



Department for
International Trade

DIT National Survey of UK Registered Businesses 2020

2020 Report

16 June 2021

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1 Executive Summary

1.1 About the National Survey of Registered Businesses (NSRB)

The National Survey of Registered Businesses (NSRB) is commissioned by the Department for International Trade (DIT) to monitor businesses' exporting behaviours, plans, capabilities and attitudes. Historically, it has also measured the performance of DIT's *Exporting is GREAT* communications campaign. This contributes to the Department's objective of encouraging and inspiring UK businesses to sell overseas.

Five waves of the NSRB have been completed to date. The first wave of interviewing was conducted in 2015 and there have subsequently been waves of interviewing in 2016, 2017, 2018 and 2020.¹ In 2020, a total of 3,000 responses were collected from businesses across 3 points in the year. This has allowed DIT to understand business opinion as the coronavirus pandemic and developments in exiting the EU unfolded. For ease of understanding, this report focuses on the overall findings for the year, including a summary of the main quarterly changes in Chapter 10.

The primary focus of the NSRB is on businesses with an annual turnover of £500,000 or more. This is done on the basis that the size of these businesses means they can potentially generate high value exports. As such, wherever the report refers to 'UK businesses', it is only those with a turnover of £500,000 or higher which are being considered. Chapter 11 provides findings relating to the wider population of all registered businesses, including those with a turnover of less than £500,000.

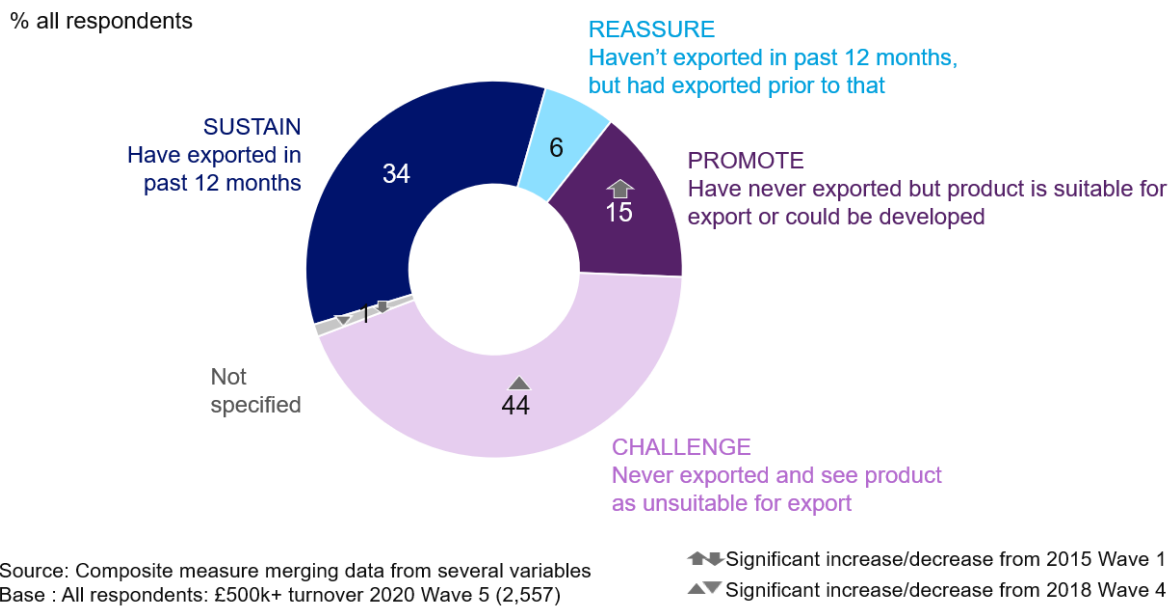
1.2 Survey findings

The NSRB allocates businesses into one of 4 **segments** that reflect their exporting behaviour. In 2020, the proportions of businesses falling into each segment were very similar to previous waves. In 2020:

- a third of businesses (34%) had exported either goods or services in the past 12 months and therefore fell into the 'Sustain' segment
- a further 6% were either lapsed or intermittent exporters, who had not exported in the past 12 months but had done previously. These made up the 'Reassure' segment
- around one in 7 businesses (15%) were in the Promote segment. This means they had never exported but had goods or services either suitable for export or could be developed for export
- the Challenge segment is made up of businesses which have never exported and do not see their goods or services as suitable for export. They account for over 4 in 10 businesses (44%). The remaining 1% of businesses fall outside the segment definitions and are typically uncertain of their exporting potential or history

¹ These were waves 1-5 of the survey, although years do not fully align with waves. For example, Wave 4 fieldwork took place in 2018 and Wave 5 in 2020. See section 3.2 for fieldwork dates in each wave.

Figure 1.1: Proportion of businesses in each exporting segment



Despite the coronavirus pandemic and uncertainty around EU exit, businesses were as likely to report exporting growth as contraction in the past 12 months. Businesses named reduced demand and the coronavirus pandemic as the main drivers of any reduced exports. Exporters have become more passive and are more likely to react to incoming orders than actively seek overseas business. Over half of exporters had exported to the USA, Australia, China and New Zealand.

Respondents were asked specifically about the impact of the **coronavirus pandemic** on business. 2 thirds reported a negative impact and around half expected an impact lasting at least 6 months. The quarterly data suggested that businesses had a strong immediate reaction to the pandemic, becoming more positive in the final quarter of 2020. 4 in 10 exporters experienced supply chain issues in the wake of the pandemic, which stayed consistent across the rest of 2020.

When questioned about key **capabilities** required for exporting, businesses were most confident about adequate supply chains and the ability to assess the cost of exporting. They were least likely to say they were able to undertake market research or assess international competition for their products or services. Among exporters and potential exporters, around a third cited cost and access to contacts, customers and networks as strong **barriers** to exporting. Around a quarter experienced capacity and a lack of knowledge as strong barriers. Business awareness of their eligibility for **reduced customs duties** when exporting to non-EU countries was low. Lack of information and compliance difficulties were both barriers to uptake.

Three quarters of businesses reported a high or moderate level of **knowledge about how to export**. This is consistent with 2018's findings, although since 2015 the proportion of businesses rating their knowledge of how to export as high has decreased. The decrease was from one third to a quarter. This appears to have been driven by a drop in current exporters' knowledge ratings. It suggests that changes to the exporting landscape in 2020 have left some gaps in their knowledge. It may also reflect the timing of the survey. The last fieldwork period finished on 14 December 2020, but the EU exit arrangements were not confirmed until late December. Almost 4 in 5 businesses ranked their **knowledge of where**

to go for information about exporting or exporting help and support as moderate to high. Current and lapsed exporters tended to have higher scores.

Businesses reported using a wide range of **sources to stay informed about exporting or businesses products**. Websites and internet searches were reported most often but with business and informal contacts were also key. Use of other businesses, friends and colleagues, industry publications and trade associations increased at the start of the coronavirus pandemic in 2020.

A steady one in 3 businesses who have exported or could export, report **having sought advice or information about exporting**. Compared with 2018, fewer said they would not know where to get such information or that they would rely on internet searches. UK government was the top internet-based source in 2020. Just one in 7 reported having **used paid exporting services**. There was little interest in using such services among those who do or could export unless it is free or very low in cost.

The proportion of businesses reporting **plans to grow their business** has fallen from 3 quarters to 2 thirds since 2018. Additionally, there has been a decline in **business innovation** since 2018, with 46% introducing new or improved products in 2020 compared with 53% in 2018. Businesses expect export value to decline in the short term, with 4 in 10 believing export value will fall over the next 12 months. However, in the longer-term, they were more positive. 4 in 10 were expecting an increase in the next 5 years, and less than 3 in 10 expecting it to decrease in that time. Business **perception of global demand** for UK goods and services fell after the start of the pandemic. This did begin to recover in the final quarter of the year. In general, shifts in opinion were seen first among the Sustain and Reassure segments. This suggests that real knowledge of the process of exporting has driven businesses' expectations, rather than other perceptions of the current exporting context.

Finally, the **Exporting is GREAT** campaign which ran for a number of years as the main export promotion campaign no longer exists and has been replaced with a new campaign. However, business awareness of advertising and information about exporting stayed consistent with earlier waves, with almost 3 in 10 aware of the campaign. This may be a result of confusing *Exporting is Great* with other government campaigns raising business awareness of the end of the EU transition period. Likewise, business awareness and usage of the *great.gov.uk* website was similar to 2018, with one in 10 aware of it and 6% having visited.

2 Background

This chapter provides an overview of the policy background to the National Survey of Registered Businesses Exporting Behaviours, Attitudes and Needs as well as a summary of the aims of the survey. The full survey name has been abbreviated to ‘the NSRB’ throughout.

2.1 DIT’s objectives

As specified in the **Main Supply Estimates 2020 to 2021**², the Department for International Trade’s objectives for 2020 to 2021 are to:

- deliver an ambitious free trade agreement programme that benefits businesses and consumers in every part of the UK
- develop trade and help to level up the economy by: attracting inward investment to all parts of the UK, increasing exports right across the country; and gaining market access for UK businesses, including SMEs and those new to exporting
- champion free trade on the national and global stage, as a means of reducing poverty, increasing opportunity, and supporting prosperity, stability and security worldwide, including through supporting the multilateral trading system, dismantling barriers to trade, and defending UK industry from anti-competitive practices
- build DIT as an effective department with a strong regional and overseas presence, world class trade negotiation capacity and expert, enterprising, engaged and inclusive people who deliver confidently across the country

These objectives are underpinned by a diverse range of activities which, reflecting the complexity of DIT’s remit, often involve working with other government departments. Further details may be found in the Main Supply Estimates 2020 to 2021.

2.2 Context

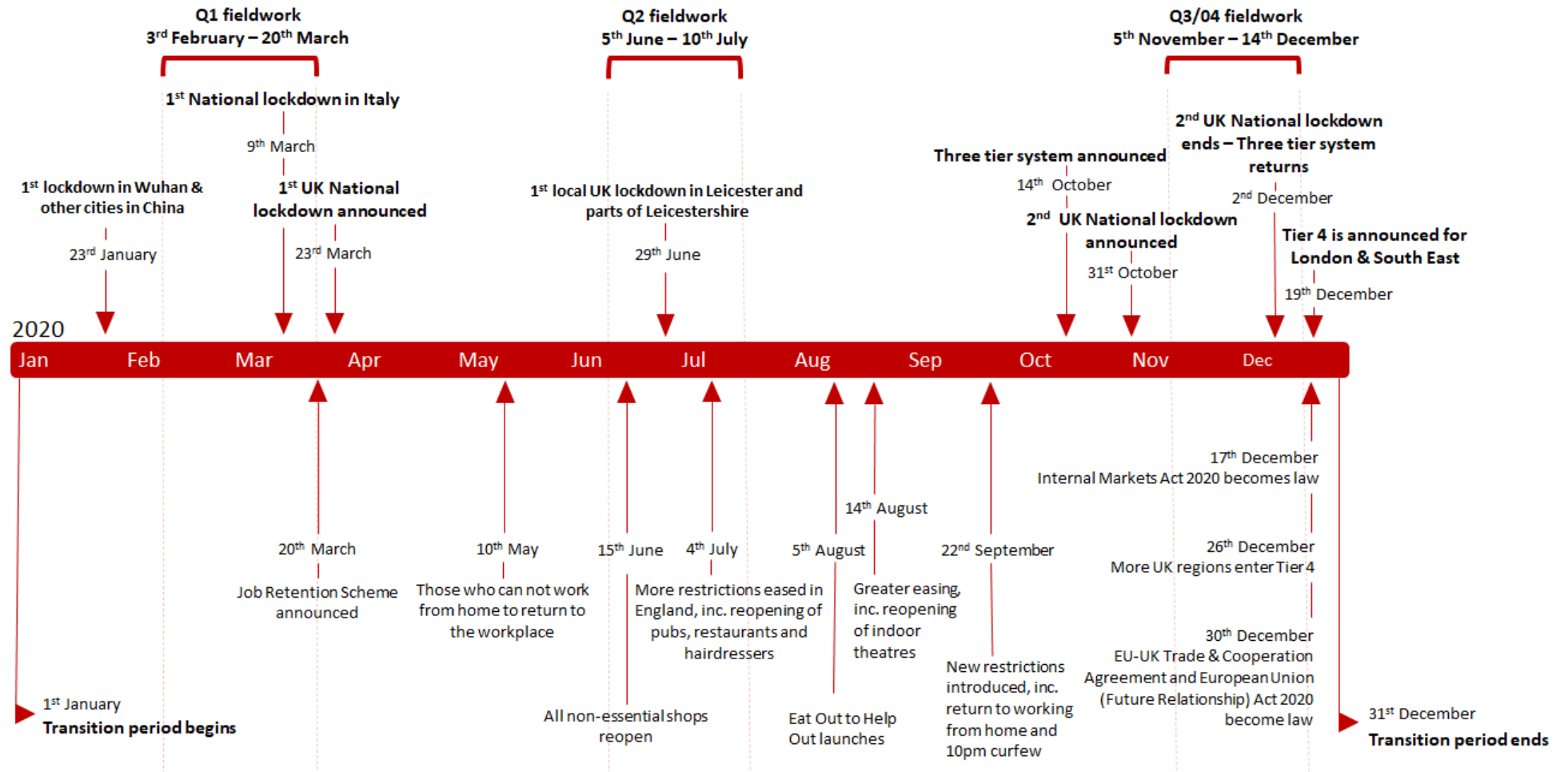
2.2.1 Timeline of relevant events in 2020

The survey year, 2020, was dominated by 2 events that affected businesses: the coronavirus pandemic and the UK’s withdrawal from the European Union (EU). The coronavirus pandemic saw the UK and many other countries around the world enter into lockdowns to

² See: <https://www.gov.uk/government/publications/spending-review-2020-documents/spending-review-2020>

curtail the spread of the virus. Lockdown restrictions and other measures significantly impacted businesses and their employees across the globe. The UK's withdrawal from the EU introduced new laws and regulatory change which affects the way that businesses interact with Europe, for both exports and imports. There was also some uncertainty among businesses about the final arrangements to be put in place between the EU and the UK in the approach to end of the transition period. This was resolved with the final EU-UK Trade and Cooperation agreement and European Union (Future Relationship) Act 3 signed into law on 30 December 2020. Figure 2.1 sets out the timeline of events in 2020 related to the EU exit and the coronavirus pandemic, alongside the survey fieldwork dates. Quarter 1 fieldwork ended just before the introduction of the UK national lockdown. Quarter 2 fieldwork was carried out during a period where there were fewer restrictions. Quarter 3 and 4 surveying was carried out as lockdowns were being re-introduced towards the end of 2020.

Figure 2.1: 2020 timeline



2.2.2 The coronavirus pandemic

The coronavirus pandemic spread early in 2020 and rapidly grew to affect every UK and international business in varying degrees. In the UK there were 2 national lockdowns as well as a tiered approach to implementing public health measures. Other countries also imposed restrictive measures within their own nations which disrupted global trade flows.

During the UK's first national lockdown, announced on 29 March, all employees were told to work from home and travel was restricted for all except for those deemed essential workers. According to the Office for National Statistics (ONS), these measures and the wider impacts of the coronavirus pandemic led to a significant reduction in the UK's trade in services. In Q2 2020 compared with Q2 2019, there was a 32% and 19% reduction in imports and exports respectively.⁴

With restrictive measures easing in Q3 2020 there was a slight increase in exports and imports. This was seen in those industries most affected by the previous measures, such as machinery and transport equipment, miscellaneous manufactures, and material manufactures. Trade in goods saw an increase in imports and exports of 19% and 22% respectively, although these figures are still below their pre-pandemic highs.⁵

In mid-late 2020 more restrictive measures were introduced, and subsequently another national lockdown. At the time of writing, there are no published figures about the impacts of these measures on trade and exporting. However, it is possible to hypothesise that they will have caused a reduction on trade in goods and trade in services by UK business.

2.2.3 EU exit and future trade

The United Kingdom European Union membership referendum took place on 23 June 2016. This is an important contextual factor which is highly likely to have impacted on the data collected in Waves 2 to 5 of the NSRB.

Wave 2 was conducted in the run-up to the referendum, at which point businesses would have been exposed to arguments both for and against EU membership and the potential impacts on future trading arrangements.

Waves 3 and 4 were conducted in the aftermath of the referendum result and against a background where there had been ongoing and extensive discussion of matters that would have a direct impact on exporting.

Wave 5 fieldwork was conducted after the beginning of the transition period. The transition period was a time during which the UK and EU worked out what their future relationship would be after the UK's EU withdrawal. It began on 1 January 2020 and ended on 31 December 2020, during which time the UK remained in the EU customs union and the single market. It was only towards the latter end of 2020 that clarification about the UK's future trading relationship with the EU and wider world emerged, enabling businesses to better plan their futures. Therefore, it seems likely that uncertainty about the nature and terms of the UK's departure from the EU will have affected the views of businesses surveyed in the NSRB throughout 2020. The post-EU relationship has been codified in the passing of a number of key bills on 30 December 2020. This includes the UK Internal Market Bill, 'the EU-UK Trade and Cooperative Agreement' and 'the European Union

⁴ See:

[https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/articles/impactsofthecoronavirusonuktrade/december2020#:~:text=The%20coronavirus%20\(COVID%2D19\)%20pandemic%20impacted%20upon%20UK%20trade,compared%20with%20Quarter%202%202019](https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/articles/impactsofthecoronavirusonuktrade/december2020#:~:text=The%20coronavirus%20(COVID%2D19)%20pandemic%20impacted%20upon%20UK%20trade,compared%20with%20Quarter%202%202019)

⁵ See above

(Future Relationship) Bill', which are all expected to impact how businesses view their exporting future.⁶

2.2.4 The *Exporting is GREAT* campaign

The multi-channel *Exporting is GREAT* campaign was one of DIT's largest communications campaigns and played a central role in DIT's objective of encouraging and inspiring UK businesses to sell overseas.

The campaign was launched in November 2015 and formed a part of the government's wider, multi-departmental *GREAT* campaign.

Drawing upon findings from the NSRB, the *Exporting is GREAT* campaign had evolved over time, expanding upon its initial aim of driving business perceptions of international demand. More recent campaign activities had focused more strongly on behaviour change, encouraging businesses to take active steps towards exporting by highlighting examples of successful (and relatable) exporters in a diverse range of sectors.

The campaign also aimed to drive traffic to great.gov.uk, one of the government's main destinations for exporters, international buyers and investors.

Since mid 2019, there was no above the line advertising for *Exporting is GREAT*. However, there was a significant amount of no-cost campaign activity on trade promotion that continued to be under the *Exporting is GREAT* umbrella.

⁶ See: <https://researchbriefings.files.parliament.uk/documents/CBP-7960/CBP-7960.pdf>

3 Survey methodology

This chapter provides an overview of the survey methodology and contains information which is important for readers to bear in mind. Further details of the survey methodology are included in the Technical Report which is published alongside this main report.

Methodology essentials

Key points to bear in mind when reading this report are as follows:

- there are 2 separate data sets:
 - chapters 4 to 9 focus on the annual findings of UK registered businesses with a turnover of £500,000+
 - chapter 10 is a summary of 2020 quarterly findings for those £500,000+ businesses
 - chapter 11 focuses on the total population of UK registered businesses
- data are collected at an enterprise level (that is, respondents provide answers relating to their organisation as a whole rather than at branch or site level)
- there are margins of error around the survey data quoted in this report - some apparent trends in charts may not be statistically significant
 - the written commentary focuses on findings where significance testing indicates that we can be reasonably confident that the survey data support the point being made
- the sample sizes of Waves 3, 4 and 5 are larger than those of earlier waves (and the margins of error surrounding data from these later waves are, accordingly, smaller)

The NSRB was conducted using a CATI method (Computer Assisted Telephone Interviewing). Interviews were undertaken with the senior manager who was best qualified to talk about specifics of the business – this was typically the owner, proprietor, MD or another senior decision maker.

3.1 The objectives of the NSRB

The NSRB serves 2 broad functions which support DIT's objectives. It is a strategic survey for the Department, used by policy and strategy stakeholders across government. Historically, it has also been a tool to evaluate the Exporting is Great Campaign.

Relating to the first of these aims, the NSRB is designed to:

- measure of the size of the opportunity and challenge for DIT in terms of the proportion and number of companies at different stages of the exporting journey
- ascertain business attitudes to trade and exporting
- give information on barriers to exporting and how they might be addressed
- identify the level of business interest in, and engagement with, exporting support and advice
- highlight skills, resource and knowledge gaps among businesses

The most recent wave of the survey (Wave 5) includes several new questions designed to:

- explore the differences in the export of goods and of services
- identify the barriers preventing or hindering businesses exporting
- understand businesses awareness of reduced customs tariffs
- find out which channels businesses use to find out about exporting and industry news

Relating to its use as an evaluation tool, the Exporting is GREAT campaign no longer exists and has been replaced. While most campaign related questions were removed from Quarter 2 onwards, some core questions about communications have remained, aiming to:

- capture awareness of information and advertising about exporting
- measure which sources of exporting publicity businesses have encountered
- measure awareness and usage of the great.gov.uk website
- measure awareness and usage of the Northern Powerhouse website

3.2 Sample and fieldwork design

The sample for all 5 waves was drawn from the Inter-Departmental Business Register (IDBR). The IDBR provides the main sampling frame for surveys of businesses carried out by the Office for National Statistics (ONS) and other government departments. It covers 2.7 million businesses in all sectors of the UK economy, other than very small businesses (those without employees and with turnover below the tax threshold) and some non-profit making organisations. The 2 main sources of input are the Value Added Tax (VAT) system from HMRC (Customs) and Pay As You Earn (PAYE) from HMRC (Revenue). Additional input comes from Companies House, Dun and Bradstreet and ONS business surveys. As such, the survey population only consists of registered businesses.

£500,000 turnover businesses were oversampled relative to their true proportion in the population of businesses, reflecting DIT's focus on high export potential (HEP) businesses. This allowed for more robust sub-group analysis when examining the £500,000+ businesses which are the primary focus of this report. However, this sampling approach has limited the analysis of the total sample of all businesses. The weighting scheme required to compensate for the smaller proportion of lower turnover businesses results in a lower effective base size and larger margins of error around the all-business estimates.

The sample was stratified. Quotas were then applied to ensure that the required number of interviews was achieved with companies of a range of sizes; companies in a range of sectors; and companies based in different regions of the UK.

The findings from 5 waves are included in this report. It is worth noting that Wave 5 introduced a new quarterly approach to the survey. This quarterly approach allowed the questionnaire design to be more flexible to DIT's changes of priority and to political and current affairs which may have very significant impacts on businesses' exporting attitudes and behaviours. This flexibility meant that Quarters 1 and 2 were run individually but quarters 3 and 4 were combined in Wave 5 to accommodate policy and campaign developments within the Department. The timing of fieldwork for each wave was as follows:

- Wave 1: 20 October to 6 November 2015
- Wave 2: 1 April to 4 May 2016
- Wave 3: 26 July to 7 September 2017
- Wave 4: 23 October 2018 to 4 January 2019
- Wave 5 Q1: 3 February 2020 to 20 March 2020
- Wave 5 Q2: 5 June to 10 July 2020
- Wave 5 Q3/Q4: 5 November 2020 to 14 December 2020

In relation to the *Exporting is GREAT* campaign, it is useful to understand campaign measures in line with the context below:

- Wave 1 was conducted prior to the launch of the *Exporting is GREAT* campaign. Subsequent waves have been conducted around bursts of campaign activity. Due to the variability of campaign activity, the relative timings of fieldwork have varied between waves
- Wave 2 was conducted immediately after the campaign had aired
- Wave 3 was conducted 3 months after the campaign had aired, which may have affected the recorded levels of campaign awareness
- Wave 4 was conducted during campaign activity, so there was no time lag. However, the amount of activity which took place prior to fieldwork was lower than for previous waves, which may also have impacted on campaign awareness
- campaign activity paused while the first quarter of Wave 5 was in field and has not resumed since
- from Wave 2 through to Wave 5 Q1, respondents were directed to a website which allowed them to view campaign materials during the telephone interview

The survey data are not longitudinal – a separate sample of businesses was interviewed at each wave.

