS (CODE 1 AT S6a, S6b OR S6c)

J5 – Thinking about all of the goods and services that you buy into the business, approximately what proportion of your total purchases are made from overseas suppliers? Would you say that...? READ OUT. SINGLE CODE

AS NECESSARY: Please answer based on the cost of these purchases.

IF CODES 1-2 AT J2

AS NECESSARY: Please include anything you source overseas, even if it's from a related company (e.g. your parent company or other group companies).

Up to 10% of your purchases are from overseas suppliers	1
11-20%	2
21-50%	3
51-75%	4
Or over 75%	7
(Don't know)	5
(Refused).....	6

IF IMPORTED IN LAST 5 YEARS (CODE 1 AT S6a, S6b OR S6c)

J6 – In the last 3 years, has the proportion of your total purchases that come from overseas suppliers increased, decreased, or stayed the same?

AS NECESSARY: This question is asking whether the proportion of your purchases coming from overseas suppliers has changed, not whether the amount in £'s has changed.

Increased.....	1
Decreased	2
Or stayed about the same.....	3
(Don't know)	4
(Refused).....	5

IF IMPORTED GOODS/SERVICES IN LAST 5 YEARS (CODE 1 AT S6A, S6b OR S6c)

J7 – And in the next 3 years, do you expect this proportion to...? READ OUT. SINGLE CODE.

AS NECESSARY: This question is about whether the proportion of your purchases coming from overseas suppliers will change, not whether the amount in £'s will change.

Increase.....	1
Decrease	2
Or stay about the same.....	3
(Don't know)	4
(Refused).....	5

IF IMPORTED GOODS/SERVICES IN LAST 5 YEARS (CODE 1 AT S6A, S6b OR S6c)

J8a – And have your experiences of buying goods or services overseas helped you at all when it comes to selling your products or services overseas?

- Yes 1
 No..... 2
 (Don't know) 3

IF IMPORTING HAS HELPED EXPORTS (CODE 1 AT J8A)

J8b – And was this because...? READ OUT. CODE ALL THAT APPLY

- You made contacts when importing that were helpful when selling overseas..... 2
 Your experiences of importing have improved your knowledge and understanding of overseas markets 3
 Or some other reason..... 4
 (Don't know) 5

IF HAD GOODS MANUFACTURED OVERSEAS (CODE 1 AT S6b OR S6c)

J9 – Thinking about your experiences of having goods manufactured overseas, would you say that this is...? READ OUT. SINGLE CODE.

INTERVIEWER NOTE: The respondent mentioned earlier that they had goods manufactured for them overseas. This could include having things manufactured at their own overseas site, by their parent company or by other group companies.

- Becoming more difficult..... 1
 Becoming less difficult 2
 Or has there been no change in this respect..... 3
 (Don't know) 4
 (Refused)..... 5

IF OVERSEAS MANUFACTURING BECOMING MORE DIFFICULT (CODE 1 AT J9)

J10 – As a result of this, are you planning to source or manufacture more of these goods in the UK? READ OUT. SINGLE CODE. IF YES, PROBE WHETHER THEY WILL MANUFACTURE MORE THEMSELVES IN THE UK OR BUY MORE FROM OTHER UK MANUFACTURERS

- Yes – will manufacture more in the UK ourselves 1
 Yes – will buy more from other UK manufacturers 2
 Yes - both 3
 No – not planning to source/manufacture more in the UK..... 4
 (Don't know) 5
 (Refused)..... 6

CATI TO INSERT TIME MARKER

 SECTION H – PROFILE

READ OUT TO ALL

Finally, I'd now like to ask you some questions about your business just to classify your answers for analysis purposes.

ASK ALL

H2a – How many people are currently employed by your business in the UK?

AS NECESSARY Please include both full and part-time staff.

INTERVIEWER NOTE – If the respondent owns the company and does not employ anyone else, please code as zero employees.

Write in number (0+):

(Don't know) – PROMPT WITH RANGES

(Refused)

IF DON'T KNOW AT H2a

H2b – If you had to estimate, approximately how many people are employed by your business in the UK? READ OUT AS NECESSARY

No employees.....	1
1-4	2
5-9	3
10-19	4
20-49	5
50-99	6
100-199	7
200-249	8
250-499	9
500 or more	10
(Don't know)	11
(Refused).....	12

ASK ALL

H3b –< IF S7=NOT 1 & NOT 9 AND S7b=NOT 2 **Can I just ask, what is the current annual turnover of your business? / IF S7=1 OR 9 OR S7b=2 What do you anticipate will be the turnover of your business in the first year of trading?> READ OUT AS NECESSARY**

AS NECESSARY **By this I mean your annual sales, income or receipts.**

IF OVERSEAS SITE (CODE 4 AT S2a):

AS NECESSARY: **Please include sales from any overseas sites or subsidiaries that you control from the UK.**

IF FOREIGN OWNED (CODES 2-3 AT H1b):

AS NECESSARY: **Please just focus on your UK firm, not your parent company**

£0	1
£100,000 or less	2
£100,001 - £500,000	3
£500,001 - £2million	4
£2million - £10million	5
£10million - £25million	6
£25million - £50million	7
£50million - £250million	8
£250million - £500million	9
More than £500million	10
(Don't know)	11
(Refused).....	12

ASK ALL

H22a – < IF S7=NOT 1 & NOT 9 & S7b=NOT 2 **Is your company currently making an annual profit or loss / IF S7=1 OR 9 OR S7b=2 Do you anticipate that your company will make a profit or loss in its first year of trading >?**

IF FOREIGN OWNED (CODES 2-3 AT H1b):

AS NECESSARY: **Please just focus on your UK firm, not your parent company**

Profit	1
Loss.....	2
(Break even)	3
(Don't know)	4
(Refused).....	5

IF PROFIT (CODE 1) AT H22a

H22b – **Approximately what proportion of your < IF S7=NOT 1 & NOT 9 & S7b=NOT 2 annual turnover is / IF S7=1 OR S7=9 OR S7b=2 turnover in the first year of trading do you anticipate will be > accounted for by profits?**

AS NECESSARY **By this I mean what is your profit margin?**

AS NECESSARY **Please answer in relation to pre-tax profit**

Write in (% - ALLOW ZERO)
(Don't know)
(Refused)

CATI TO CHECK NUMBER IS BETWEEN 0 AND 100

IF DON'T KNOW AT H22b

H22c - If you had to estimate this proportion, into which of the following bands would you place it? READ OUT AS NECESSARY

Zero/nothing	1
Up to 10%.....	2
11% – 25%.....	3
26%-50%.....	4
51%-75%.....	5
More than 75%.....	6
(Don't know)	7
(Refused).....	8

ASK ALL UNLESS ESTABLISHED IN LAST TWO YEARS (I.E. NOT 1-2 OR 9 AT S7 & NOT CODE 2 AT S7b)

H7a – Have you introduced any new products or services over the last three years?

Yes	1
No.....	2
(Don't know)	3

ASK IF YES AT H7a

H7b - And are these new products or services... READ OUT - SINGLE CODE ADD AS NECESSARY: By completely new I mean that, to the best of your knowledge, they have not been introduced by anyone before you READ OUT – SINGLE CODE

Just new to your business.....	1
New to your industry or sector.....	2
Or, are they completely new to the world	3
(Some are just new to the business and some are completely new)	4
(Don't know).....	5

ASK ALL EXCEPT NO EMPLOYEES (0 AT H2A OR CODE 1 AT H2B) OR CODES 2, 3 OR 4 AT H7b

H4a – Approximately how many of your UK employees are engaged either wholly or partly in R&D or new product or service development activity? READ OUT AS NECESSARY

AS NECESSARY: **By R&D I mean 'research and development'**

Zero.....	1
One.....	2
2-4.....	3
5-9.....	4
10-49.....	5
50 or more.....	6
(Don't know)	7
(Refused).....	8

ASK IF H4a IS CODES 3-6

H4b – Can I just check, are any of these employees involved in activities that could be described as ‘the development of scientific or technical knowledge that is NOT commonly available’?

Yes 1
 No..... 2
 (Don't know) 3

ASK ALL EXCEPT CODES 2, 3 OR 4 AT H7b OR CODE 1 AT H4b

H6 – In the last year have you commissioned anyone external to your business to conduct any R&D or new product or service development activity for you?

Yes 1
 No..... 2
 (Don't know) 3

ASK ALL

H8b – Have you either applied for or obtained any patents, trademarks, design rights or other legal protection, either in the UK or overseas, for any of your products or services?

Yes 1
 No..... 2
 (Don't know) 3

IF IP PROTECTION (CODE 1 AT H8b)

H8e – And is this...? READ OUT. CODE ALL THAT APPLY

Patents 1
 Trademarks 2
 Design rights..... 3
 Or other legal protection 4
 (Don't know) 5

ASK ALL

H8f – Can I just check, have you ever heard of the UK government’s overseas Intellectual Property attaché network?