The NSRB collects enterprise level data whereby respondents give answers in relation to their organisation as a whole rather than focusing on smaller reporting units within the organisation. This means that the NSRB reports a higher incidence of exporters than is found in surveys which publish data based on reporting units (given that many businesses will comprise some reporting units which export and some which do not). The Annual Business Survey is the UK's main structural business survey which provides reporting-unit level data.⁷

3.3 Sample size and effective base sizes

The unweighted sample sizes achieved in each wave are shown in Figure 3.1 and the quarterly breakdown for Wave 5 in Figure 3.2.

All waves of the survey were weighted to ensure that they matched the profile of businesses on the IDBR at the time the sample was drawn in terms of:

- business turnover interlocked with number of employees
- region
- broad sector

⁷ See: <https://www.ons.gov.uk/surveys/informationforbusinesses/businesssurveys/annualbusinesssurvey>

Two separate sets of data were produced, each weighted on the above factors. The first data set was based only on £500,000+ turnover businesses (the focus of Chapters 4 to 10). The second was based on the total population of registered businesses (the focus of Chapter 11).

The effective base sizes for each of these data sets are also shown in Figure 3.1.⁸

Figure 3.1: Unweighted and effective base sizes by data set

Sample	Wave 1	Wave 2	Wave 3	Wave 4	Wave 5
£500,000+ businesses – unweighted base	1,160	1,139	2,535	2,448	2,557
£500,000+ businesses – effective base	922	909	1,617	1,319	1,457
All businesses – unweighted base	1,405	1,418	2,991	3,000	3,001
All businesses – effective base	347	405	550	635	529

Figure 3.2: Unweighted and effective base sizes by quarter, Wave 5

Sample	Q1	Q2	Q3/Q4
£500,000+ businesses – unweighted base	626	653	1,278
£500,000+ businesses – effective base	315	388	764
All businesses – unweighted base	749	751	1,501
All businesses – effective base	133	127	270

3.4 Statistical significance

Survey data are subject to error - in most cases the responses obtained from a survey sample will not perfectly reflect the wider population that the sample represents.

Strictly speaking confidence intervals cannot be applied to quota samples, like this one, given that they do not use equal or known probabilities of selection.

We have applied significance testing to the data and have used this to guide our commentary.⁹ Charts throughout the report also highlight where differences across waves or between sub-groups are sufficiently large to note.

⁸ The effective base size takes account of the reduction in statistical reliability associated with weighting data and is the value which is used in any significance testing conducted throughout this report. See the accompanying technical report for further details of the weighting schemes.

⁹ Commentary throughout the report focuses on data that, in an equivalent random probability sample, would be statistically significant at a 95% confidence level. This means that if the survey were to be conducted 100 times, a finding of the same nature (for example sub-group A is more likely to respond in a certain way than sub-group B) would be found on at least 95 occasions.

Due to the sampling method, none of the findings in this report are statistically significant in the conventional sense, that is being able to assume to within a stated degree of probability that they also apply to the wider population. Where 'significance' is referenced, this is only intended as a guide to the findings that stood out within this dataset.

3.5 Segment definitions

DIT groups all UK businesses into 4 segments which reflect businesses' views on their potential to export. For 2020, some amendments were made to questions used to define the segments. These changes have enabled DIT to group businesses by segment more accurately and as a side effect, has substantially reduced the numbers of businesses unallocated to a segment whilst keeping proportions in each segment consistent. These question amendments were fully tested against prior questions and provided confidence that the segmentation remains comparable with previous waves. For more on this, please see the technical report.

The 4 segments are outlined below:

- **Sustain**: this segment includes current exporters, defined as UK businesses which have exported goods or services in the past 12 months. Around a third (34%) of UK businesses fell into this segment.¹⁰
- **Reassure**: this segment includes lapsed or intermittent exporters. These are UK businesses which had previously exported but have not done so in the past 12 months. 6% of UK businesses were included in this grouping
- **Promote**: this segment includes self-identified potential exporters. These are UK businesses which have never exported but believe they have goods or services which could potentially be exported or developed for export. Around 1 in 7 (15%) UK businesses were in this segment.
- **Challenge**: this segment includes non-exporters, defined as UK businesses which have never exported and do not currently see their goods or services as suitable for export. Just over 4 in 10 (44%) UK businesses were included in this grouping

¹⁰ It should be noted that whenever the report refers to 'UK businesses', it is focusing on registered businesses with a turnover of £500,000+.

4 Current and future exporting behaviours

This chapter examines whether UK businesses are currently exporting and, if not, whether they potentially could. It also investigates how this has changed over time, and whether businesses are planning to start exporting.

Key findings in this chapter are as follows:

- the proportion of exporters has remained unchanged since 2015: 4 in 10 businesses were exporters, with a third having exported in the last 12 months. A further 15% have the potential to export, representing a small increase from 2015
- London remained the biggest exporting hub (particularly for services) and with Northern Ireland another (largely for goods, with cross-border exporting with the Republic of Ireland dominant)
- exporters were as likely to report growth as they were contraction in the past 12 months. Reduced demand is the biggest perceived driver of reduced exports at the start of 2020, joined by the coronavirus pandemic from the second quarter of the year onwards
- exporters were increasingly passive, reacting to orders coming in rather than actively seeking overseas business. Exporters saying that the coronavirus pandemic had increased their exports were more likely to be active exporters. This suggests that an active approach may provide greater resilience to the impact of the coronavirus pandemic
- over half of exporters had exported to the USA, Australia, China and New Zealand, which were priority markets for DIT in 2019 and 2020
- there continues to be a large pool of businesses in the Promote and Reassure segments that self-identify as potentially able to export but which are not currently doing so. The majority of these, however, do not have plans to start exporting

4.1 Current exporting behaviours

This section focuses on the exporting segments outlined in Figure 4.1. These segments provide a summary of where businesses currently sit on the pathway to exporting and have been designed to give a broad and easily understood set of groupings. In 2020, the exporting segments were measured using a new set of questions in the NSRB questionnaire. The definitions of the segments remained the same, but fewer businesses were left unallocated with the new questions. For more information, please see the technical report.

Figure 4.1: Exporting segments

Sustain *current exporters*: businesses which have exported goods or services in the past 12 months

Reassure: businesses which *haven't exported in the past 12 months, but which had exported previously.*

Promote: businesses which *have never exported but which self-identify as having goods or services which could potentially be exported or developed for export*

Challenge: businesses which *have never exported and do not currently see their goods or services as suitable for export.*

As shown in Figure 4.2, a third of businesses (34%) had exported either goods or services in the past 12 months and therefore fell into the 'Sustain' segment. A further 6% were either lapsed or intermittent exporters, who had not exported in the past 12 months but had done previously – these made up the 'Reassure' segment. As such, a total of 4 in 10 businesses (40%) had direct experience of exporting (whether current or past).

Around 1 in 7 businesses (15%) had never exported but self-identified as having goods or services that were suitable for export or which could be developed for export – constituting the 'Promote' segment. This is the group from which new exporters are most likely to come and the size of the group suggests that substantially more UK businesses *could* export than currently *do* export.

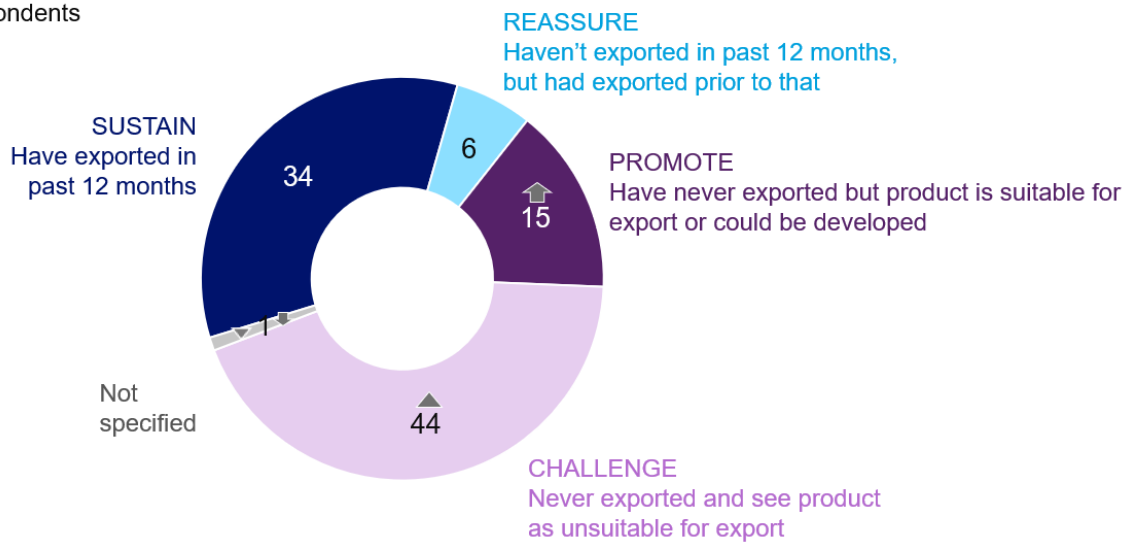
Given that the population of registered businesses with a turnover of £500,000+ is 462,210, the number of businesses in the Promote segment is estimated to be somewhere between c.60,800 and c.77,800 in 2020.¹¹ In comparison, in 2018 there were between c.44,700 and c.59,500 businesses in the segment.

The Challenge segment, which is made up of businesses which have never exported, and which do not see their goods or services as suitable for export, accounts for over 4 in 10 businesses (44%). The remaining 1% of businesses fall outside the segment definitions and are typically uncertain of their exporting potential or history.

¹¹ The unrounded proportion of businesses in the Promote segment was 14.99%. There is a margin of error of ±1.834% associated with the survey estimate at a 95% confidence level. The proportion of businesses in this segment is therefore estimated to lie between 13.15% (that is 14.99% to 1.834%) and 16.82% (that is 14.99% + 1.834%). The upper estimate is therefore 462,210* 16.82% = 77,755. The lower estimate is 462,210* 13.15% = 60,796. The provisos regarding the calculation of confidence intervals on quota samples outlined in the Methodology chapter also apply here.

Figure 4.2: Proportion of businesses in each exporting segment

% all respondents



Source: Composite measure merging data from several variables
 Base : All respondents: £500k+ turnover 2020 Wave 5 (2,557)

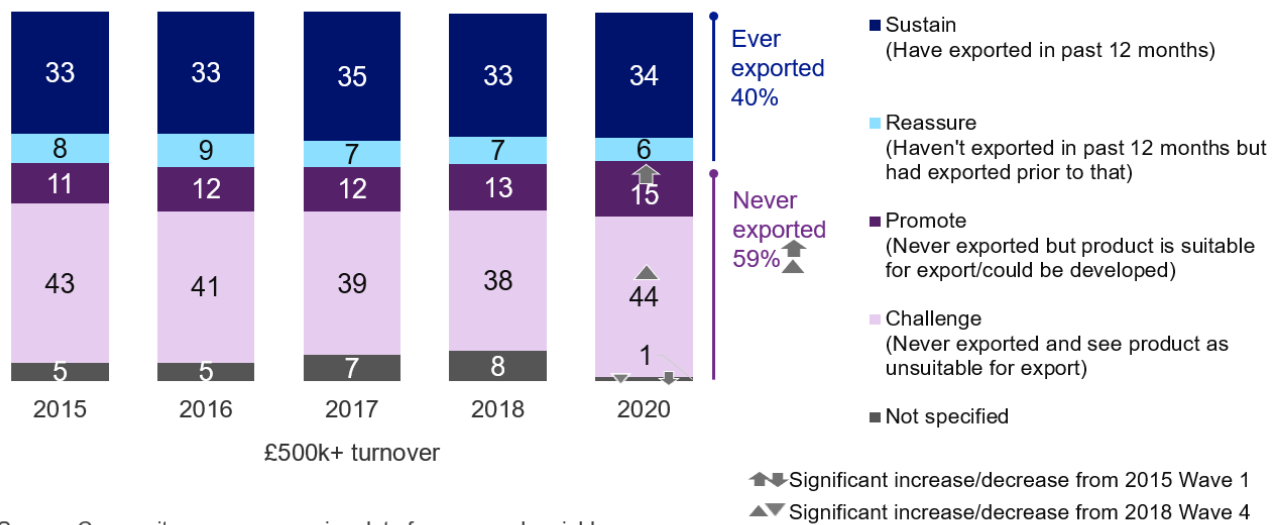
↕ Significant increase/decrease from 2015 Wave 1
 ▲ Significant increase/decrease from 2018 Wave 4

Figure 4.3 shows that the proportion of businesses falling into each segment has remained largely stable across all 5 waves of the NSRB. There has, however, been an increase in the proportion of businesses in the Promote segment (15%) since 2015 (11%) continuing the upward trend from 2018. The proportion falling into the Challenge segment (44%) has returned to 2015 levels, reversing the previous downward trend. This may (in part) be the result of the change in questions meaning a shift from businesses not being classified towards being included in the Challenge segment.

An increase from 2018 to 2020 in the size of the Promote segment was seen in 2 sectors: Consumer and Discretionary (6% to 18%) and Wholesale and Retail (8% to 15%). A similar increase was seen for businesses in Scotland (10% to 23%).

Figure 4.3: Proportion of businesses in each exporting segment over time

% all respondents



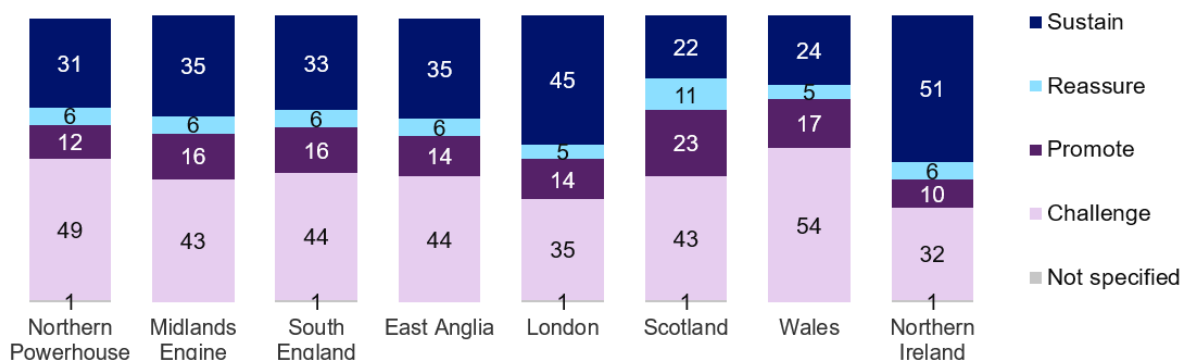
Source: Composite measure merging data from several variables
 Base : All respondents: 2015 Wave 1/2016 Wave2/2017 Wave 3/2018 Wave 4/2020 Wave 5:
 All £500k+ turnover (1160/1139/2535/2448/2557)

There is a clear relationship between business size and exporting segment, as in previous years. Medium and large businesses with 50 or more employees were more likely to be current exporters in the Sustain segment (46%) compared with smaller businesses (32%). Conversely, those with under 50 employees were more likely to be in the Challenge segment (45%) compared with larger businesses (35%). However, business size did not substantially affect the likelihood of being a potential or lapsed exporter (Promote or Reassure).

Likewise, some regions stood out when it came to exporting behaviour. Businesses in Northern Ireland (51%) and London (45%) were most likely to be current exporters (in the Sustain segment). Those in Scotland (23%) were relatively more likely than average to fall into the Promote segment while those in Wales were more likely to be in the Challenge segment (54%). It is also important to note that whilst the proportion of businesses in Northern Ireland that export is comparatively high, the majority only export to Republic of Ireland. Overall, in 2020, 28% of Northern Irish businesses reported that they had exported in the past 12 months but only to the Republic of Ireland; 22% said they exported both to the Republic and overseas; and 1% exported to overseas destinations only. This is in line with 2018 levels. The proportions of businesses falling into each exporting segment was consistent by super-region. Figure 4.4. sets out the proportions of businesses in each exporting segment by super-region and other regions.

Figure 4.4: Proportion of businesses in each exporting segment by super-region and region

% all respondents



Source: Composite measure merging data from several variables

Base : All respondents: 2020 Wave 5: All £500k+ turnover (2557); Northern Powerhouse (467); Midlands Engine (367); South England (619); East Anglia (302); London (296); Scotland (174); Wales (170); Northern Ireland (162).

Businesses in the Information and Communication sector were the most likely of all sectors to have exported in the last 12 months (66%), followed by the Manufacturing, Raw materials and Energy sector (47%). There was a low prevalence of current exporting in the Education and Health (28%), Financial and Insurance (25%), Consumer Discretionary (14%), and Construction and Real Estate (11%) sectors. These sorts of businesses were less likely to fall into the Sustain segment and more likely to be in the Challenge group. There were no clear associations between sector and the other 2 exporting segments, Promote and Reassure.

Businesses were slightly more open to exporting in the early stages of 2020 with 39% in the Challenge segment in the first quarter, rising to 45% thereafter.

4.2 Exporting goods and services

In 2020, around 1 in 6 businesses (17%) had exported only goods in the last 12 months, 1 in 10 (10%) had exported only services and 1 in 14 (7%) reported that they had exported both goods and services (Figure 4.5). The proportion of businesses which exported only goods, only services, and both goods and services have each remained highly stable over time, with no real changes across the 5 waves.

Medium businesses (with 50 to 249 employees) have become more likely than other sized businesses to have exported goods (34% compared with 26% in 2018) while the proportion exporting services has remained static (21% in both 2020 and 2018). In earlier waves medium businesses were more likely to have never exported (48% in 2020 compared to 57% in 2018 and 62% in 2015). Therefore, this increase in exporting goods has not been driven by an expansion into services but a specific focus on goods. In line with previous waves, large businesses were more likely than businesses of other sizes to have exported services (28%).

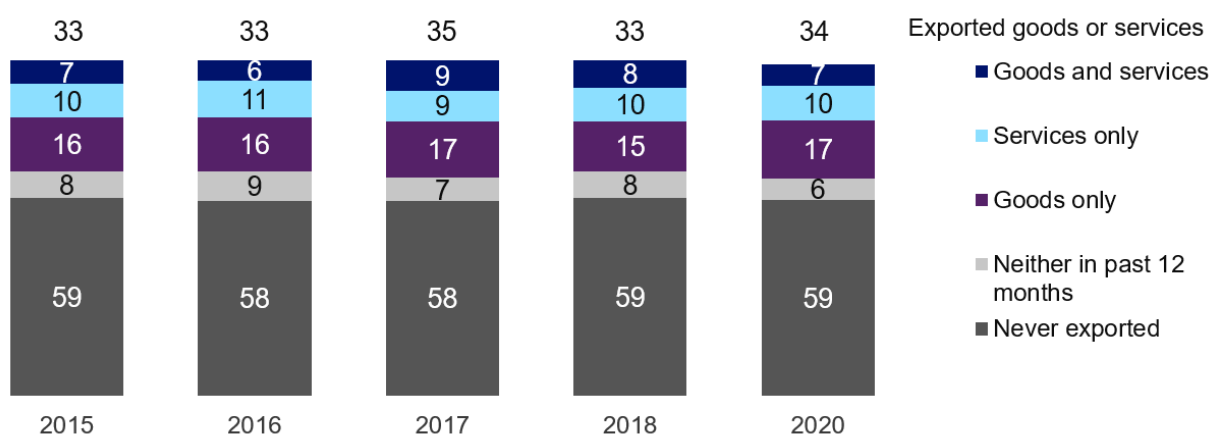
Businesses in Northern Ireland were more likely than average to export goods (41%) but less likely than in 2018 to report exporting services (20% down from 37%). This appears to have been driven by a move away from exporting both goods and services since 2018 (10% down from 22%) and a new focus on goods alone (31% up from 20%). London, the other major exporting hub, remained

driven more by the export of services (33%) rather than goods (18%). In 2020, London was the only region in which the export of services was more widespread than the export of goods.

Differences by sector reflected the nature of the business. Wholesale and Retail, and Transportation and Storage primarily export goods, and Financial, Education and Health and Professional and Services primarily export services. The sector with the highest propensity to export, Information and Communication, was most likely to export only goods (32%) or both goods and services (22%).

Figure 4.5: Whether exported goods and/or services in past 12 months

% all respondents



▲ Significant increase/decrease from 2015 Wave 1 ▼ Significant increase/decrease from 2018 Wave 4

Source : Composite measure merging data from several variables

Base : All respondents: 2015 Wave 1/2016 Wave2/2017 Wave 3/2018 Wave 4/2020 Wave 5:

All £500k+ turnover (1160/1139/2535/2448/2557) NB: 'Don't know' is not shown so this does not always add to 100%

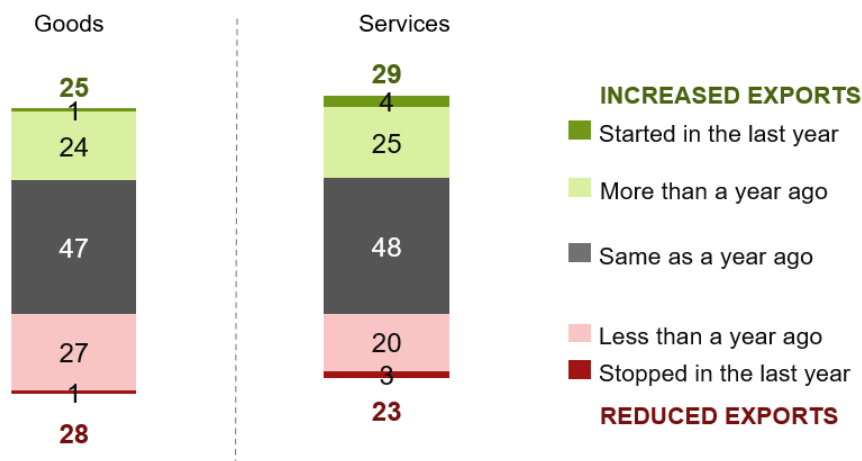
4.3 Export change in the last 12 months

Figure 4.6, below, shows the proportion of UK businesses reporting growth, stability or contraction in their exports of goods and services over the past year. These figures have some caveats attached. Businesses in Northern Ireland were asked separate questions about exports to each of the Republic of Ireland (ROI) and elsewhere, the figures we use include only Northern Irish exports to elsewhere. The experiences of Northern Ireland businesses exporting to the ROI are not reported, due to small base sizes. Changes to this question in 2020 mean that comparison with 2018 is not possible.

Amongst current exporters, almost half reported their exports of goods and services had remained the same over the last year (47% goods, 48% services). Experience of growth and contraction was balanced, with similar proportions of businesses having experienced an increase or decrease in exporting goods (25% and 28%). In a similar pattern, just under a quarter of exporters reduced their exports of services in the last year (23%) and almost 3 in 10 reported an increase (29%).

Figure 4.6: Changes in exports over past year (UK)

% of exporters of goods/services in past 12 months (UK)



Source: Q16A/C/Q18A/C. Thinking about the last 12 months or so, which of the following best describes your export of [goods/services]?

Base : All in UK who have exported goods/services in past 12 months, excluding exports from NI to the ROI: 2020

Wave 5: Goods (588) Services (419)

NB: 'Don't know' is not shown so this does not add to 100%

In total, 27% of businesses in the UK who had exported in the last 12 months reported a reduction in exports of any kind in the past year. The main reason given for this was reduced demand (42%) with 1 in 10 mentioning the EU Exit (10%). The coronavirus pandemic also played a role after the first quarter of 2020, with this being the top reason given in quarters 2 to 4 after the start of the pandemic (48%), just ahead of reduced demand (43%).

4.4 Active and passive exporting

Over 7 in 10 exporters (72%) said that they were essentially 'passive' in their exporting behaviours, responding to orders from abroad when they were received, but not specifically targeting customers in other countries. As shown in Figure 4.7, businesses reporting passive exporting behaviours had increased from 66% in 2018.

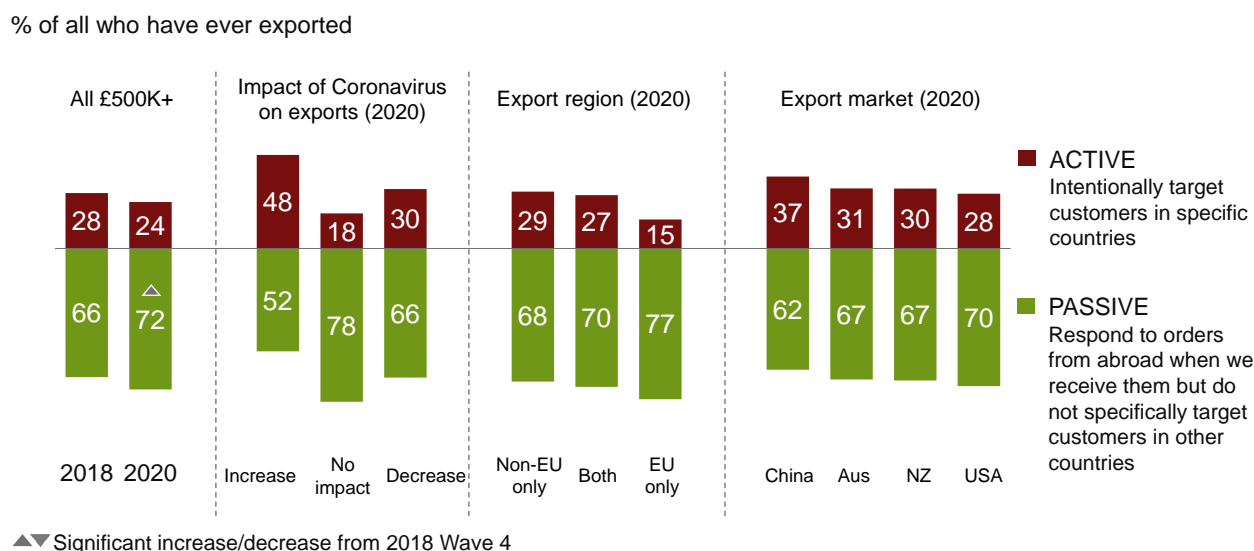
Around a quarter of exporters (24%) reported that they intentionally targeted customers in specific countries and would therefore be classified as 'active' exporters. There was no significant change

in this level since 2018, nor across 2020, with no change quarter on quarter. However, those businesses saying that their exports had increased following the coronavirus pandemic were more likely to be active exporters (48%) than those for whom the pandemic had had no impact or decreased exports. This suggests that an active approach might have provided greater resilience to the impact of the coronavirus pandemic.

As in 2018, businesses with a higher employee headcount were more likely to be 'active' exporters than those with a lower headcount. Around a fifth of exporters with 0 to 19 employees were 'active' exporters (21%) compared to 3 in 10 exporters with 50+ employees (31%). There was less difference by size than in 2018, however, large businesses of 250+ employees were less likely to report being active in 2020 (32% down from 54%). Active exporting declined in the Information and Communication sector (24% down from 49% in 2018) but there were no other differences by sector in 2020.

There was also a difference in approach in different markets, with those exporting outside of the EU more likely to be active (27% in total), compared with those only exporting to countries in the EU (15%). Those exporting to China were more likely to be active (37%) compared with those exporting to the USA (28%).

Figure 4.7: Active or passive approach to exporting



Source : Q24A1. Thinking about countries that you have exported to, which of the following statements best describes the typical approach of your business to exporting?

Base : All £500k+ businesses who have exported 2018 W4 / 2020 W5 (1126/1173)

4.5 Customer profile

In a new question in 2020, businesses that had exported were asked who their customers were. The majority of exporters sold to other businesses (84%) with this relatively lower in Northern Ireland (72%). 1 in 5 included the general public among their customers (22%) with this higher among small businesses with 10 to 19 employees (29%) than among those with 20 or more (18%). Customers included public sector organisations for 14% of businesses and charities for 6%.

Businesses in the Information and Communication sector were more likely to report selling to businesses (92%). While all sectors were more likely to sell to businesses than to individuals, sectors which were relatively more likely to sell to individuals included Consumer discretionary (29%), Wholesale and Retail (31%), and Transportation and Storage (28%).

Of those exporters who sold to other businesses, 32% said that the coronavirus pandemic had reduced their exports, compared with 23% of those who sold to individuals. This suggests that the pandemic may have had a greater impact on business-to-business sales. It is also of interest to note that reports of public bodies as customers increased from the first half of 2020 (10%) to the final quarter (18%) which may be related to increased demand for exports relating to the pandemic.

4.6 Export markets and regions

In 2020, as shown in Figure 4.8, over half of exporters (57%), had exported to the USA, Australia, China and New Zealand, with the USA being the most common export destination of the 4 (45%). These findings are similar to those of 2018. Just over 1 in 10 exporters had decided against exporting to 1 of these 4 countries (12%). In 2020, of these 4 markets China was no longer the one which businesses were most likely to have decided against exporting to after giving it serious consideration (4% down from 7% in 2018).

In 2020 exporters were asked about additional markets, with 88% reporting having exported to the EU, more than any of the 4 key markets outside of the EU. The UAE (29%) and South Africa (22%) were the next most common export markets.

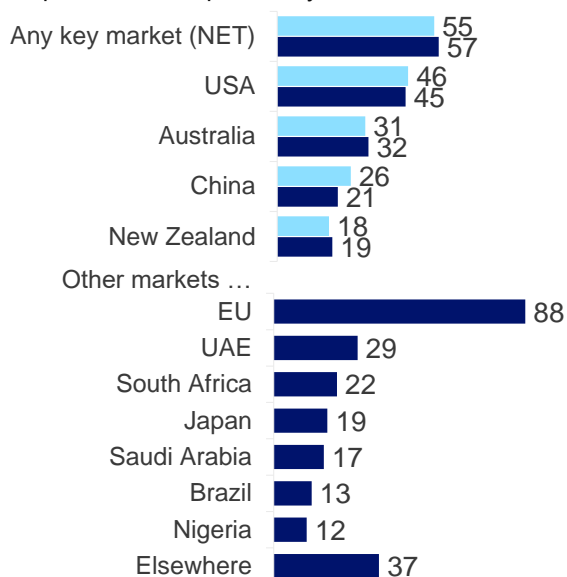
As in 2018, medium and large exporters were more likely to export to any of the 4 key markets (70% compared with 53% of those with under 20 employees). There was a similar difference for virtually all other non-EU markets, but no difference in propensity to export to the EU by business size.

There was some increase in reported exporting between the first quarter of 2020 and the final quarter of the year to the USA (35% to 51%) and Nigeria (5% to 15%). There was also increase between the first half and final quarter of the year to Australia (27% to 37%). These changes might reflect seasonal changes or changing demands during the pandemic.

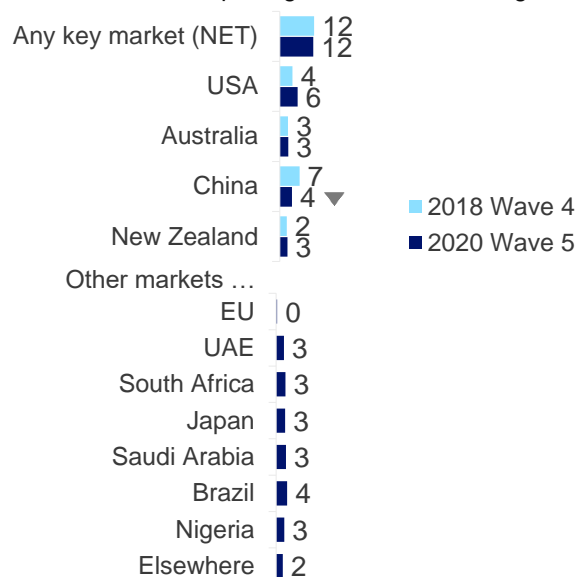
Figure 4.8: Involvement in exporting to key markets

% of all who have exported

Have exported to ... in past five years



Have considered exporting to ... but decided against



▲▼ Significant increase/decrease from 2018 Wave 4

Q25A. Which, if any, of the following countries have you exported to over the past five years?

Q25B. Which, if any, of the following countries have you seriously considered exporting to over the past five years, but decided against?

Base : All £500k+ turnover businesses who have exported 2018 Wave 4/2020 Wave 5: (1126/1173)

4.7 Future plans for exporting

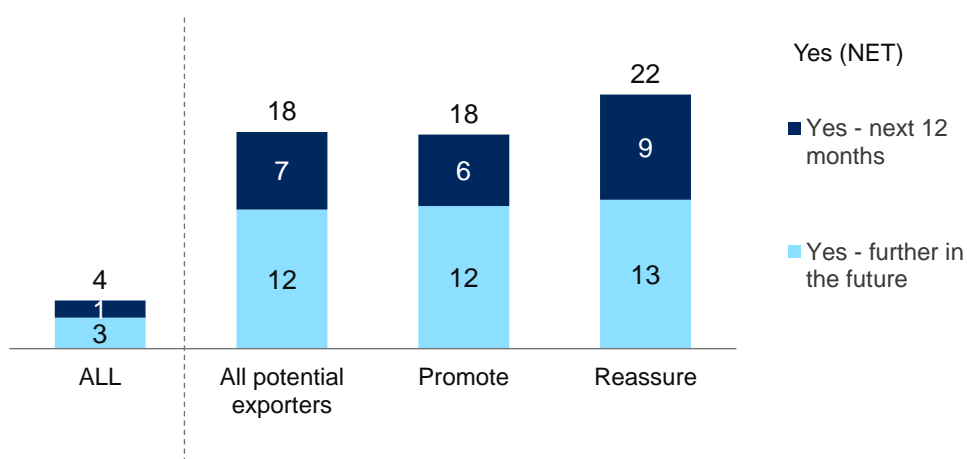
As shown in Figure 4.9, almost 1 in 5 potential exporters (18%) were planning to start exporting at some point, equivalent to 4% of all businesses. There was no significant difference in plans between lapsed exporters in the Reassure segment (22%) and those who had never exported but could develop a product or service to export in the Promote segment (18%).

Most plans to start exporting were longer-term, with just 7% of potential exporters planning to start in the next 12 months (6% in the Promote segment and 9% in the Reassure segment). Eight in 10 businesses that potentially *could* export, however, said they had no plans to do so (80%).

Due to changes in the question in 2020, comparisons cannot be drawn with 2018.

Figure 4.9: Whether plan to start exporting

% all respondents



Source : Q27 (EXPFUT). Do you have plans to start exporting or licensing your goods or services outside the UK? If yes: do you think this will be in the next 12 months or further in the future?

Base of Q27 : All potential exporters: respondents who have not exported in past 12 months but could. Rebased figures in chart above: All respondents 2020 Wave 5: £500k+ turnover (2557), All potential exporters (539), Promote (368), Reassure (148)

5 Effect of the coronavirus pandemic on businesses

Key findings for this chapter are as follows:

- 2 in 3 businesses reported a negative impact on their business following the outbreak of the coronavirus pandemic and around half of businesses expected the pandemic to have an impact for at least 6 months. As the coronavirus pandemic progressed throughout 2020, business estimates of the likely timescale lengthened
- there was a strong and immediate reaction to the pandemic with 2 in 3 exporters reporting stopping or reducing exports at the outset of the pandemic. However, there was a clear recovery in the second half of the year by which point around half of exporters reported no impact, or even growth
- over 4 in 10 exporters had experienced some supply chain issues as a result of the coronavirus pandemic. This did not change as the pandemic progressed but affected smaller businesses to a greater degree than larger businesses

In early 2020, the coronavirus pandemic saw widespread restrictions introduced in the UK and around the world. The NSRB was adapted in the second quarter of 2020 to include questions aimed at understanding the impact of the coronavirus pandemic on businesses. The results of these questions provide context to the exporting environment as the pandemic progressed throughout 2020. The findings in this chapter are therefore based only on data from quarters 2 to 4.

5.1 Impact on business and expected length

In the course of 2020, nearly 2 thirds of businesses reported a negative impact on their business following the outbreak of the coronavirus pandemic (64%) with over half (53%) saying that their business had reduced. A further 1 in 10 (11%) saying they had paused work or temporarily closed. Current exporters were less likely to have temporarily closed (5%) while those in the Consumer Discretionary sector were much more likely to report having closed temporarily (41%). Between the second quarter and final quarter of 2020 there was a shift away from businesses closing temporarily (18% to 8%) and towards reports of no impact (17% to 28%).

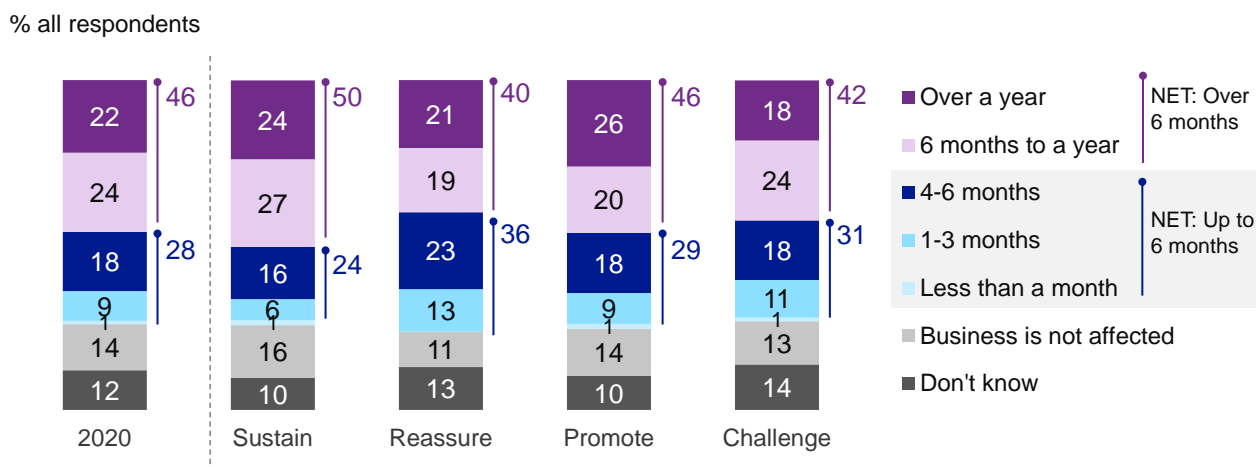
Overall, half of businesses (52%) expected their business would be affected by the coronavirus pandemic for up to a year. This was split fairly evenly between those who thought it would affect them for up to 6 months (28%) and those who felt the impact would last for between 6 months and a year (24%). One in 5 (22%) expected the impact on their business to last for more than a year, while at the other end of the scale 14% said their business was not affected (see Figure 5.1).

As the pandemic progressed, business estimates of the timescale they would be affected largely lengthened. There was an increase from the second quarter to the final quarter of the year in expectations of being affected for more than a year (17% up to 24%). There was at the same time decreased expectation that it would be at most 6 months (37% down to 24%). However, there was also some increased polarisation between the second and final quarters, with a rising proportion feeling their business was not likely to be affected (9% up to 16%).

The Sustain segment (those who had exported in the last 12 months) were relatively more likely to see the coronavirus pandemic as a long-term issue. Half (50%) felt they would be affected for more than 6 months. Those in the Reassure segment, who had exported in the past but not within the last 12 months, were relatively more likely to think it would last up to 6 months (36%).

By sector, those in financial and insurance (23%) and manufacturing, raw materials and energy (21%) were most likely to report not being affected. In contrast, 30% of those in both the consumer discretionary and education and health sectors expected to be affected for more than a year.

Figure 5.1: Length of time businesses expect to be affected by the coronavirus outbreak



Source : COVID10 – How long, if at all, do you expect your business will be affected by the coronavirus outbreak?
 Base : All respondents: 2020 Wave 5 Q2-Q4 - All £500k+ turnover (1931), Sustain (752), Reassure (114), Promote (265), Challenge (785)

5.2 Changes in exports

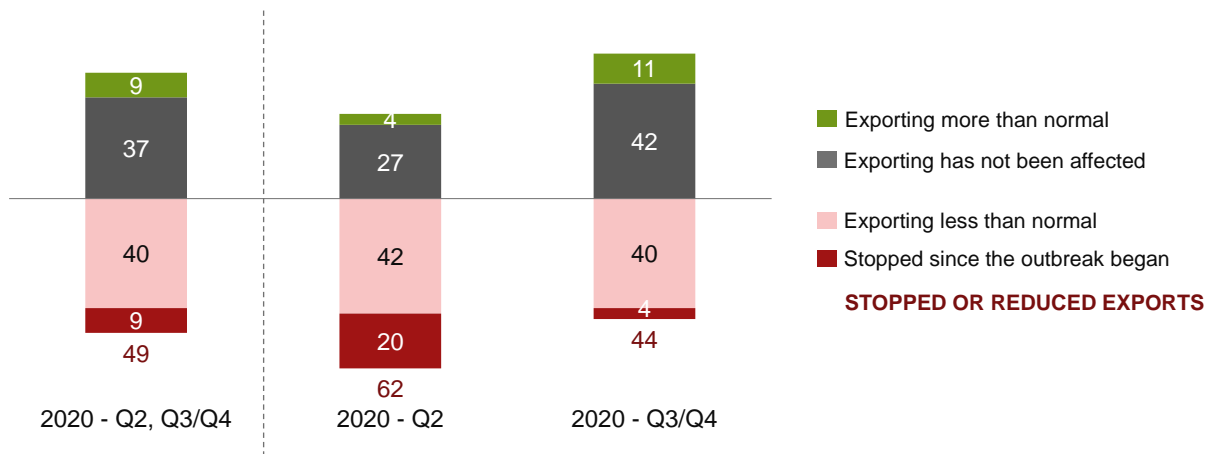
Businesses which had exported in the last 12 months were asked how (if at all) their exports of goods or services had been affected by the coronavirus pandemic. From Quarter 2 onwards in 2020, 6 in 10 (59%) felt their exports had been affected in some way. 9% reported a positive impact (they were exporting more than normal) and 49% reported a negative impact (they were either exporting less than usual or had stopped exporting since the outbreak began). 4 in 10 (37%) stated that their exporting had not been affected at all (see Figure 5.2).

At the beginning of the coronavirus pandemic, in the second quarter of 2020, there was a substantial immediate impact on exports, with around 2 in 3 (62%) reporting a negative impact. This includes 20% of exporters reporting that they had stopped exporting since the outbreak began. This recovered to some extent in the final quarter of the year (44% negative), with far fewer having stopped exporting (4%). By the final quarter of 2020 over half either said they were not affected (42% up from 27% in the second quarter) or even reported growth (11%).

The dominant reason for businesses having reduced or stopped exporting since the start of the coronavirus pandemic was reduced demand in their sector (64%). At least 1 in 10 mentioned transport restrictions (14%), people or staffing issues (11%) and restrictions on countries to which they export (10%). For businesses which had seen an increase in their exports since the start of the coronavirus pandemic, this was largely driven by increased demand in their sector (53%), followed by an increase in international demand (13%).

Figure 5.2: How exporting has been affected by the coronavirus pandemic

% of exporters of goods/services in past 12 months



Source: COVID2. How has your business' exporting of goods or services been affected by the coronavirus outbreak? Would you say that...?

Base : All £500k+ turnover businesses who have exported goods/services in past 12 months: 2020 Wave 5 – Q2, Q3/Q4 / 2020 Wave 5 – Q2 / 2020 Wave 5 Q3/Q4 (636/195/441) NB: 'Don't know' and 'Stopped exporting before the coronavirus outbreak' are not shown so this does not add to 100%

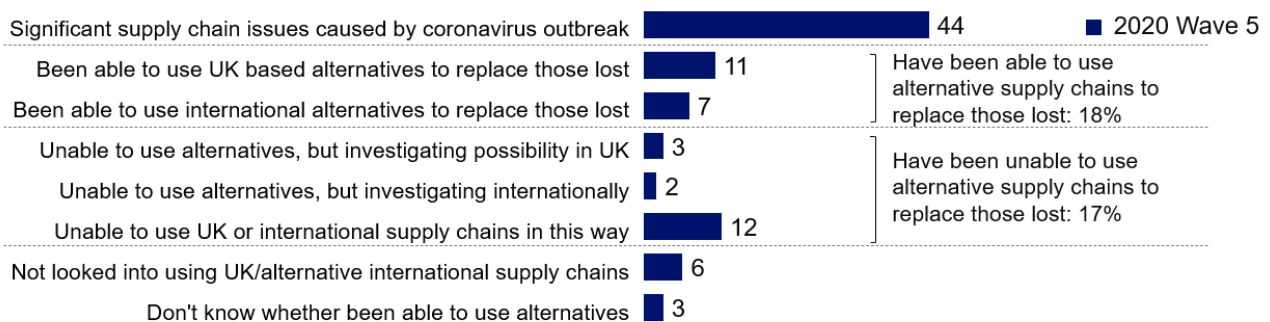
5.3 Supply chain issues

Just over 4 in 10 (44%) businesses which had exported in the last 12 months stated that they had experienced significant supply chain issues as a result of the coronavirus pandemic (Figure 5.3). Two in 10 (18%) exporting businesses were using alternatives to replace those lost (11% UK-based and 7% international), while 17% said they had been unable to use alternative supply chains. Unlike the impact on exporting behaviour, there was no change in the number of exporters who had experienced supply chain issues as the pandemic progressed.

Smaller businesses were more likely to report problems: 48% of businesses with up to 19 employees reported supply chain issues, compared with 19% of large businesses (250+ employees). The most heavily impacted sector was wholesale and retail, where 2 thirds (68%) of businesses had experienced supply chain issues as a result of the coronavirus pandemic.

Figure 5.3: Experience of supply chain issues

% of respondents exported in the last 12 months: experience of supply chain issues and use of alternatives



Source: COVID5. Have you experienced any significant supply chain issues for your business caused by the coronavirus outbreak? COVID6. Have you been able to use alternative supply chains to replace those lost?

Base : All respondents who have exported in the last 12 months: £500k+ turnover 2020 W5 (752)

6 Barriers to exporting

Businesses that currently export, or have products that are suitable for export, were questioned about their capabilities and the barriers that prevented them from exporting, beyond the coronavirus pandemic. In particular, they were asked about barriers related to access to contacts, customers and networks; lack of knowledge; capacity and cost.

Businesses which had ever exported, had exported or considered exporting to 4 key markets - USA, Australia, China and New Zealand - were asked about the barriers to exporting to one of these countries specifically. Other businesses were asked about barriers to exporting more generally.

In 2020, the structure and flow of the survey questions relating to barriers was improved to reduce the burden of the survey on businesses. These changes mean that it is not possible to directly compare the findings with previous waves of the NSRB among all those asked about barriers to exporting. However, questioning was consistent with when this topic was last covered in wave 3 (2017) for those in the Promote segment and so comparisons over time can be made for this group.

This chapter explores business capability to focus on exporting and the barriers experienced on their exporting journey. It then discusses awareness, knowledge and uptake of reduced customs duties on goods for export.