EXPLAIN AS NECESSARY: The UK Government has recently established a network of Intellectual Property attachés based in China, India, Brazil and South East Asia. This network will be used to strengthen advice and support on Intellectual Property Protection in these markets with a view to further developing trade for UK companies there.

Yes 1
 No..... 2
 (Don't know) 3

ASK ALL

I4 – And during the last year, have you attended any business seminars, tradeshows or conferences?

- Yes 1
 No..... 2
 (Don't know) 3

ASK ALL

H9a – Moving on, do you have a current, written business plan?

- Yes 1
 No 2
 (In progress/currently writing business plan) 3
 (Don't know) 4
 (Refused)..... 5

IF HAVE OR WRITING PLAN (CODE 1 OR 5 AT H9a)

H9c - <IF H9a=1 Does / IF H9a=3 Will> the plan contain any targets relating to revenues from overseas sales?

- Yes 1
 No 2
 (Don't know) 3
 (Refused)..... 4

ASK ALL

G10a – Over the last 6 months, has your business had any difficulties in obtaining finance, either from within the company or from external sources?

INTERVIEWER NOTE: If respondent says it is not applicable or they haven't tried to obtain finance, then code as 'no'

- Yes 1
 No..... 2
 (Don't know) 3
 (Refused)..... 4

IF DIFFICULTIES ACCESSING FINANCE (G10a=1)

G10e – Have these difficulties obtaining finance had any negative impact on the scale or scope of your <IF S2b=1 planned> overseas activities? SINGLE CODE.

- Yes 1
 No..... 2
 (Don't know) 3

CATI TO INSERT TIME MARKER

 WRAP UP

ASK ALL

H14 – That’s the end of the interview, thank you very much for taking part. I just need to check a few things before you go. Would you be willing to take part in any future UK Trade & Investment research on this topic?

AS NECESSARY If you say ‘yes’ you can always decline at the time if it’s not convenient.

Yes 1
 No 2
 (Don’t know) 3

ASK ALL

H17d – Would you like us to email you some more information on the services that UKTI provide to help UK firms do business overseas? READ OUT

INTERVIEWER NOTE: YOU CAN OFFER THE UKTI WEBSITE AS WELL/INSTEAD (WWW.UKTI.GOV.UK)

Yes 1
 No..... 2
 (Don’t know) 3

ASK ALL

H17a - We will be producing a report of the results from this survey. Would you like us to email you an electronic link to this report when it’s published? READ OUT

ADD AS NECESSARY **The report will be available later this year.**

Yes 1
 No..... 2
 (Don’t know) 3

IF YES AT H17a OR H17d

H17b - Can I take your e-mail address? AS NECESSARY: This will only be used to email you < IF YES AT H17d some information about UKTI services / IF YES AT H17d & H17a and / IF YES AT H17a a link to the report > and will not be passed on to anyone else.

INTERVIEWER NOTE: PLEASE MAKE SURE YOU RECORD THE EMAIL ADDRESS CORRECTLY, & READ IT BACK TO THE RESPONDENT TO CHECK SPELLINGS ETC

Yes (WRITE IN) 1
 No..... 2
 (Don’t know) 3

CATI TO INSERT TIME MARKER

ASK ALL

H15 – Finally as proof of this interview please could I just confirm your business postcode? CATI TO DISPLAY POSTCODE IF AVAILABLE – AMEND IF MISSING OR INCORRECT

.....

ASK ALL

H16 – And may I take a note of your name?

.....

STANDARD THANK & CLOSE

Deleted Questions (previous waves)

- S5d, S5e, S8, S9a, S9b, S9c, A7, A8, A9b, A9c, A9d, A10, A11, A12, A17b, A18, A21, A24, A25, A26, A29, A30a, A30b, A30c, B1b, B1c, B2a, B2b, B2c, B2d, B2e, B3, B5, B7, B8a, B8b, B9, C1a, C1b, C1d, C4, E2, E3, E4, E5, F2j, F2k, F2l, F2m, F2n, F3b, F4a, F4b, F5, G4b, G10f, G12, H2c, H2d, H2e, H3c, H5, H8c, H8d, H11b, H17c, H18a, H18b, H18c, H19a, H19b, H19c, H20a, H21, I1, I2h, I2i, I3b, I5, J4