Key findings in this chapter are as follows:

- businesses were most likely to have the capability to export in terms of supply chains, cost assessment and business planning
- among businesses who have ever exported, or whose products could be developed for export, around a third cited cost and access to contacts, customers and networks as strong barriers to exporting. Around one in 4 cited lack of knowledge and capacity as barriers
- those in the Promote segment were more likely than Sustain/Reassure businesses to feel they had strong barriers to exporting in all 4 areas. There was little change in the Promote segment since 2017, although capacity was seen as less of a strong barrier in 2020
- when exploring business familiarity with Free Trade Agreements, non-EU exporting businesses had low awareness of the eligibility of their goods for reduced customs duties
- 2 in 5 of the businesses aware of whether their goods were eligible for reduced customs duties, reported that their goods always or nearly always benefitted from reduced customs duties. One in 5 said their goods never or almost never benefitted from these reduced duties
- difficulties understanding and finding information were barriers to obtaining reduced customs duties, as were difficulties complying with the requirements on exports

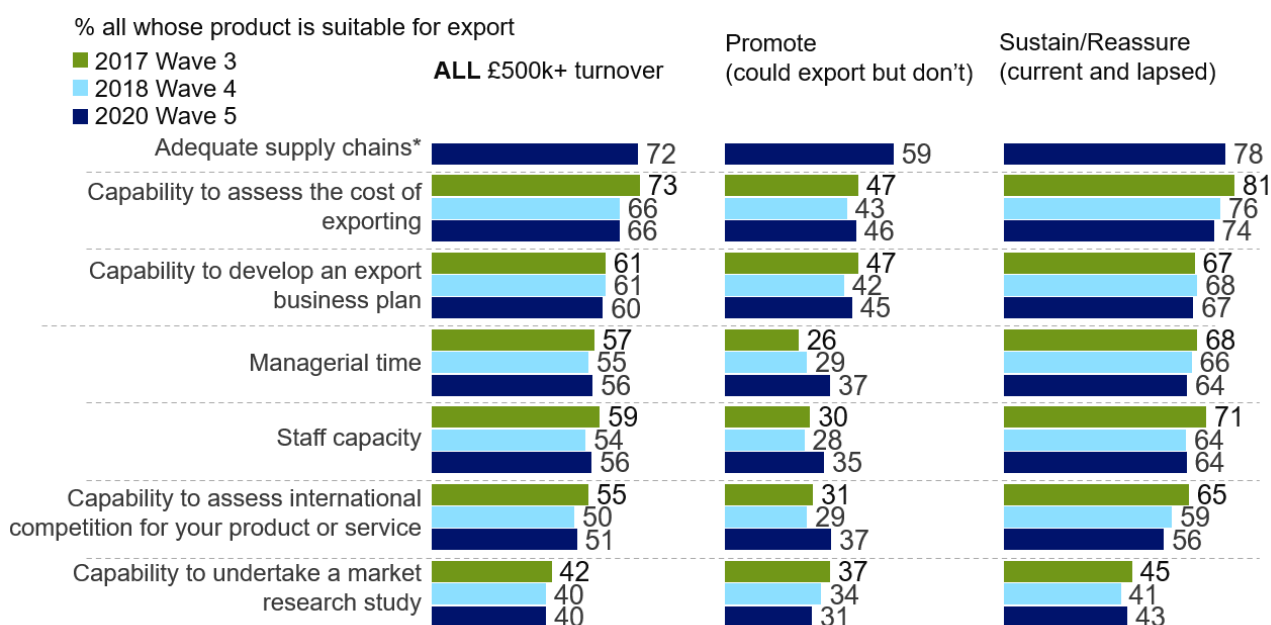
6.1 Capabilities to focus on exporting

Businesses were questioned about the capabilities and capacity they possessed for exporting. Data gathered from the second quarter of 2020 onwards reveal that exporters and potential exporters were most likely to report having adequate supply chains for exporting (72% - see Figure 6.1). The capability to assess international competition remained a relative weakness (51%) as did market research capabilities (40%). Overall levels of business capability and capacity have remained stable since 2018.

As in 2018, businesses with under 20 employees were consistently less likely to report each capability, particularly compared with those with 50 or more employees. There is a particular difference in terms of staff capacity: just 52% of businesses with under 20 employees reported enough staff capacity compared with 67% of larger businesses. This aligns with findings that businesses with a higher headcount were more likely to be 'active' exporters than those with a lower headcount, suggesting resource limitations may be a driver of exporting passivity (see section 4.4). Differences by sector largely reflected propensity to export, with those sectors least likely to export already, also least likely to report having each capability.

In 2020, businesses were more confident in their capabilities across the board in the second to fourth quarters compared with the first quarter.

Figure 6.1: Whether businesses have enough capacity and capability to focus on exporting (% saying 'yes')



Source : Q31a - Thinking about your business' ability to start or continue exporting internationally, would you say that your business has enough of each of the following to focus on exporting

Base : All businesses whose product is suitable for export W3 2017/2018 W4/2020 W5 : £500k+ turnover businesses (1575/1510/1564), Promote (294/283/265), Sustain/Reassure (1110/1043/866) * 2020 Q2-4 only

Those businesses that felt their products or services would never be suitable for export were asked an open-ended question about why this was. The reasons they gave were usually non-specific or challenging to address without further detail. The most frequent responses from businesses were that they had products/services which were 'local' (37% up from 30% in 2018), and that the nature of their business was a barrier to exporting (10% up from 2%). One in 5 continued to say that their products or services were not transportable (21% in 2018 and 19% in 2020), but fewer saw providing a service as a barrier to exporting in 2020 (4% compared with 15% in 2018). A range of other barriers, each cited by a small proportion of businesses (6% or less), covered a perceived lack of overseas market, not being competitive in terms of cost, legal or regulatory obstacles or lack of capacity or capability. Arguably, this group of businesses offers fewer opportunities for DIT in terms of growing UK exports. In many cases their perceived barriers to exporting may be genuinely insurmountable and no matter how much support or encouragement they are given, it will not be possible for them to export.

6.2 Main barriers to exporting

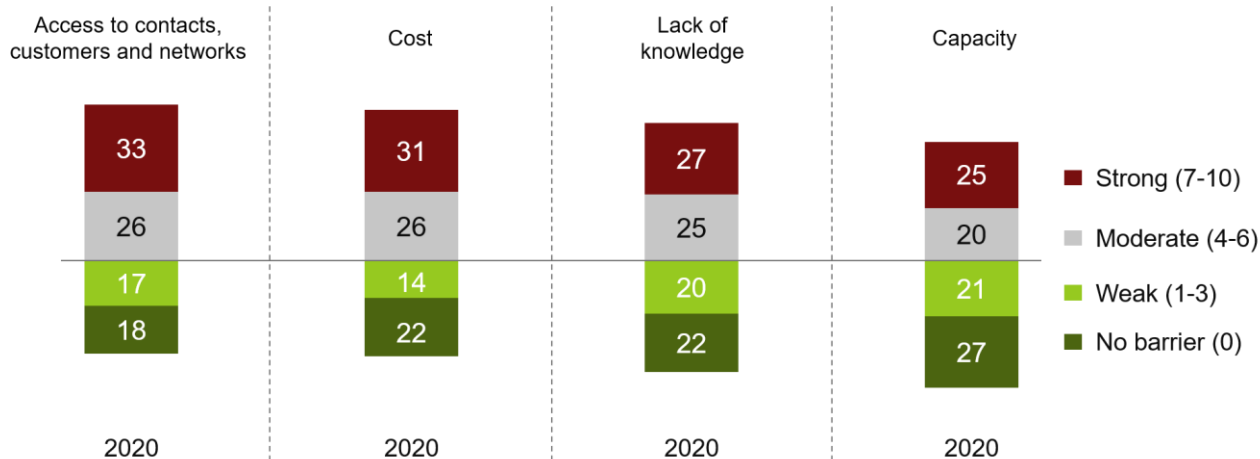
Businesses that had ever exported or thought their products or services suitable for export were asked to rate cost, knowledge, capacity and access as barriers to exporting. Businesses were asked to assess the extent to which each was a barrier on a 0 to 10 scale, with 0 meaning this element was no barrier at all and 10 meaning found to be a very strong barrier. Responses have been grouped into 4 categories. A score of 7 to 10 has been classified as a strong barrier. A score of 4 to 6 is a moderate barrier. A score of 1 to 3 represents a weak barrier. A score of 0 means no barrier at all. Figure 6.2 below shows the combined responses of these 2 groups of businesses in 2020 (that is all who have ever exported or who could export, including responses about both barriers in general and in relation to specific countries).

Among businesses which had ever exported, or whose products could be developed for export, around a third cited access to contacts, customers and networks, and costs as strong barriers to exporting (33% and 31% respectively). Slightly lower proportions felt lack of knowledge and capacity were strong barriers to exporting (27% and 25% respectively).

2017 was the last time that the NSRB included similar questions for businesses which had products or services suitable for export. At that time, one in 3 (34%) said access to contacts, customers and the right networks was a strong barrier and around a quarter cited cost (27%), lack of knowledge (27%) and capacity (24%) as strong barriers. Differences between the sorts of business asked these questions in each wave mean 2020 and 2017 results are not directly comparable, so these findings should be considered as context only.

Figure 6.2: Barriers to exporting (2020)

% of all who have ever exported or who believe product suitable for export:
Extent to which ... is a barrier



Source : Q24D/Q24XE. On a scale of 0 to 10, where 0 means it is not a barrier at all and 10 means it is a very strong barrier, how much of a barrier is each of the following when it comes to exporting [to COUNTRY / in general]?

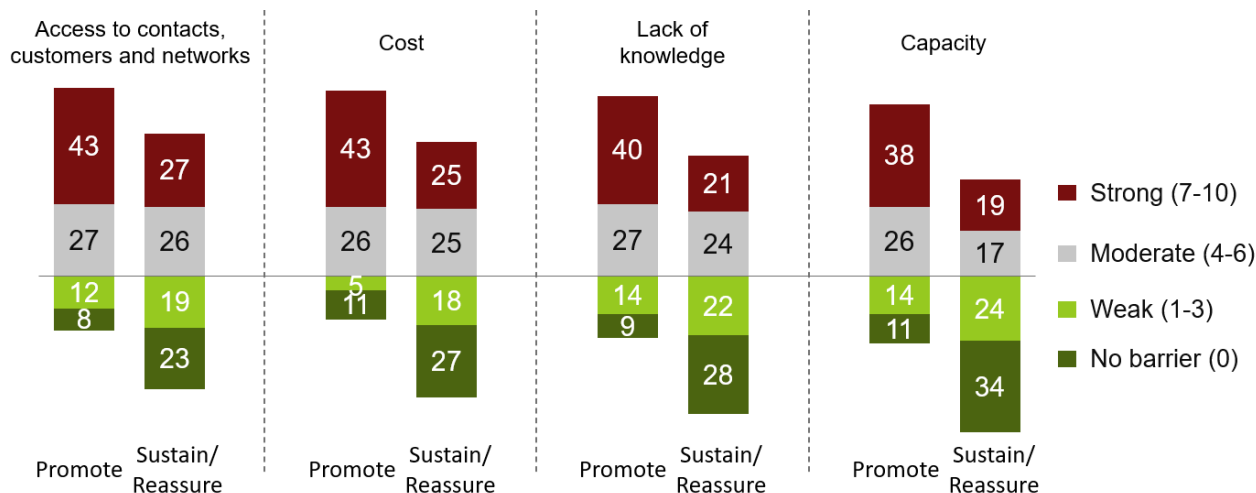
Base : All businesses whose product is suitable for export 2020 W5 : £500k+ turnover businesses (1271)

Access to contacts, customers and networks, lack of knowledge and capacity tended to be a greater barrier in the sectors with the lowest propensity to export (Construction and Real Estate, and Consumer Discretionary). Capacity is also a greater barrier in Financial and Insurance sectors. Cost tended to be more of a barrier in Transportation and Storage and Wholesale and Retail sectors.

Each barrier was more pronounced for those businesses with potential to export (in the Promote segment), with around 4 in 10 considering each a strong barrier (see Figure 6.3). The strongest differences between potential and current/lapsed exporters are seen in lack of knowledge and capacity, with just 2 in 10 current or lapsed exporters seeing these areas as strong barriers.

Figure 6.3: Barriers to exporting by segment (2020)

% of all who have ever exported or who believe product suitable for export:
Extent to which ... is a barrier

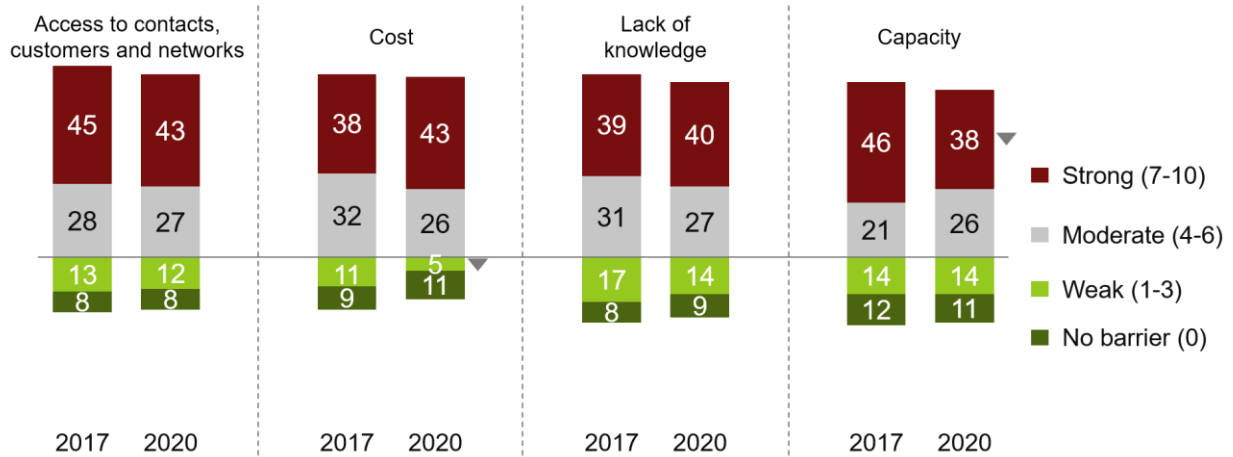


Source : Q24D/Q24XE. On a scale of 0 to 10, where 0 means it is not a barrier at all and 10 means it is a very strong barrier, how much of a barrier is each of the following when it comes to exporting [to COUNTRY / in general]?
Base : All businesses whose product is suitable for export 2020 W5 : £500k+ turnover businesses Promote (368), Sustain/Reassure (903)

Data on barriers to exporting for the Promote segment are more directly comparable between 2017 and 2020 than for the wider sample of all businesses whose product is suitable for export. As shown in Figure 6.4, there was relatively little change in the Promote segment over this period, although fewer businesses felt that capacity was a strong barrier to exporting (38% in 2020, down from 46% in 2017). This change meant that capacity went from being the greatest barrier in 2017, to the one which was an issue for least businesses in 2020. Access, cost and lack of knowledge remained strong barriers for around 4 in 10 Promote businesses in both years.

Figure 6.4: Barriers to exporting – Promote segment (2017 vs. 2020)

% of all who believe product suitable for export (Promote segment):
Extent to which ... is a barrier



▲▼ Significant increase/decrease from 2017 Wave 3

Source : Q24XE. On a scale of 0 to 10, where 0 means it is not a barrier at all and 10 means it is a very strong barrier, how much of a barrier is each of the following when it comes to exporting in general?

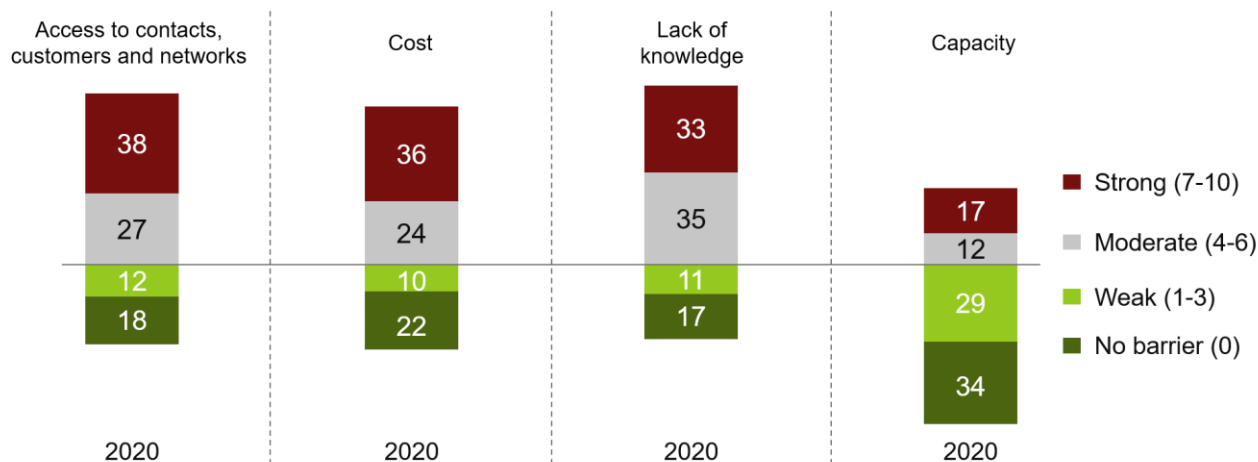
Base : All Promote businesses 2017 W3/2020 W5 : £500k+ turnover businesses (288/368)

Businesses that had exported or had considered (but decided against) exporting to one of the 4 countries specifically asked about - USA, Australia, China or New Zealand – were asked about barriers to these markets. They were asked to what extent each of cost, knowledge, capacity and access were barriers to exporting to these markets. If they had exported to or considered (but decided against) exporting to more than one of the markets, one of the countries was selected at random for the question.

Exporters to any of these 4 markets (and those who had considered exporting to them but decided against it) were more likely to consider access (38%), cost (36%) and knowledge (33%) to be strong barriers to exporting compared with general exporting barriers. However, capacity was considered a lesser barrier in these 4 markets (17%) than generally (26%). This may reflect capacity as a question of internal resources, whilst other factors were external to the business.

Figure 6.5: Barriers to exporting to key markets (2020)

% of all who believe product suitable for export with interest in USA, Australia, China or New Zealand:
Extent to which ... is a barrier



Source : Q24D. On a scale of 0 to 10, where 0 means it is not a barrier at all and 10 means it is a very strong barrier, how much of a barrier is each of the following when it comes to exporting to [COUNTRY]?
Base : All businesses whose product is suitable for export who export to key market 2020 W5 : £500k+ turnover businesses (124)

6.3 Nature of barriers to exporting

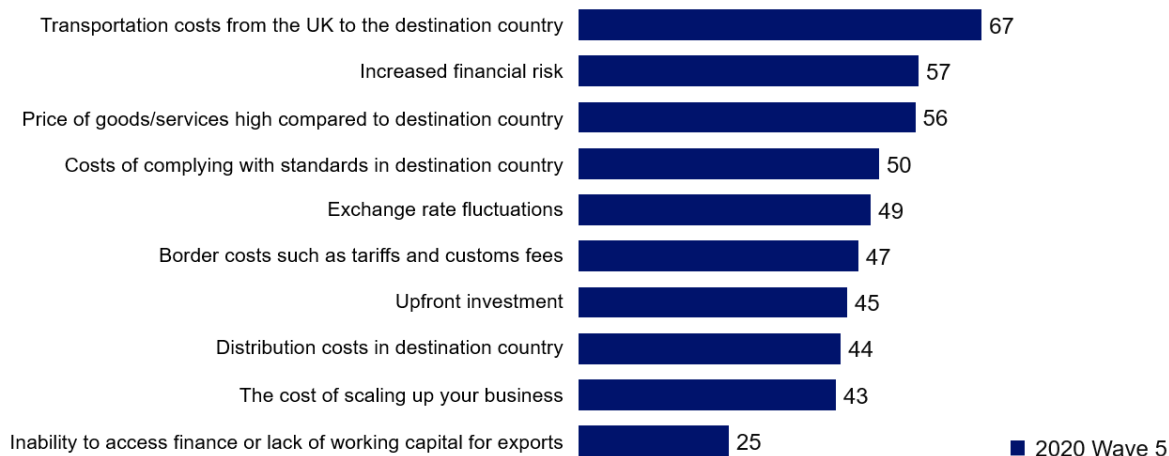
Those who gave a score of 6 to 10 for each barrier were asked a follow-up question about the nature of that barrier. Those who had selected more than one barrier, were asked about just one of them, chosen at random.

The analysis here is based on combined data from the responses of exporters who have exported to, or considered exporting to but decided against, any of the 4 selected markets, and the responses of all other exporters and potential exporters. There are insufficient responses to look at these results individually by country. Relatively small numbers of respondents in each year mean that a change needs to be relatively large to be statistically significant, and that it is not possible to look at responses by size, sector, region or segment.

Among those for whom **cost** was a barrier, transportation costs were most commonly cited as a problem (67%), followed by financial risk (57%) and relatively high price of their goods and services compared with prices in the destination country (56%). Other cost-related barriers identified included costs related to complying with standards in the destination country (50%), resulting costs from exchange rate fluctuations (49%) and border costs such as tariffs and customs fees (47%).

Figure 6.6: Specific cost barriers (2020)

% of all exporters and potential exporters selecting **cost** as a strong barrier

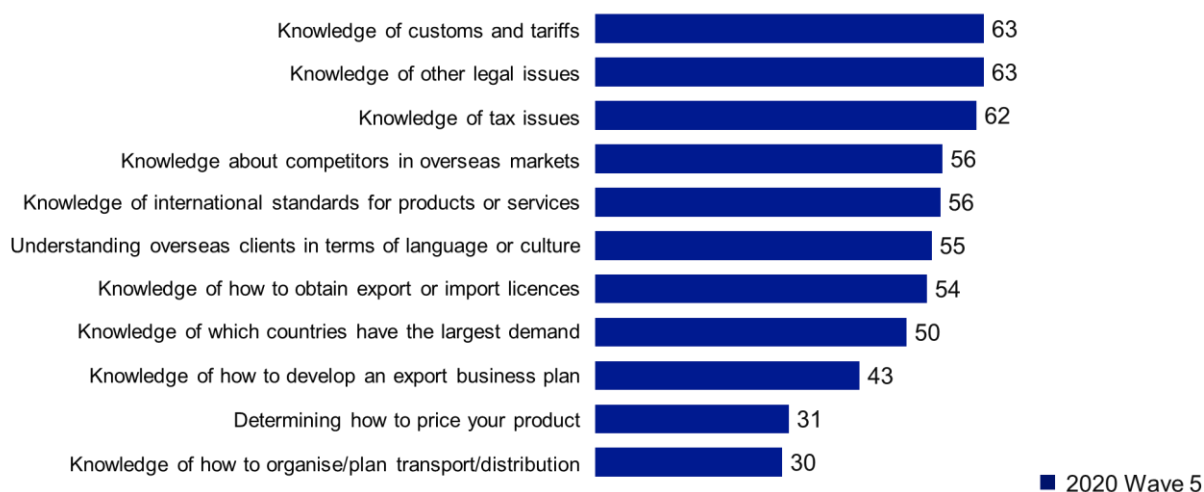


Source: Q24D1/Q24XE1. You mentioned cost as an important barrier. Which of the following specific cost issues have caused you genuine difficulties or put you off exporting?
 Base: A random selection of all exporters or businesses whose product is suitable for export who selected cost as a barrier: £500k+ turnover /2020 W5 (236)

Among those who said that a **lack of knowledge** was a strong barrier to exporting, customs and tariffs and other legal issues were most often selected (both 63%), followed by tax issues (62%). Other frequently cited issues were knowledge of international standards for products and services (56%), knowledge about competitors in overseas markets (56%) and understanding overseas clients in terms of their language or culture (55%).

Figure 6.7: Specific knowledge barriers (2020)

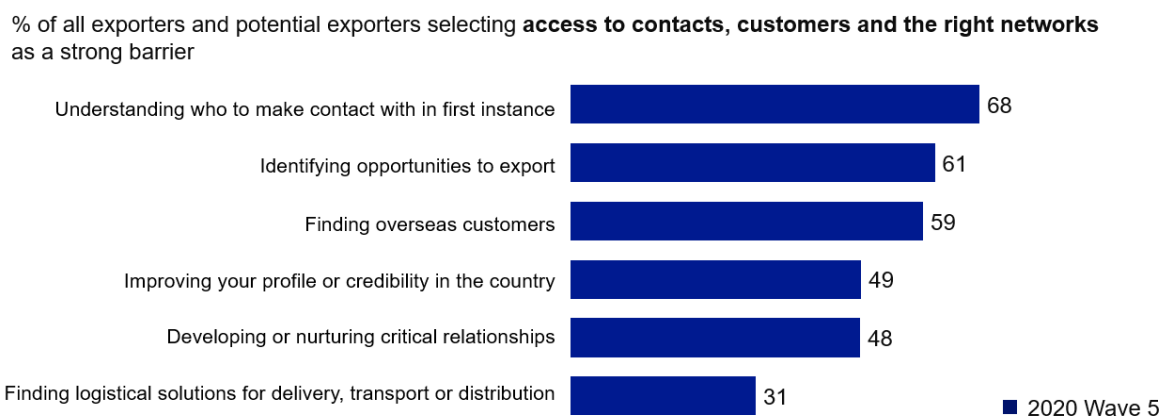
% of all exporters and potential exporters selecting **knowledge** as a strong barrier



Source: Q24D2/ Q24XE2. You mentioned lack of knowledge as an important barrier. Which of the following knowledge gaps have caused you genuine difficulties or put you off exporting?
 Base: A random selection of all exporters or businesses whose product is suitable for export who selected knowledge as a barrier: £500k+ turnover 2020 W5 (183)

For **access to contacts, customers and the right networks**, finding an initial contact was the top barrier (68%) followed by identifying opportunities (61%) and finding customers (59%). Businesses cited improving their profile or credibility as a barrier (49%) alongside developing or nurturing critical relationships (48%). Logistics remained less problematic, identified as a barrier by 3 in 10 (31%).

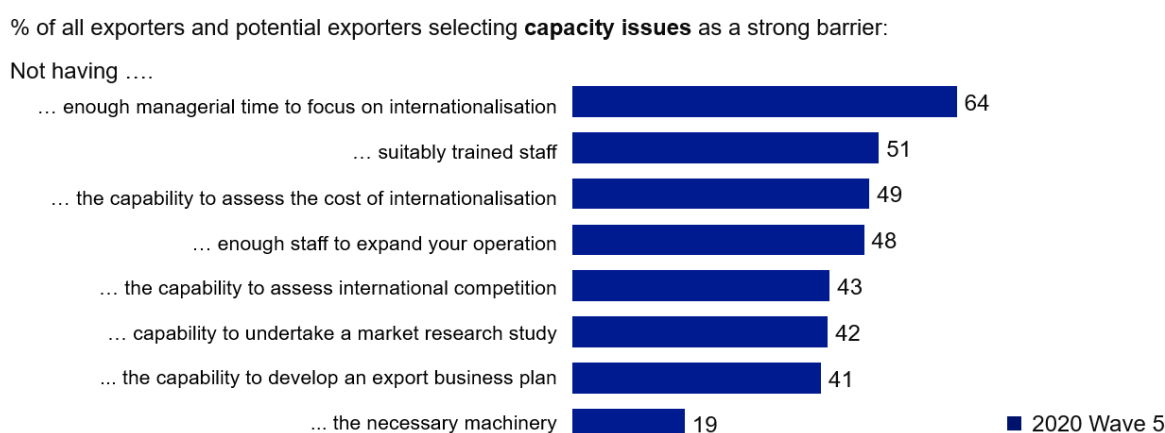
Figure 6.8: Specific access barriers (2020)



Source: Q24D4/ Q24XE4. You mentioned access to contacts, customers and the right networks as an important barrier. Which of the following have caused you genuine difficulties or put you off exporting?
 Base: A random selection of all exporters or businesses whose product is suitable for export who selected access as a barrier: £500k+ turnover 2020 W5 (233)

Capacity was least likely to be considered a strong barrier to exporting, both in general and in the 4 named markets. Among those who did consider this a strong barrier, the main issue was a lack of managerial time (64%). Around half reported each a lack of suitably trained staff (51%) and the capability to assess the cost of internationalisation (49%). Businesses also reported that lack of capacity could be a barrier to expanding their operation (48%), assessing international competition (43%), undertaking market research (42%) or developing an export business plan (41%). Having the necessary machinery remained a much lower barrier, selected by one in 5 (19%).

Figure 6.9: Specific capacity barriers (2020)



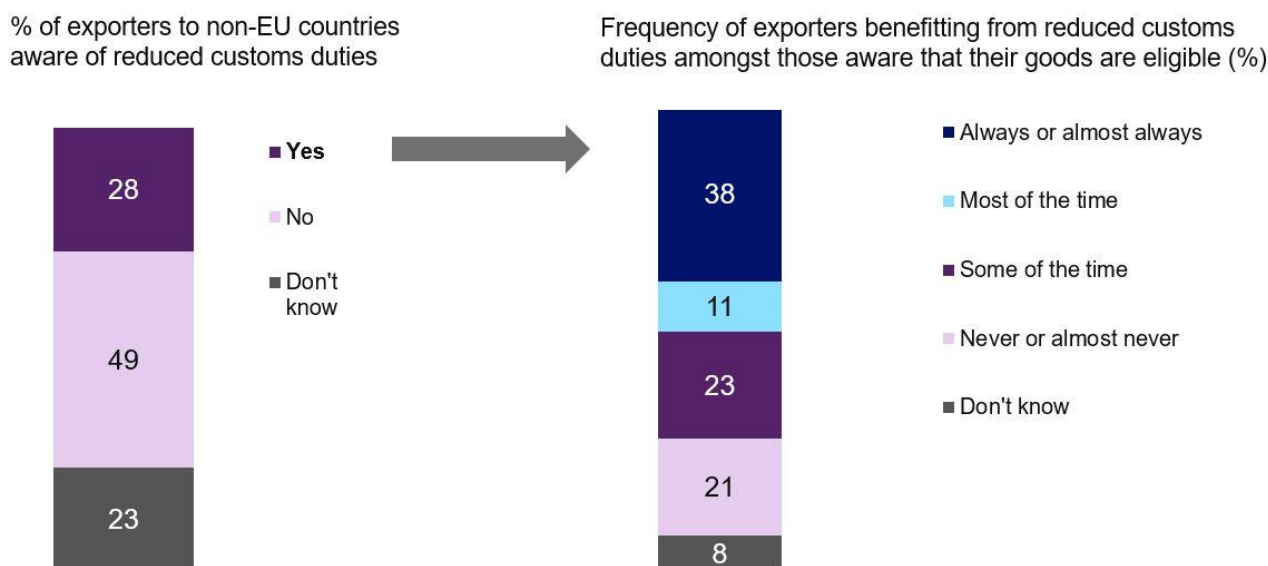
Source: Q24D3/ Q24XE3. You mentioned capacity issues as an important barrier. Which of the following have caused you genuine difficulties or put you off exporting?
 Base: A random selection of all exporters or businesses whose product is suitable for export who selected capacity issues as a barrier: £500k+ turnover 2020 W5 (149)

6.4 Impact of Free Trade Agreements

In 2020, a series of new questions were introduced to investigate current business understanding of the potential benefits of Free Trade Agreements (FTAs), where customs duties are removed or reduced. All businesses that had ever exported to non-EU countries were asked if they were aware whether the goods they most frequently exported to those non-EU countries were eligible for reduced customs duties. In total, just under 3 in 10 of these businesses (28%) were aware whether or not their goods were eligible for reduced customs duties. Half (49%) said they did not know about their eligibility, while around a quarter (23%) were unsure. Awareness was higher among medium businesses (35%) than among businesses of all other sizes, in line with their propensity towards higher levels of knowledge about exporting (see Section 7.1).

Among those businesses who were aware of reduced customs duties for their most frequently exported goods, 7 in 10 (72%) said their goods benefitted from these with around 4 in 10 (38%) saying they did so always or almost always.

Figure 6.10: Awareness of and benefitting from reduced customs duties outside EU (2020)



Source: Q54. Thinking about the goods you most frequently export to non-EU countries, are you aware of whether they are eligible for reduced customs duties? Base : All respondents who export to non-EU countries (770); Source: How often do the goods you most frequently export to countries outside of the EU benefit from reduced customs duties? Base: All respondents aware whether the goods they most frequently export out of the EU are eligible for customs duties (235)

Over half (55%) of those aware of their goods eligibility for reduced duties said their goods did not always benefit from these reductions, and they were asked what prevented them from doing so. For this group, there were 3 main barriers relating to problems with finding and understanding information and with compliance, each selected by a little over one in 4 of these respondents. This included difficulties **understanding** available information on how to obtain reduced customs duties (29%), difficulty **finding** relevant information on how to obtain reduced customs duties (28%) and difficulties **complying** with the requirements to make their exports eligible for preferences (27%). However, almost as many said that any benefits gained from reduced customs duties did not outweigh the costs (23%). While one in 5 (20%) said that their most frequently exported goods

were eligible for reduced customs duties, their partner importers were not aware of, or willing to obtain them.

7 Knowledge, information and support

In order to export, businesses need good levels of knowledge about exporting, and where to go for help, information and support. It is also necessary for businesses to be *willing* to seek advice and support. This chapter looks at knowledge levels for exporting-related topics as well as use of and interest in using support and advice.

Key findings in this chapter are as follows:

- three quarters of businesses had a high or moderate level of knowledge about how to export, consistent with 2018's findings. This is despite a drop since 2015 in the proportion of businesses rating their knowledge of how to export as high
- businesses reported using a wide range of sources to stay informed about exporting or businesses products, with websites and internet searches reported most often but business and informal contacts also key. Use of other businesses, friends and colleagues, industry publications and trade associations increased at the start of the coronavirus pandemic in 2020
- a steady 1 in 3 businesses who have exported or could export, report having sought advice or information about exporting. Compared with 2018, fewer said they would not know where to get such information or that they would rely on internet searches, with UK government the primary source of information about exporting in 2020
- just 1 in 7 report having used paid exporting services, with little interest in using such services among those who do or could export unless it is free or very low in cost

7.1 Current knowledge about exporting

Businesses that had exported or saw their goods or services as suitable for export were asked to self-assess their level of knowledge about various aspects of exporting on a 0 to 10 scale. In this section their responses have been grouped into 3 bands. A score of 8 to 10 has been classified as a 'high level of knowledge. A score of 3 to 7 is classified as a 'moderate knowledge level'. A score of 0 to 2 represents 'poor or no knowledge'.

As shown in Figures 7.1 and 7.2, over a quarter of businesses who do or could export felt they had a high level of knowledge about **how to export** (26%). While this had not changed significantly since 2018 (29%), it was lower than in 2015 (33%), with a shift towards a moderate level of knowledge in this period. There was no significant change over time in the proportion reporting poor knowledge (25% in 2020).

The decline in 'high level' knowledge about how to export seen in 2018 among those currently exporting (businesses in the Sustain segment) continued in 2020 (38% compared with 46% in 2015), possibly connected to the UK's departure from the EU. There was also a drop in 'high level' knowledge about how to export among lapsed exporters (the Reassure segment) from 2018 (20%) to 2020 (7%).

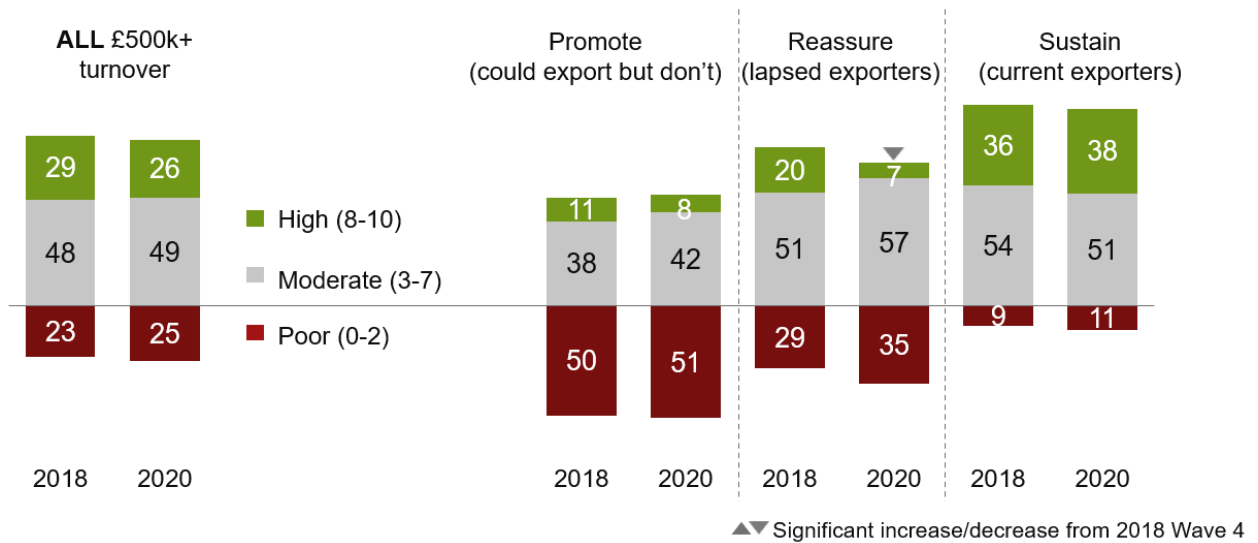
Self-reported 'high level' knowledge about how to export had declined among businesses with 10 to 19 employees since 2015 (21% down from 35%). In addition, they were less likely to report a high level of knowledge compared with medium and large businesses with 50 or more employees (30%). As in 2018, micro businesses with under 10 employees were more likely to report a poor

level of knowledge compared with medium businesses (27% and 16% in 2018 compared with 27% and 17% in 2020).

Perceived 'high level' knowledge about how to export in 2020 was lower in the first quarter of 2020 (19%) compared to the final quarter of the year (29%). The decline in the first quarter was driven by those in the Sustain segment, with just 28% reporting a high level of knowledge at this point, recovering to 44% in the remainder of the year. This may be because the coronavirus pandemic took businesses' attention away from EU exit.

Figure 7.1: Description of current knowledge about: how to export

% of all who could export: knowledge about HOW to export ...

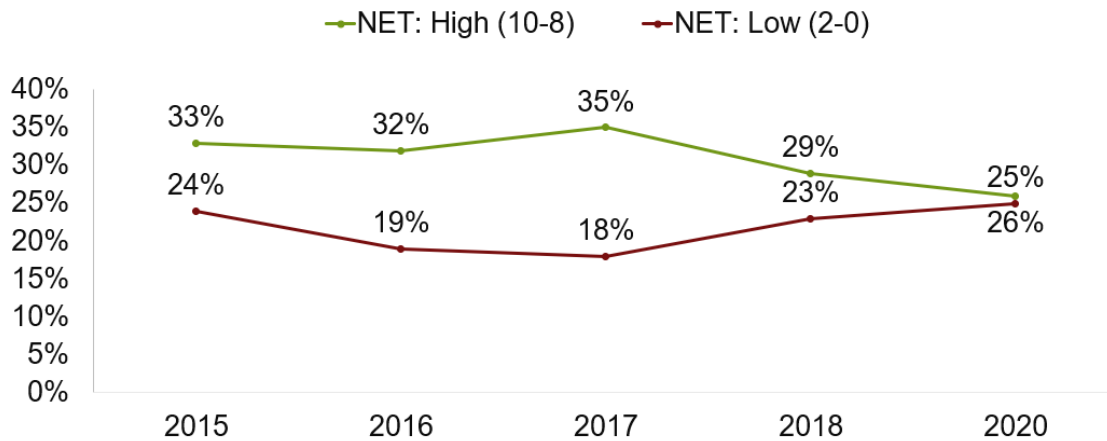


Source: Q30 (EXP_KNOW). On a scale of 0 to 10, where 10 means you have very good knowledge and 0 means you have no knowledge at all, how would you describe: Your knowledge of HOW to export

Base : All £500k+ turnover businesses for whom exporting is possible 2018 W4/2020 W5: (1510/1564); Promote (283/368), Reassure (126/148), Sustain (917/1025) * Base size is below 100; treat with caution

Figure 7.2: Description of current knowledge about: how to export: Trend over time

% of all who could export: knowledge about HOW to export ...



Q30: EXP_KNOW: On a scale of 0 to 10, where 10 means you have very good knowledge and 0 means you have no knowledge at all, how would you describe...

Base: All respondents with an annual turnover of £500k+ – excluding those whose products / services would never be suitable for export: (W5: 1564; W4: 1510; W3: 1575; W2: 656; W1: 650)

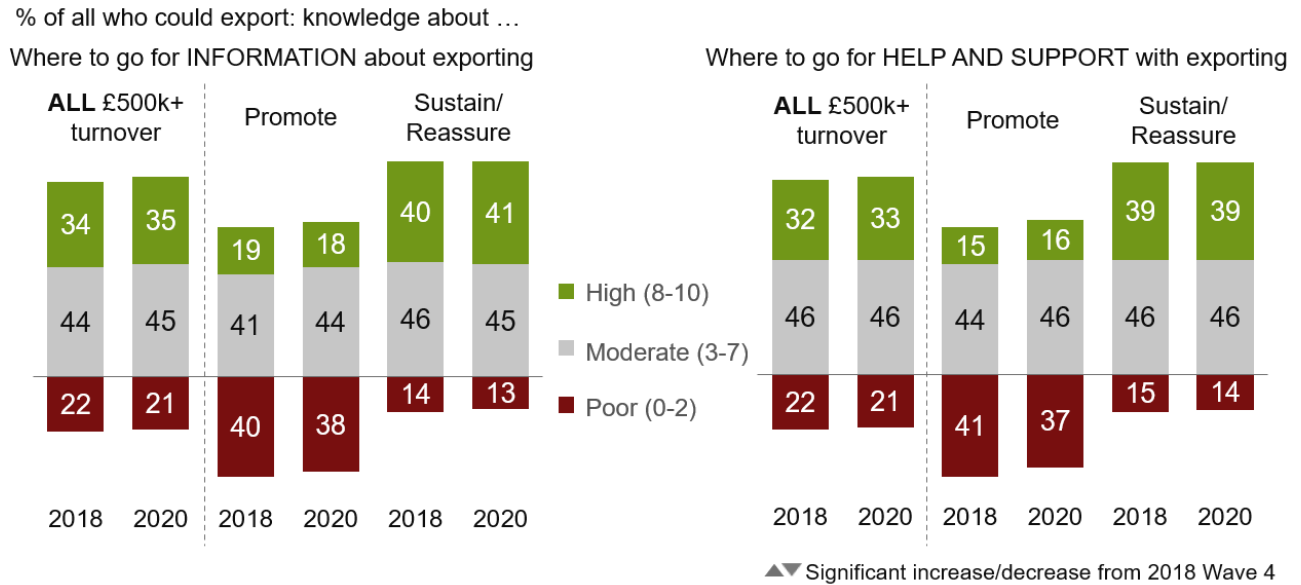
Self-assessed knowledge **around where to go for information about exporting and where to go for help and support with exporting** has remained fairly stable since 2018. As shown in Figures 7.3 and 7.4, in 2020 around a third of businesses felt they had a high level of knowledge about each (35% for information, 33% for help and support). Around 1 in 5 reported a low level of knowledge (each 21%).

The shift seen in 2018 from poor knowledge towards moderate knowledge around where to go among potential exporters (in the Promote segment) also continued this wave. However, those in the Promote segment remained more likely to rate their knowledge as poor than those in the more experienced Sustain and Reassure segments for both information (38% compared with 13%) and help and support (37% compared with 14%). As in previous years, the Sustain businesses were more likely to report a high level of knowledge than the Reassure segment of lapsed exporters for both information (45% compared with 22%) and help and support (43% compared with 21%).

Medium businesses were least likely to report poor or no knowledge of where to go (13% for both) while micro businesses were most likely (24% for information and 27% and 16% for help and support).

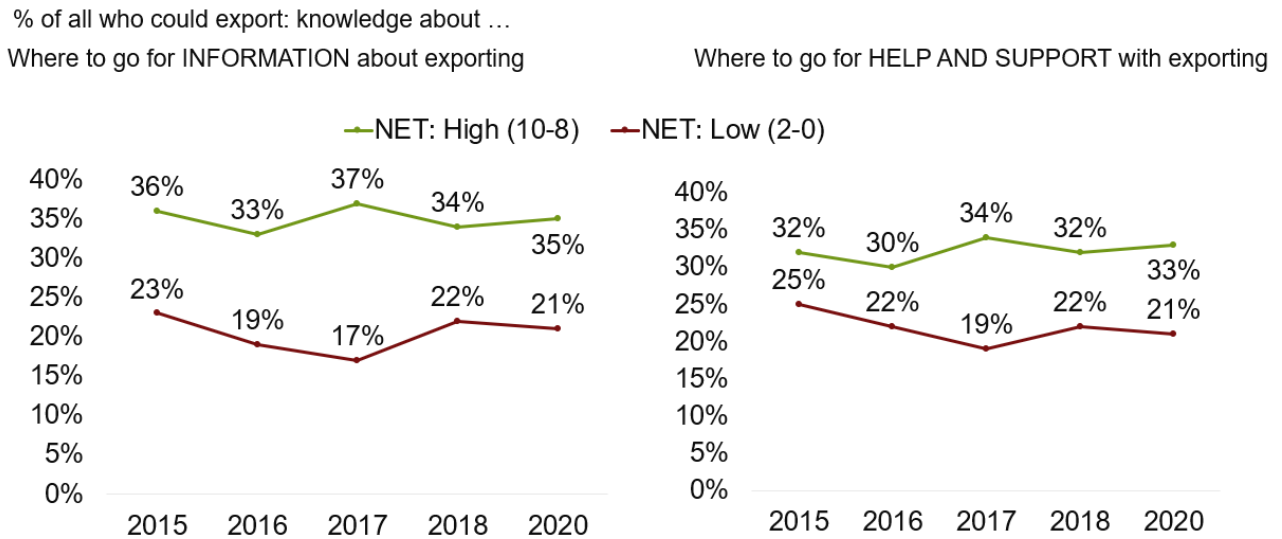
By region, while high level knowledge was reported more commonly by businesses in London (36%), this was not the case in Northern Ireland (27%) despite these both being the areas with the largest proportions of business most likely to export. Knowledge levels were also relatively weaker in Scotland and Wales. This was seen particularly in Scotland. Scotland had the lowest prevalence of current exporters, but most open to starting to export (with the highest level in the Promote segment), 31% reported a poor level of knowledge on where to go for each of information and support.

Figure 7.3: Description of current knowledge about where to go for: information about exporting / help and support with exporting



Source: Q30 (EXP_KNOW). On a scale of 0 to 10, where 10 means you have very good knowledge and 0 means you have no knowledge at all, how would you describe: Your knowledge of where to go for INFORMATION about exporting / Your knowledge of where to go for HELP AND SUPPORT with exporting Base : All £500k+ turnover businesses for whom exporting is possible 2018 W4/2020 W5: (1510/1564); Promote (283/368) Sustain/Reassure (1043/1173)

Figure 7.4: Description of current knowledge about where to go for: information about exporting / help and support with exporting: Trend over time



Source: Q30 (EXP_KNOW). On a scale of 0 to 10, where 10 means you have very good knowledge and 0 means you have no knowledge at all, how would you describe: Your knowledge of where to go for INFORMATION about exporting / Your knowledge of where to go for HELP AND SUPPORT with exporting Base: All respondents with an annual turnover of £500k+ excluding those whose products / services would never be suitable for export: (W5: 1564; W4: 1510; W3: 1575; W2: 656; W1: 650)

7.2 Channels and sources of information

New questions in 2020 asked all businesses what channels (using a prompted list) they used to stay informed about exporting or business products, and about their own industry.

As shown in Figure 7.5, a wide range of sources were used to **stay informed about exporting or business products**, with websites and internet searches reported most often (66%), and with social media also playing a role (29%).

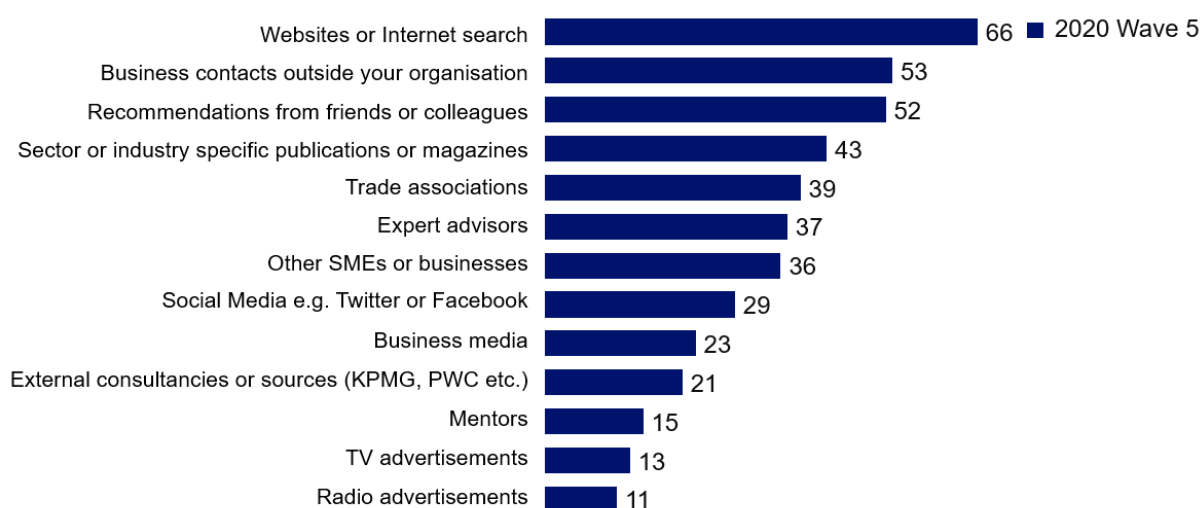
Other businesses were a major source used to stay informed about exporting or business products, with around half reporting using business contacts outside of their organisation (53%) and over a third other SMEs or businesses (36%). Informal connections were also key, with around half saying they used recommendations from friends or colleagues (52%). Sector expertise was also used by a substantial proportion, with around 4 in 10 saying they used each of sector specific publications (43%), and trade associations (39%). More tailored expertise was also sought through expert advisors (37%) and external consultancies (21%).

Current exporters (the Sustain segment) were more likely than other businesses to say they used almost all of the listed sources to stay informed about exporting or business products, with the exception of social media and adverts. Medium and large businesses were also more likely to use most sources, in line with their greater propensity to export.

Sources used to stay informed about exporting or business products were largely consistent quarter on quarter in 2020. However, in the second quarter businesses were more likely to say they used other businesses, recommendations from friends and colleagues, industry publications and trade associations. This could be related to the start of the coronavirus pandemic and businesses urgently needing to find information relative to the problems that it caused them.

Figure 7.5: Channels used to stay informed about exporting or business products

% of respondents reporting using ... to stay informed about exporting or business products



Source: F1. Which of the following channels do you use to find out about exporting or business products.
Base : All respondents: £500k+ turnover 2020 W5 (2557)

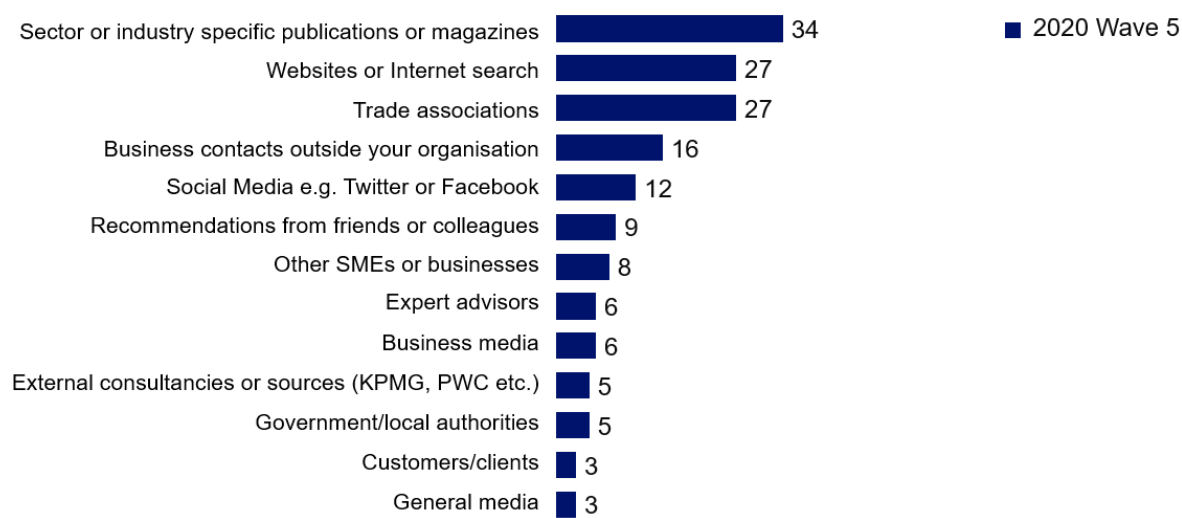
Compared with the sources used to stay informed about exporting, a narrower array of sources were commonly used by businesses to **stay informed about their own industry**, as shown in Figure 7.6. Around a third reported using sector specific publications (34%) and around a quarter using internet searches and websites (27%) and trade associations (27%). Compared with staying

informed about exporting and business products, other businesses and expert advisors played relatively less of a role.

There were little sector differences with regards to the sources used to stay informed about the industry, although government and local authorities were cited more by those in education and health (23%) and finance (20%). These sources were also reported more by businesses in Wales (13%) than other regions while social media was a greater influence in the North East (26%).

Figure 7.6: Channels used to stay informed about own industry

% of respondents reporting using ... to stay informed about their industry



Source: F2. Which sources do you use to stay informed about your industry?
Base : All respondents: £500k+ turnover 2020 W5 (2557)

7.3 Interest in support and advice about exporting

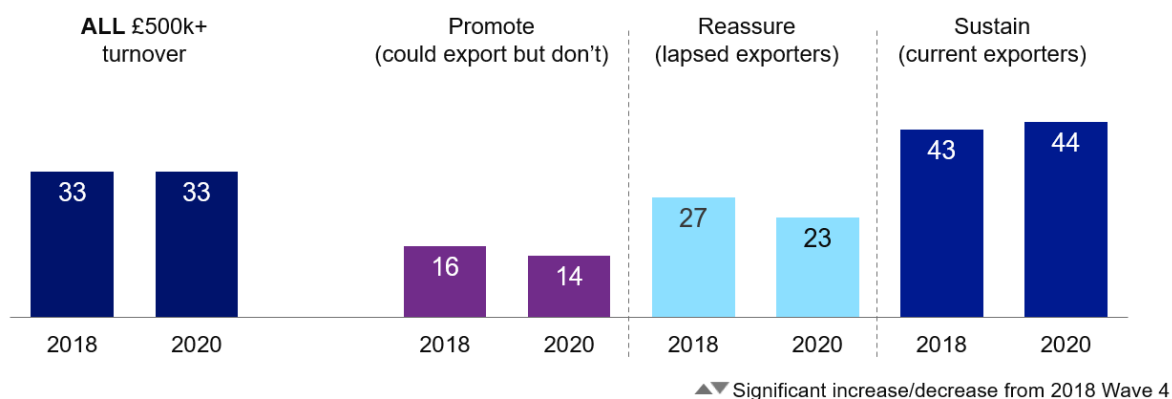
Among businesses that had previously exported or who identified their goods or services as suitable for export, 1 in 3 (33%) said they had sought advice about exporting, consistent with findings in 2018 (see Figure 7.7).

Interest in information and support services from the Sustain segment was also stable over time, at the higher level of 44%, while interest from the Promote segment was stable from 2018 at 14%.

Medium sized businesses (50 to 249 employees) were relatively more likely to report seeking advice (42%), perhaps reflecting the substantial increase in the proportion becoming current exporters since 2018 (46% up from 37% in the Sustain segment). Patterns by sector largely reflect propensity to export.

Figure 7.7: Whether businesses have ever sought advice and support about exporting

% of all who could export: have sought advice and support about exporting



Source: Q33 (EXPAD_B). Have you ever sought advice and support about exporting?
 Base : All £500k+ turnover businesses for whom exporting is possible 2018 W4/2020 W5: (1510/1564);
 Promote (283/368), Reassure (126/148), Sustain (917/1025).

All businesses were asked (without prompting) to say where they would go for support or advice on exporting (see Figure 7.8). 1 in 5 reported that they did not know where they would go (22%) and 1 in 10 (8%) explicitly said that they would not want any more information.

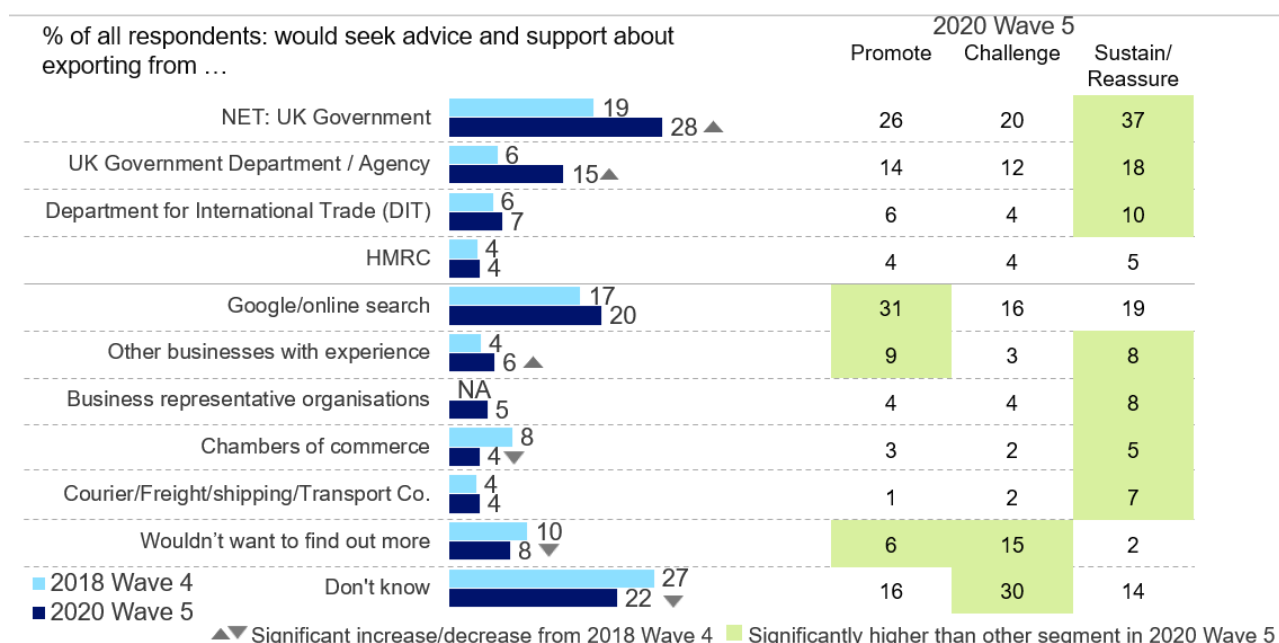
UK government sources played a bigger role as a source of advice and exporting than in 2018 (28% up from 19%). This was largely from an increase in general mentions of government departments or agencies (15% up from 6%), with no increase in mentions of specific departments such as the DIT (7%) or HMRC (4%).

There was also an increase in mentions of Government as a source for advice and support among Promote (23% up from 15%) and Challenge (20% up from 9%) segments. The Promote segment remained most dependent on online searches (31%), underlining the need to continue signposting such businesses to great.gov.uk (from which they can, in turn, be signposted to more specific information or support networks). Given their lack of engagement with exporting, it is not surprising that the Challenge segment remained most likely to say they did not know where to go for advice or support (30%) or to not want further information (15%). However, both had fallen significantly since 2018 (from 41% and 20% respectively)

The sources used for advice and support were similar by sector. Those in consumer discretionary were relatively less likely to say they used government sources (19%) and those in the professional and services sector were more likely to report using HMRC (10%). Businesses in Wales were more likely to say they had used government sources (36%).

After the first quarter of 2020 there was a shift away from online searches (27% in Q1, 18% in the remainder of the year) and towards government sources (23% in Q1, 30% in the remainder of the year). This may well reflect increased sourcing of information on the pandemic but also seeking information on EU exit as we approached the end of the transition year. The latter may reflect increased BEIS and Cabinet Office campaign activity about preparing for EU exit.

Figure 7.8: Where businesses would go for advice and support about exporting



Source : Q34a (ADV_EXP_A). And where, if anywhere, would you go if you needed exporting support or advice? (TOP SOURCES)
 Base : 2018 W4/2020 W5: All £500k+ turnover businesses (2448/2557); 2020 W5: Promote (368), Challenge (993), Sustain/Reassure (1173)

7.4 Experience of export services

A question introduced in 2018 asked all businesses that had ever exported whether they had used paid exporting services. In 2020 around 1 in 7 (15%) businesses reported having paid to use an export services organisation of any type, with no significant change from 2018 (13%). As in 2018, these services were most likely to be a shipping or haulage company (6%) or a distribution organisation (3%, up from 1% in 2018), with 2% reporting using legal assistance. All other services had an incidence of 1% or less (including marketing, market research, consultants, financial assistance, overseas trade shows and customs). Reported use of paid exporting services was higher in the West Midlands (21%) and lower in Yorkshire and the Humber and Northern Ireland (each 5%).

3 in 4 of those who had used paid exporting services reported it was easy to identify an appropriate organisation to help them (74%), with 37% saying it was very easy, with no significant change since 2018.

As in 2018, there does not generally seem to be an issue in **finding** paid support services for those who use them. This would seem to be in line with the findings discussed in Chapter 4, which highlighted that an increasing majority of exporters are passive (only selling overseas when international customers approach them). It appears that even among businesses that do export, it is only a minority that take proactive steps toward exporting.

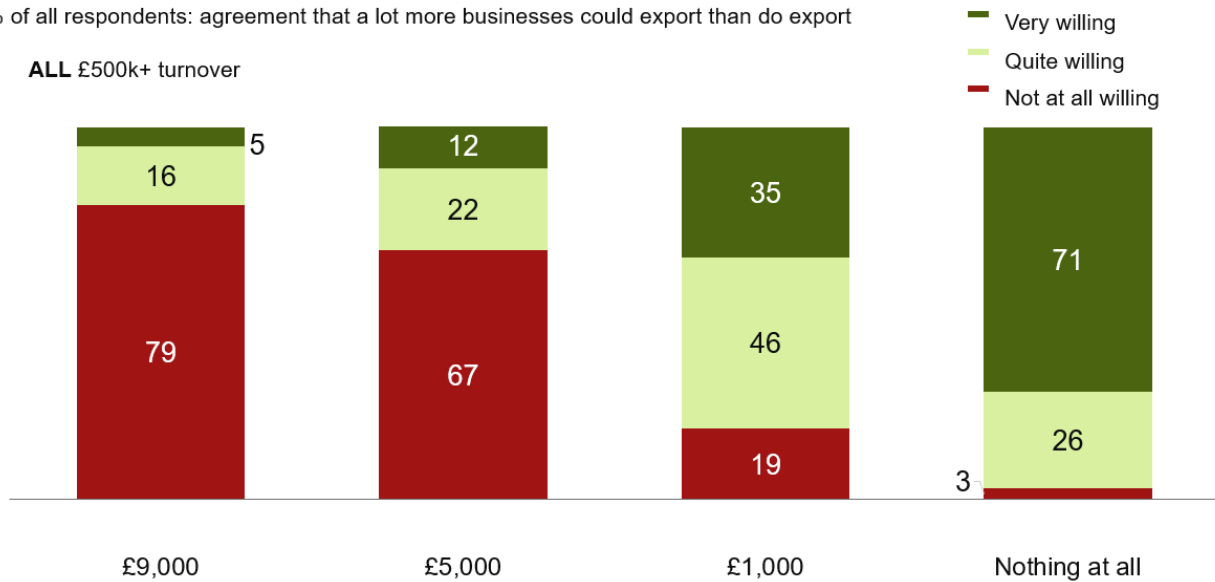
New questions were asked in the 2020 survey about willingness to use services to assist with exporting depending on cost. These were asked of businesses in the Q1 survey only, who had *not* said they had unsuitable products for export and that they did not want to find out more about exporting. Respondents were offered options of £9,000, £5,000, £1,000 and nothing at all.

As shown in Figure 7.9, the free services were highly appealing, with 97% of businesses expressing willingness to use them, and with 71% very willing. There was also fairly high interest in

the service costing £1,000, with 81% at all willing, and 35% very willing. However, only a minority expressed willingness to use the more costly services, with 33% at all willing to pay £5,000 (12% very willing) and 21% at all willing to pay £9,000 (5% very willing).

Figure 7.9: Business willingness to pay for exporting services

% of all respondents: agreement that a lot more businesses could export than do export



Source: Q37A. (Q1 only). How willing would your business be to use such services to assist you with exporting if they cost...
 Base : 2020 W5 Q1: All £500k+ turnover (161)

8 Expectations for growth and trade

Positive attitudes about exporting and interest in exporting are a step towards businesses embarking on the journey towards exporting and entering new markets. This chapter looks at business innovation and plans for growth, expectations for growth in UK exports and trends in attitudes related to exporting.

Key findings in this chapter are as follows:

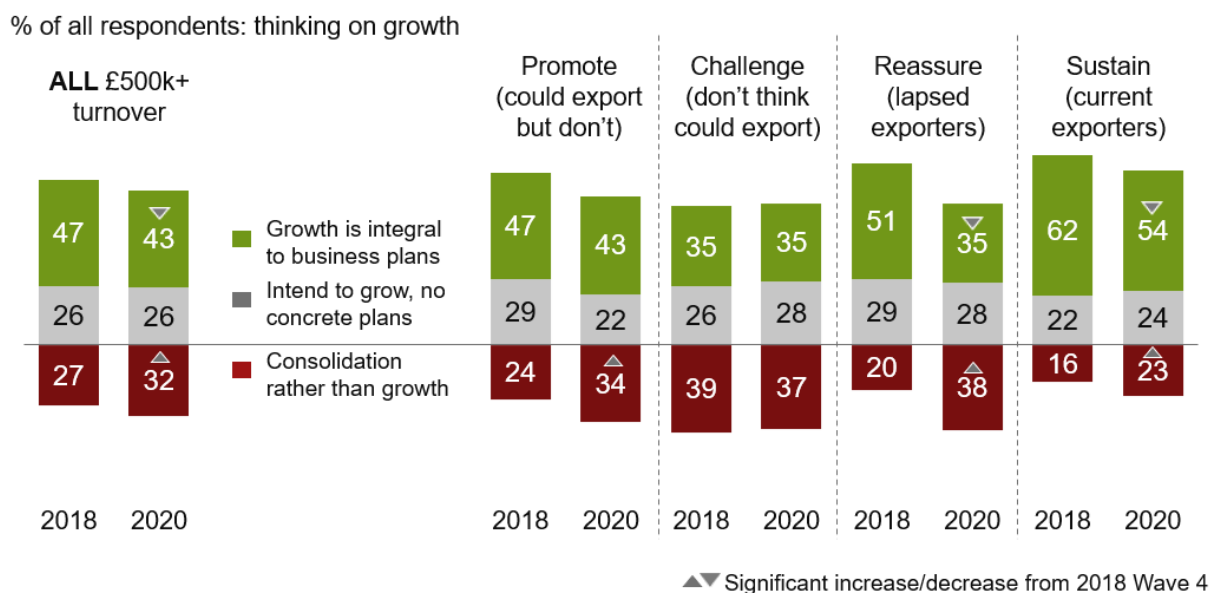
- the coronavirus pandemic influenced plans for growth, expectations for UK growth in exports, and perceived demand for UK products and services, with clear changes in attitudes in the second quarter of 2020.
- in terms of plans for business growth, the initial dip was followed by some recovery in the final quarter of the year leaving planned growth down just a little on 2018 levels.
- following the dip in reported business innovation in the second quarter, the Promote segment was slower to recover. It suggests the pandemic could be a barrier to innovation as a 'way in' to starting to export
- while the balance of expected growth in UK exports in the next 5 years remains positive, businesses were more likely to expect a decrease in the next 12 months than an increase. In addition, with no recovery in the latter half of 2020; this may reflect concerns about the impact of EU exit on exporting (rather than the impact of the pandemic).
- perceived global demand for UK goods and services also fell after the start of the pandemic, albeit with some evidence of recovery in the final quarter of the year

8.1 Business thinking about growth

Overall, around 2 thirds of businesses (68%) reported that they were aiming to grow rather than consolidate their business, down from 73% in 2018. More specifically, there has been a shift away from businesses saying growth is integral to their business plans (43% down from 47%) and towards aiming for consolidation rather than growth (32% up from 27% - see Figure 8.1).

An increased focus on consolidation was seen only in those segments that have ever exported or could export, with no change in the Challenge segment. The Sustain segment of current exporters remained most focused on growth in 2020: just over half (54%) said growth is integral to their plans, although this was a reduction from 62% in 2018.

Figure 8.1: Current thinking on growth



Source: Q11 (GROWATT). Which of these best describes your thinking on growth?
 Base : 2018 Wave 4/2020 Wave 5 - All £500k+ turnover businesses (2448/2557); Promote (283/368), Challenge (840/993), Reassure (126/148), Sustain (957/1025)

As in 2018 there was a clear pattern of differences by business size, with larger businesses more likely to view growth as integral to their plans. Businesses with 250+ employees were twice as likely to say that growth was integral to their plans as micro businesses with 0 to 9 employees (68% and 34% respectively). Micro businesses were 3 times as likely as large businesses to be planning consolidation (37% compared with 12%). The shift since 2018 towards planned consolidation was not seen at either end of the size scale. It was focused among small businesses with 20 to 49 employees (32% up from 21%) and medium businesses with 50 to 249 employees (23% up from 13%).

The shift away from integral growth was seen particularly in the consumer discretionary sector (34% down from 49%), which is one of the sectors least likely to export. However, an increase in planned consolidation (23% up from 9%) was also seen in the information and communication sector (the most likely to export). Despite this shift, growth remained most likely to be integral to the plans of those in information and communication (63%), with the finance sector also remaining highly likely to be planning growth (56%), as in 2018.

The coronavirus pandemic had a clear influence on plans during 2020. Plans in the first quarter were in line with those seen in 2018, but with a sharp decline in the second quarter to 35% planning growth and 38% focused on consolidation. Recovery in the final quarter of the year (43% planning growth, 31% consolidation) means that the average level for 2020 is likely to be an accurate reflection of the most recent plans among businesses. Plans for growth are down significantly but not substantially from 2018. There was less evidence of recovery in the Promote segment than in the other exporting segments.

For the first time in 5 years, there was a decline in businesses reporting that they had introduced new or significantly improved products or services in the past 12 months. From 2015 to 2018 just over half of businesses reported some such innovation, but this fell to 46% in 2020 (see Figure 8.2).

Innovation remained highest in the Sustain segment of current exporters, as in 2018, but the proportion fell from 65% in 2018 to 58% in 2020. In the Promote segment there had been a steady

decline from 2015 (64%) to 2018 (50%), with no further significant decline in 2020 (44%). A decline for the first time in 2020 was seen in the Challenge segment (35% down from 46% in 2018).

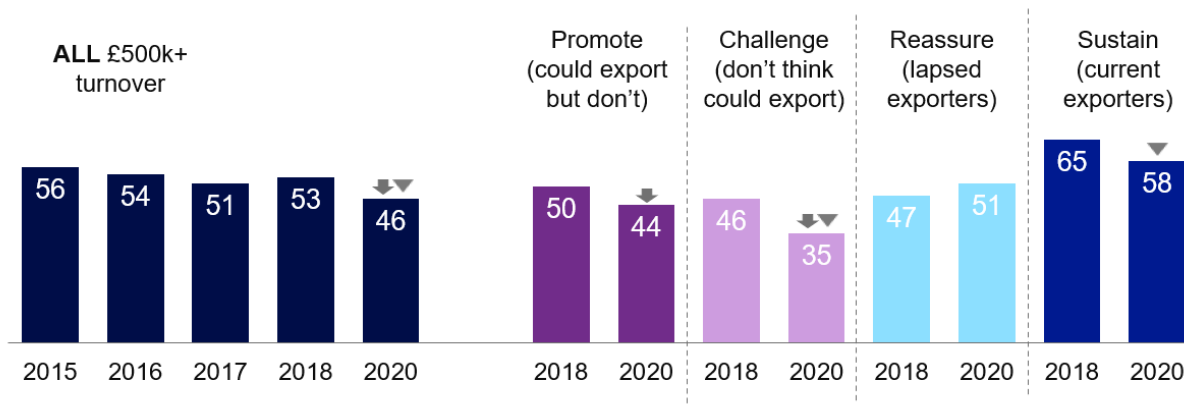
In a similar pattern to that seen in 2018, micro businesses (with under 10 employees) were less likely to report innovation (42%) compared with businesses with at least 50 employees (55%). Furthermore, the longer-term decline since 2015 was greatest among businesses with under 50 employees.

Differences by sector again largely reflected propensity to export, although those in Education and Health also remained relatively likely to report innovation (58%). A decline in innovation among businesses in Yorkshire and the Humber (30% down from 56% in 2018) meant that in 2020 businesses in this region were relatively less likely to have innovated in 2020 than those in other regions.

As for growth plans, the coronavirus pandemic had a clear influence on innovation with a dip from the first quarter (50%) to the second quarter (36%) and then recovery in the final quarter of the year (48%). While there was a decline in quarter 2 in all exporting segments, there was little evidence of recovery in the final quarter of the year among potential exporters in the Promote segment. This suggests a longer-term impact for businesses that may have considered starting to export.

Figure 8.2: Whether business has introduced new or significantly improved products or services in past 12 months

% of all respondents: made innovations to products or services in last 12 months



▲ Significant increase/decrease from 2015 Wave 1 ▼ Significant increase/decrease from 2018 Wave 4

Source : Q12 (INNOV). Thinking about innovation within your business i.e. new products and processes, have you introduced new or significantly improved products or services in the past 12 months?

Base: 2015 W1/2016 W2/2017 W3/2018 W4/2020 W5: All £500k+ turnover (1160/1139/2535/2448/2557), W4: Promote (283/368), Challenge (840/993), Reassure (126/175), Sustain (917/957)

8.2 Expectations for growth in UK exports

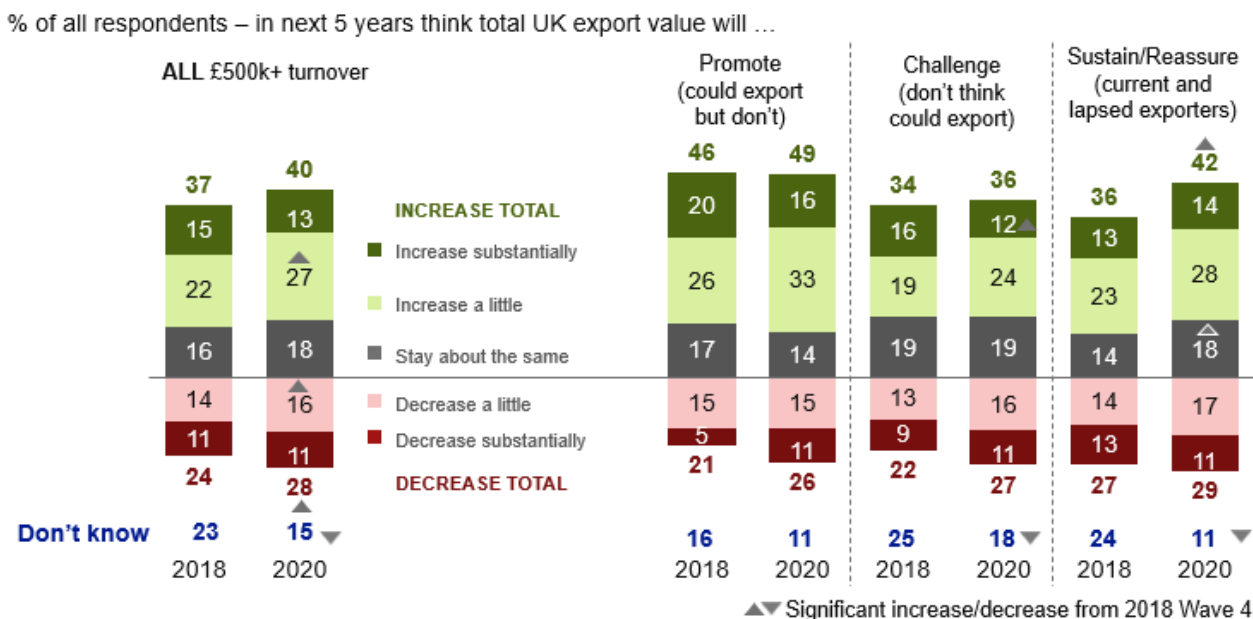
From 2017 onwards businesses were asked whether they expected the total value of UK exports over the next 5 years to increase, decrease or stay the same. This was intended to get a sense of business confidence in the prospects for UK exports as a whole.

In 2020 uncertainty was reduced, with 15% saying they did not know what their expectations were for UK exports, down from 23% in 2018 (see Figure 8.3). Meanwhile, there were significant increases in businesses expecting the value of exports over the next 5 years to both increase a little (22% to 27%) and decrease a little (14% to 16%). Overall, the balance of opinion remains positive as in previous years.

Potential exporters (in the Promote segment) had the highest levels of optimism for the next 5 years, with nearly half (49%) expecting export values to increase. Meanwhile, 2 in 5 current or lapsed exporters (Sustain and Reassure) expected values to increase, an uplift on the proportion in that group who thought the same in 2018 (36% to 42%). As in 2018, businesses in the Challenge segment were least likely to think exports would increase (36%). The largest shifts over time were seen in the Sustain and Reassure segments indicating that business opinion may be driven by real knowledge of exporting.

Since 2017, large businesses have become more likely to expect a decrease in export value over the next 5 years (38% up from 23%). Likewise, the proportion of micro businesses expecting a decrease have risen in that time from 19% to 30%. Since 2017 several sectors have become more likely to expect a decline in export growth over the next 5 years. These are Construction (26% up from 17%), Manufacturing (28% up from 18%), Wholesale and Retail (31% up from 18%) and Professional and Services (35% up from 24%). Other than Manufacturing, these same groups had driven the decline in expectations of an increase between 2017 and 2018. There was also a larger than average increase in perceptions that exports would decrease over the next 5 years in some regions. These were the North West of England (30% up from 16% in 2017), Yorkshire and Humber (26% up from 13%) and in Northern Ireland (35% up from 18%). Businesses in London (a key exporting hub) remained relatively more likely to expect a decrease (36%) than those elsewhere.

Figure 8.3: Whether businesses believe UK exports will increase or decrease over the next 5 years



Source: Q40a. Moving to a different topic now, thinking about UK exports over the next 5 years or so, do you think that the total value of exports by UK businesses will...

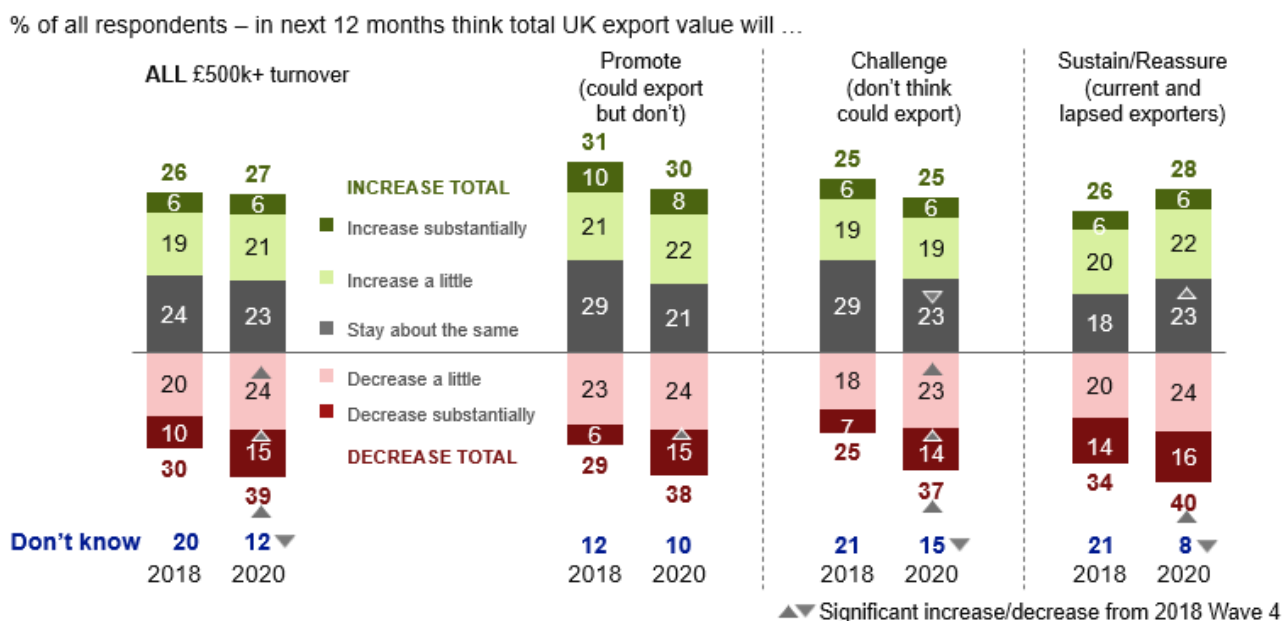
Base: All respondents 2018 Wave 4 / 2020 Wave 5: £500k+ turnover (2448/2557), Promote (283/368), Challenge (840/993), Sustain/Reassure (1132/1173)

A new question was added to the survey in 2018, allowing better understanding of shorter-term expectations for UK exports over the next 12 months. As with business expectations over the next 5 years, between 2018 and 2020 there was a move away from uncertainty and towards a likely decrease in value in the next 12 months (see Figure 8.4). The balance of opinion for the next 12 months is negative. Around 1 in 4 expect an increase (27%), stable from 2018, while 4 in 10 expect a decrease (39%), up from 3 in 10 in 2018 (30%). Expectations and patterns of change over time are similar in the different segments.

In the first quarter of 2020 businesses were relatively optimistic. 34% were anticipating an increase and 26% a decrease, but this was reversed in the second quarter (24% increase, 47% decrease), with no significant recovery in the final quarter of the year. As with expectations about export values over the next 5 years, the shifts were seen earlier in the Sustain/Reassure segments than in the other exporting segments.

The increased expectation of a decline in export value over the next 12 months was strongest in Manufacturing (41% up from 26%) and Education and Health (43% up from 27%). There was also an increased expectation in Scotland that total UK export value would decline over the next 12 months (46% up from 27%).

Figure 8.4: Whether businesses believe UK exports will increase or decrease over the next 12 months



Source: Q40b. And over the next 12 months or so, do you think that the total value of exports by UK businesses will...
 Base : All respondents 2018 Wave 4 / 2020 Wave 5: £500k+ turnover (2448/2557), Promote (283/368), Challenge (840/993), Sustain/Reassure (1132/1173)

8.3 Attitudes to exporting

As shown in Figure 8.5, agreement that *there is a lot of demand for British products or services around the world* declined in 2020, with almost 2 in 3 (63%) in agreement, down from 2018 (71%). Since 2018, strong agreement has dropped (32% from 42%) and disagreement increased (10% from 5%).

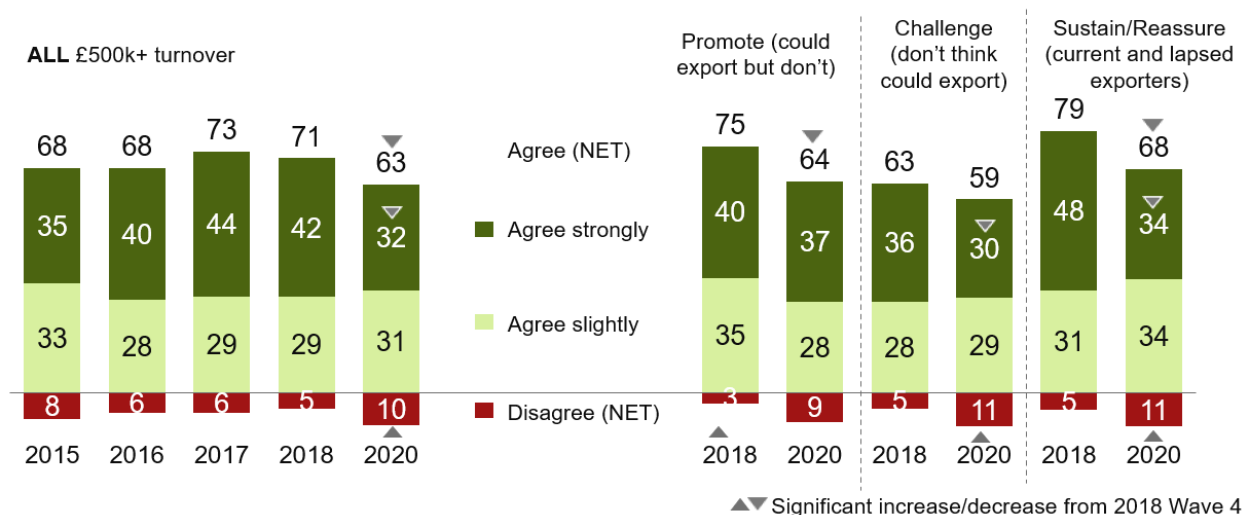
Businesses in all segments have become more likely to disagree since 2018 that there is a lot of demand for British products or services around the world. Within the Promote segment, there was no decrease overall in 2020 in strong agreement (37%). However, this was driven by a high level

of strong agreement in the first quarter of 2020 (51%), which fell to 31% for the rest of the year. Agreement was weaker in 2020 than in 2018 in the Challenge segment, and weaker than in all previous years in the Sustain/Reassure segments.

While there was no change in strength of agreement over the course of 2020, overall agreement dropped from 61% in the first quarter to 61% in the remainder of the year. The main shift has been towards more businesses saying they had no opinion either way (14% rising to 19%), suggesting greater uncertainty after the start of the coronavirus pandemic.

Figure 8.5: Agreement that there is a lot of demand for British products or services around the world

% of all respondents: agreement that there is a lot of demand for British products or services around the world



Source: Q14 (EXPSTAT_ALL). To what extent do you agree or disagree that: There is a lot of demand for British products or services around the world
 Base : 2015 W1/2016 W2/2017 W3/2018 W4/2020 W5: All £500k+ turnover (1160/1139/2535/2448/2557), W4/W5: Promote (283/368), Challenge (840/993), Sustain/Reassure (1132/1173)

A new question was introduced in the first quarter of 2020 to establish whether demand for British products and services around the world was seen to have reduced in the past year. This question was replaced from the second quarter onwards with a question about the impact of the coronavirus pandemic on demand, as this became the more immediate issue for UK businesses to deal with.

In the first quarter of 2020, as set out in Figure 8.6, around a third of businesses agreed that demand for British products or services around the world had decreased over the past year (35%). After the change in question in the rest of 2020, agreement was higher that demand for British products or services around the world had decreased since the outbreak of coronavirus at almost a half (47%). This was considerably higher in the second quarter (56%) than in the remainder of 2020 (42%) offering further evidence of the immediate impact of the coronavirus pandemic on businesses.

Businesses with experience of exporting in the Sustain and Reassure segments were more likely to disagree with both statements. They were also less likely to agree strongly that the coronavirus pandemic had reduced international demand for UK products and services. This suggests that the change may have been perceived to be worse than it was in reality among businesses that did not

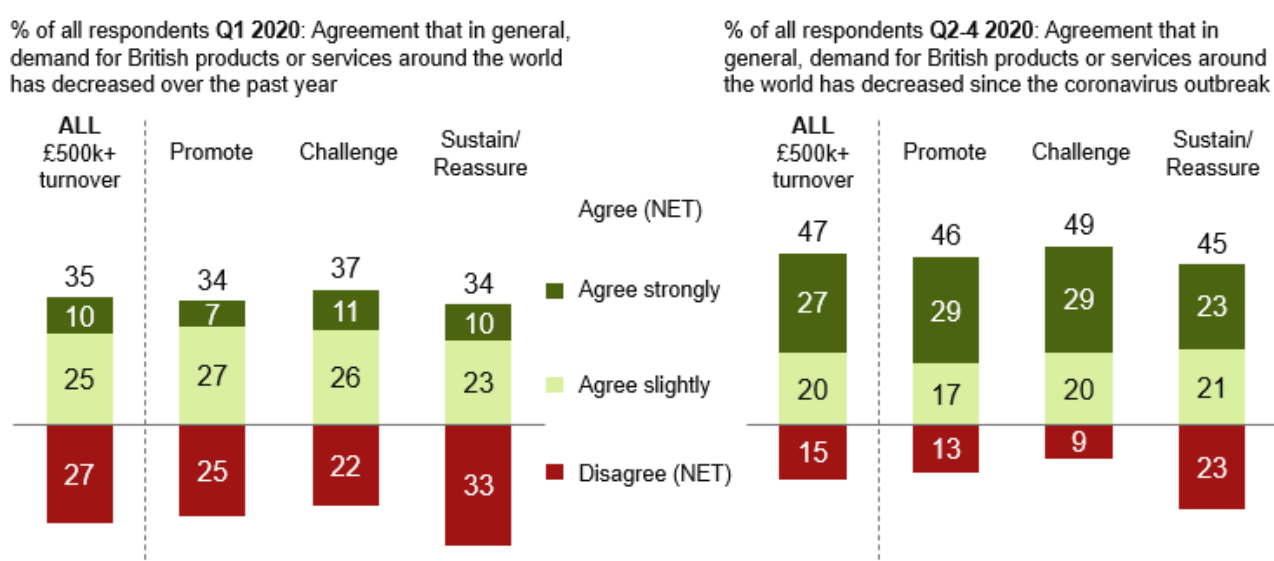
have direct experience, and this could delay consideration of exporting among the Promote segment.

Differences by sector and region largely reflect propensity to export.

All businesses that agreed that demand for British goods and services had decreased were asked what they felt was the **main factor** in this decline. In the first quarter of the year, the main factor as perceived by businesses was political instability in the importing country or in the UK (26%) whereas in quarter 2 it was coronavirus (53%). In the final quarter of the year the coronavirus pandemic remained the top issue (39%) but this was joined by Brexit and general business uncertainty (15%).

From quarter 2 onwards in 2020, businesses were asked to name **all factors** contributing to this decline. They perceived the coronavirus pandemic to be by far the largest single factor (55% of those who agreed demand had fallen) albeit more so in quarter 2 (63%) than in the rest of the year (49%). This was followed by Brexit and general business uncertainty (20% overall, 33% in the final quarter of the year). Other factors mentioned included British products and services being expensive (12%) and political instability in the importing country or in the UK (11%).

Figure 8.6: Agreement that in general demand for British products or services around the world has decreased over the past year / because of the coronavirus pandemic



Source: Q14 (EXPSTAT_ALL). To what extent do you agree or disagree that: In general, demand for British products or services around the world has decreased over the past year / In general, demand for British products or services around the world has decreased since the coronavirus outbreak
 Base : 2020 Q1/Q2-4 W5: All £500k+ turnover (626/1931), W4: Promote (103/265), Challenge (208/785), Sustain/Reassure (307/866)

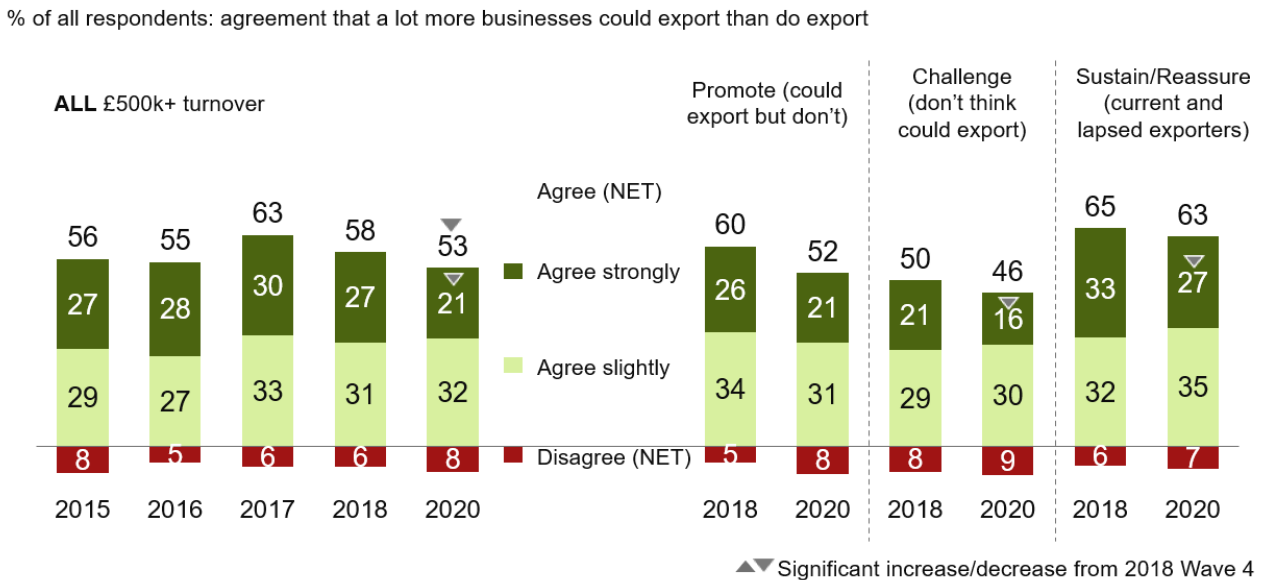
As shown in Figure 8.7, in line with perceptions of decreased international demand, there has also been a decline in agreement that *a lot more businesses could export than do export* (53%) since 2018 (58%). This is a recent development, as agreement levels in 2018 had been similar to those seen in 2015 and, as with the previous measures, agreement only decreased after the first quarter of 2020 (62% down to 50%).

The decline was driven by a weakening of agreement, with 1 in 5 agreeing strongly (21% down from 27%). A similar pattern of change was seen in all segments although smaller base sizes for the Promote segment mean shifts in this segment are not statistically significant. The similar

patterns of change in 2020 in relation to perceptions of both international demand and level of exporting suggest the 2 are linked.

As with statements relating to demand, any differences by sector largely reflect propensity to export.

Figure 8.7: Agreement that a lot more businesses could export than do export



Source: Q14 (EXPSTAT_ALL). To what extent do you agree or disagree that: There is a lot more businesses could export than do export
 Base : 2015 W1/2016 W2/2017 W3/2018 W4/2020 W5: All £500k+ turnover (1160/1139/2535/2448/2557), W4/W5: Promote (283/368), Challenge (840/993), Sustain/Reassure (1132/1173)

Figure 8.8 shows the proportion of businesses who had exported or saw themselves as potentially able to export and agreed (either strongly or slightly) with a range of statements relating to exporting. In general, agreement with a number of statements has dropped, particularly around opportunities and prospects, reflecting findings around opinion about international demand.

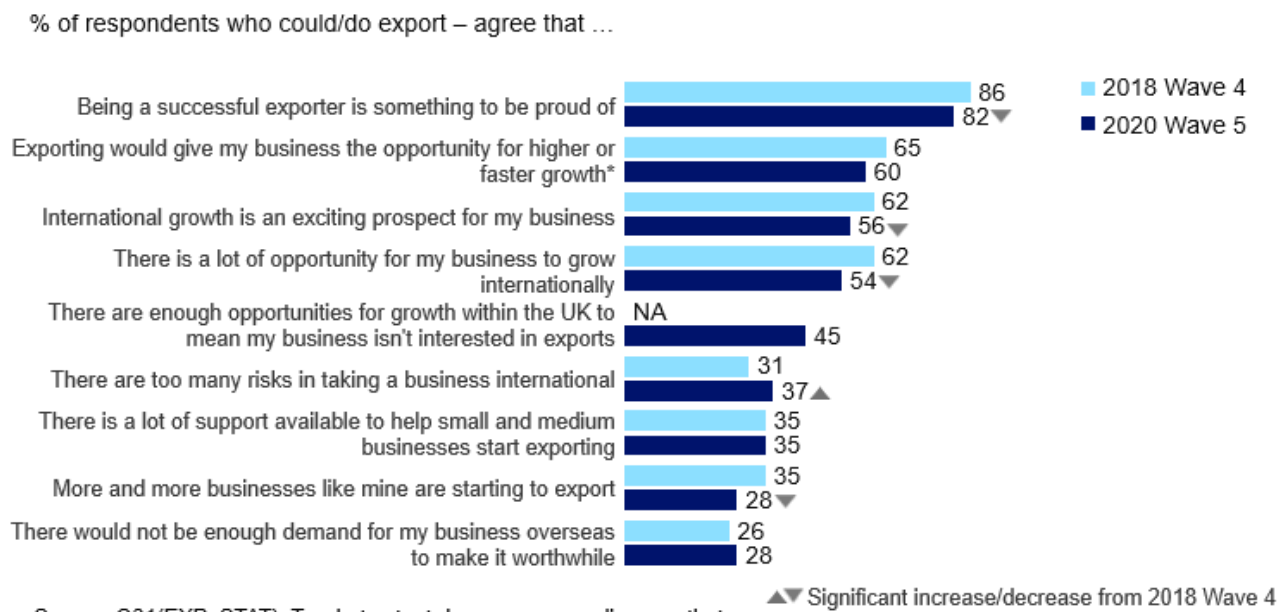
For example, fewer businesses in 2020 agree with the following statements. That *international growth is an exciting prospect for my business* (56% down from 62%). That *there is a lot of opportunity for my business to grow internationally* (54% down from 62%). Also, that *more and more businesses like mine are starting to export* (28% down from 35%). This may be related to an increase in agreement that *there are too many risks in taking a business international* (37% up from 31%). However, agreement with this statement fell from 42% in the first half of 2020 to 32% in the final quarter suggesting some recovery later in the year. Agreement with most other statements was stable over the course of the year.

There was no decrease in the belief that *there is a lot of support available to help small and medium businesses start exporting* (35%). In general, businesses in the Promote segment were less positive in their attitudes towards exporting than current exporters (27% compared with 41% Sustain).

Under half of businesses agreed with a new statement that *there are enough opportunities for growth within the UK to mean my business is not interested in exports* (45%). This was higher in the first quarter of the year (51%) falling to 43% for the rest of 2020 after the start of the pandemic. Agreement was considerably higher in the Reassure (69%) and Promote segments (67%) than

among current exporters (30%), and furthermore agreement levels did not fall over the course of 2020 in the Promote segment (only among those with exporting experience). This suggests that many of those who could export but do not, feel no need to expand outside of the UK, and that the pandemic has not changed this. This still leaves 17% in the Promote segment who disagree (also unchanged over the course of 2020). It suggests there is untapped potential among a substantial minority of businesses who could export, and do not feel the UK offers them enough scope to grow. The perceived decline in international demand may well be proving a barrier for some within this segment to taking that first step.

Figure 8.8: Agreement with other statements relating to exporting



Source: Q31(EXP_STAT). To what extent do you agree or disagree that...

Base : All who export or could potentially export: £500k+ turnover 2018 Wave 4 / 2020 Wave 5 (1510/1564)

* Statement was asked only in Q1 in 2020

9 Advertising and campaign metrics

The *Exporting is GREAT* campaign was one of the main pillars supporting DIT's role to encourage and inspire UK businesses to sell overseas. Due to the coronavirus pandemic and DIT's resulting change in focus, prompted questions on campaign recognition and response were removed from the survey after the first quarter of 2020, and are not included in the 2020 report. This chapter examines spontaneous campaign awareness and usage of websites linked to the campaign which were measured throughout 2020. The *Exporting is Great* campaign ran for a number of years as the main export promotion campaign and no longer exists, having been replaced with a new campaign. Since mid 2019, there was no above the line advertising for Exporting is GREAT. However, there was a significant amount of no-cost campaign activity on trade promotion that continued to be under the Exporting is GREAT umbrella.

Key findings in this chapter are as follows:

- spontaneous awareness of advertising and information about exporting remained broadly similar to that recorded in previous waves, despite a lack of above the line spend behind the campaign in 2020
- awareness was maintained among current exporters, but there are signs of a drop-off over recent years among non-exporting segments
- awareness and usage of the *great.gov.uk* website remained steady over time with increasing use among current exporters, but remaining low for non-exporters
- awareness of the *Northern Powerhouse* website was at a higher level than *great.gov.uk*, and increased over 2020, although few have visited

9.1 Awareness of information and advertising

Spontaneous awareness of 'any advertising, publicity or other types of information encouraging businesses to think about exporting' was measured in 2015 to provide a pre-campaign baseline and again in every wave of the survey to provide post-campaign measures.

Spontaneous awareness increased after the baseline (18%) and has remained broadly consistent since 2016, with 28% aware of any advertising or publicity about exporting in 2020 (Figure 9.1). Given the reduction in campaign media spend in 2018 and lack of above the line advertising spend beyond the first quarter of 2020, the maintenance of spontaneous awareness in the years since 2016 should be taken as a positive result. It may also reflect awareness of other government campaigning for business about the end of the EU transition period.

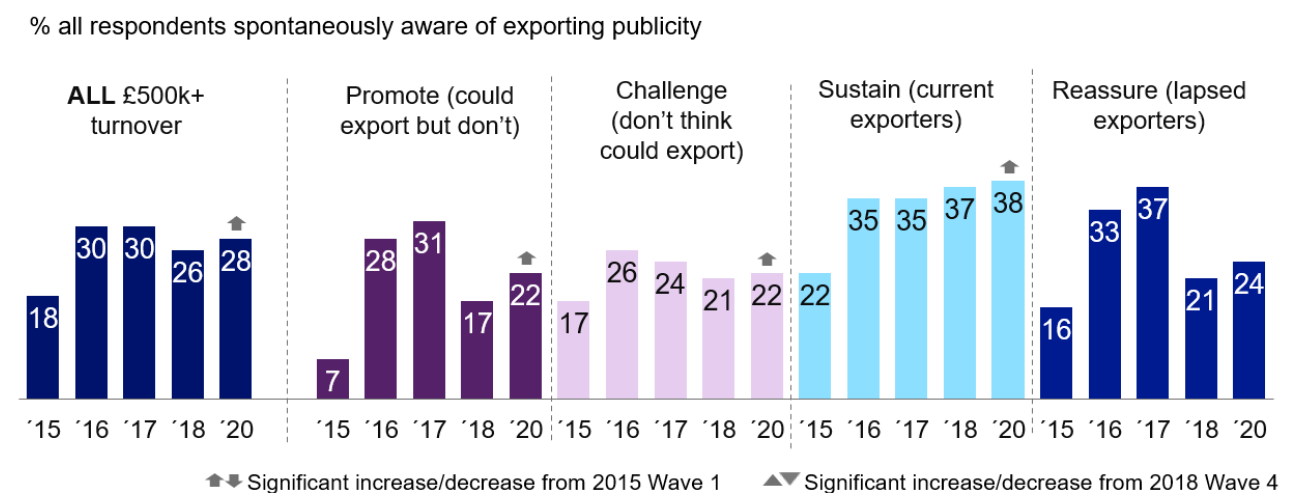
However, there has been more variation in spontaneous awareness over the years when looking at the different segments. While awareness held up well among current exporters in the Sustain segment (38% in 2020), awareness was lower than the 2017 peak among lapsed and potential exporters (Reassure and Promote; 24% down from 37% and 22% down from 31% respectively). This is a concern given that potential exporters are one of the main target groups and the campaign appears to have become less memorable for them. Differences in awareness by business size and sector largely reflect their propensity to export, as set out in section 4.2.

Awareness in 2020 was higher than average in Northern Ireland (40%) but not in London (25%), the other big exporting hub. This may suggest that awareness includes some recall of government campaign activity on changes to trading with the EU, that aired during 2020 to help businesses

prepare for the end of transition. It may also reflect heightened sensitivity to EU exit arrangements in Northern Ireland, especially in relation to export of goods over the Irish border.

Despite the lack of above the line campaign activity, awareness of advertising and information about exporting was higher by the end of the year than at the start. It was 30% in the final quarter of the year compared with 24% in the first quarter. This may reflect coverage of ongoing PR activities in the UK within the *Great* brand, on a wide range of exporting themes as well as activity about EU transition preparedness.

Figure 9.1: Spontaneous awareness of information and advertising about exporting



Source: Q39. In the last [2015 W1: couple of months] [2019 W4/2020 W5: year or so], have you seen or heard any advertising, publicity or other types of information encouraging businesses to think about exporting?
 Base : All respondents 2015 W1/2016 W2/2017 W3/2018 W4/2020 W5: All £500k+ turnover (1160/1139/2535/2448/2557), Promote (127/130/294/283/368), Challenge (466/426/874/840/993), Sustain (421/429/1001/957/1025), Reassure (89*/99*/192/175/148) * Base size is below 100; treat with caution

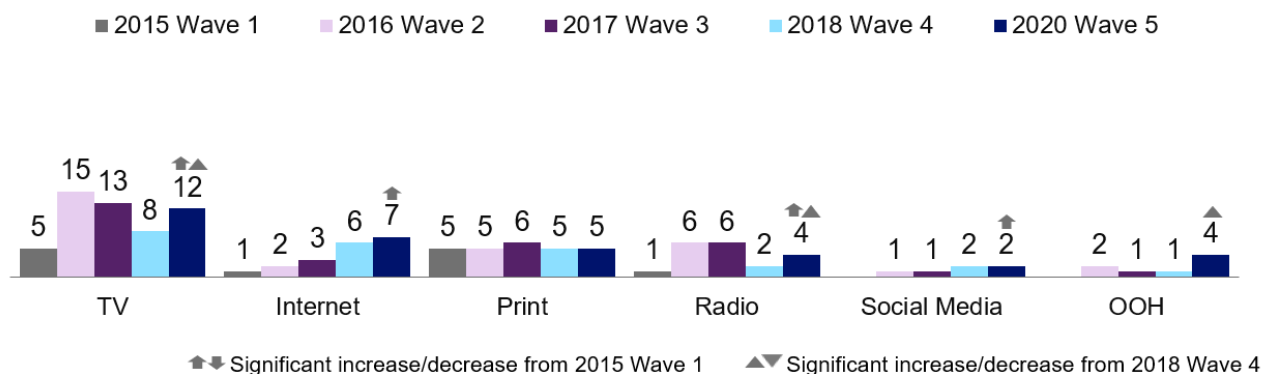
When asked where they had seen or heard information or advertising, in 2020 TV remained the most mentioned source (12% of all businesses) up from 2018 levels (8%), as demonstrated in Figure 9.2. This increased only after the first quarter, rising from 8% in 2020 Q1 to 14% in the final quarter of 2020.

There was a steady growth in recall of online advertising and information over the years, reaching 7% of all businesses in 2020. Recall of publicity from print remained consistent between 2015 and 2020 at 5%, while recall from the radio recovered to 4% and recall from out of home (OOH) sources was 1%. Other than TV, there was no change in source of awareness throughout 2020.

There was relatively little difference in recall of advertising and information by key segment, but businesses in the Sustain segment were more likely than others to recall seeing something about exporting on the internet (10%) or social media (3%). Large businesses with 250+ employees had greater recall of something in print (10%) than smaller firms. The higher level of spontaneous awareness in Northern Ireland than elsewhere was driven by higher awareness from TV (20%) and radio (10%). This could, at least in part, reflect high level coverage of the EU transition in Northern Ireland in 2020.

Figure 9.2: Source of awareness of information and advertising about exporting

% all respondents spontaneously aware of exporting publicity on ...



Q40. Where did you see or hear this information or advertising?

Base : All respondents 2015 W1/2016 W2/2017 W3/2018 W4/2020 W5: All £500k+ turnover (1160/1139/2535/2448/2557)

As in 2017 and 2018 government was the main source to which businesses attributed any spontaneously recalled publicity. Three quarters (74%) of those who spontaneously recalled anything attributed it to government, up from 63% in 2018. This was similar in all exporting segments in 2020, following an increase in mentions of government in the Challenge segment since 2018 (73% up from 54%).

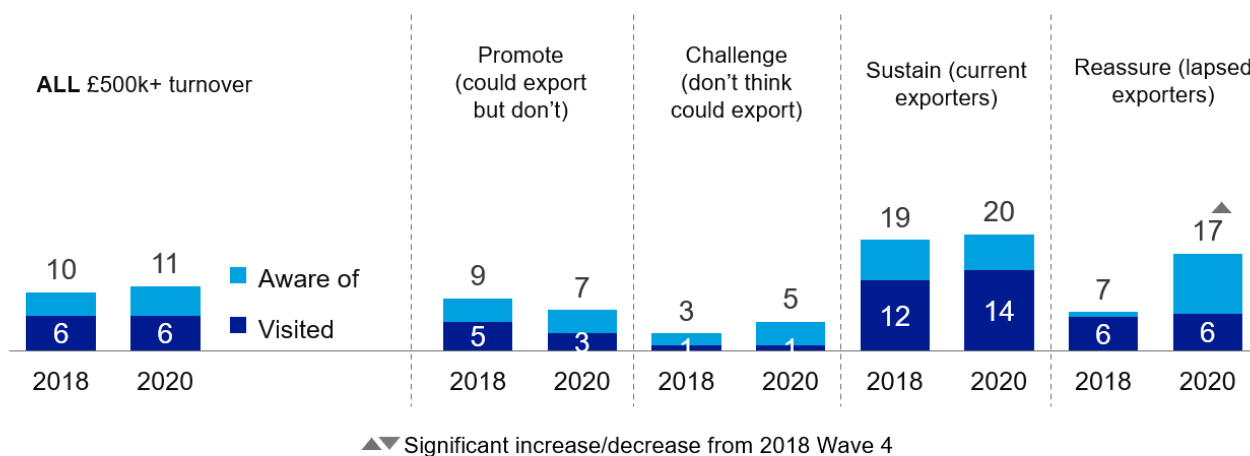
9.2 Website use

One of the aims of the *Exporting is GREAT* campaign was to drive businesses to the campaign website at great.gov.uk. The website is designed to encourage and enable exporting behaviours, providing businesses with live, tangible export opportunities as well as advice and information to aid them in exporting.

Overall, around 1 in 10 businesses (11%) were aware of great.gov.uk website and around half of these (6%) had visited it, as set out in Figure 9.3. Both overall awareness and visits were in line with previous years. The lack of change at the total level has, however, hidden a gradual increase in visits in the Sustain segment (14% up from 10% in 2017). There has also been an increase in overall awareness of the website in the Reassure segment (17% up from 7% in 2018). Awareness remained lower among non-exporters. Differences by sector reflected their existing propensity to export, but awareness was low in Northern Ireland (5%) despite it being a major exporting hub.

Figure 9.3: Awareness and usage of *great.gov.uk* website

% all respondents – aware of/visited *great.gov.uk*



Source: AD4A - Have you ever heard of or visited the Exporting is Great site at great.gov.uk?
 Base : All respondents 2018 W4/2020 W5: All £500k+ turnover businesses (2448/2557)
 Promote (283/368), Challenge (840/993) Sustain (957/1025), Reassure (175/148)

In 2020 a new question was added to the survey to assess awareness and use of the *Northern Powerhouse* website at northernpowerhouse.gov.uk. The website sets out the government vision for the northern economic and industrial strategy and aims to engage businesses and other partners across all eleven northern Local Enterprise Partnerships.

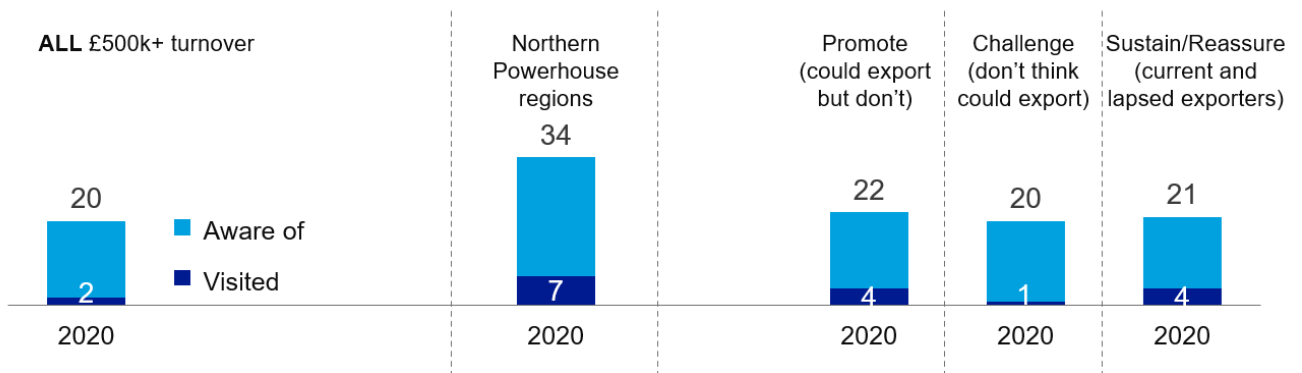
As shown in Figures 9.4 and 9.5. overall awareness of the *Northern Powerhouse* website was much higher (20%) than for *great.gov.uk*. However, only 2% of businesses said that they had visited it. This may indicate that businesses have confused a reference to the *Northern Powerhouse* website during the survey with knowledge of the phrase or region. Unsurprisingly, awareness and visits were higher among those in the Northern Powerhouse region (34% and 7% respectively). Unlike for the *great.gov.uk* website, there was no significant difference in awareness or visits to the *Northern Powerhouse* website by exporting segment.

Awareness was considerably higher for large businesses (33%) than for micro (17%) and small and medium (23%) businesses. By sector it was relatively higher for those in manufacturing (27%) and in information and communication (25%), the 2 segments with most exporting.

Awareness increased from the first quarter of 2020 (15%) to 21% by the final quarter of 2020.

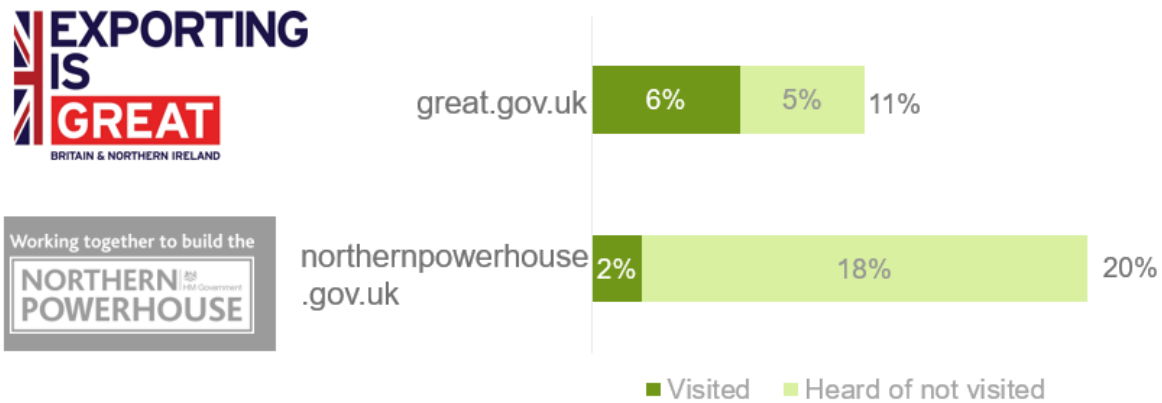
Figure 9.4: Awareness and usage of Northern Powerhouse website

% all respondents – aware of/visited northernpowerhouse.gov.uk



Source: AD4B - Have you ever heard of or visited the Northern Powerhouse site at northernpowerhouse.gov.uk?
 Base : All respondents 2020 W5: All £500k+ turnover businesses (2557), Northern Powerhouse regions (467), Promote (368), Challenge (993) Sustain/Reassure (1,173)

Figure 9.5: Proportion of businesses aware of and visiting the great.gov.uk / Northern Powerhouse websites



Source: AD4A - Have you ever heard of or visited the Exporting is Great site at great.gov.uk? Base : All respondents 2020 W5: All £500k+ turnover businesses (2557)

Source: AD4B - Have you ever heard of or visited the Northern Powerhouse site at northernpowerhouse.gov.uk?

Base : All respondents 2020 W5: All £500k+ turnover businesses (2557)

10 Changes throughout 2020

With the change in design in 2020, fieldwork was carried out in 3 separate waves, in the first quarter (Q1), second quarter (Q2) and finally in the final quarter of the year (Q3/4). This gives an opportunity to track business opinion across the year. Changes to the questionnaire in Q2 limit some comparisons between quarters, but most data allow consideration of how the progress of the coronavirus pandemic and EU exit influenced business attitudes. This chapter pulls together a brief summary of key patterns of change across 2020, with these findings also included within the preceding chapters within the broader context of change from previous years of research.

Key findings in this chapter are as follows:

- as the year progressed, the nature of the export market changed. Exporters reported reduced exporting of goods, as well as more public sector customers and an increase of business with markets such as the USA, Nigeria and Australia
- while the pandemic may have reduced trading both at a general business level, and in terms of exporting, there were signs of recovery in both in the second half of the year. Although with increased expectations of the length of time this is likely to last.
- it may also have put off some businesses from considering starting to export, with potential exporters slower to respond to the impact of the pandemic and slower to recover
- following the coronavirus pandemic businesses' expectations around growth have reduced, both at a general business level and for exports. This influence was seen most notably among current exporters (the Sustain segment), with some evidence of recovery in the second half of the year, albeit with some concerns displaced to the EU exit
- friends and colleagues, other businesses, and trade associations became more important as ways that businesses kept themselves informed on exporting in the second quarter. Government was increasingly seen as the best way to seek information and advice on exporting as the year progressed

10.1 Exporting behaviours

While the segmentation of the business population in terms of exporting behaviours was largely stable across 2020, businesses which had never exported before became slightly more reluctant to export. There was 39% in the Challenge segment in the Q1, rising to 45% thereafter.

Just over 3 in 10 businesses said they had exported in the last 12 months over the course of 2020 (37% Q1, 31% Q2, 34% Q3/4). Among those who exported services in the last 12 months, the following was observed. Over the course of the year those exporting the same as they were 12 months ago dropped from 58% in Q1 to 41% in the final quarter of the year, while those reporting a decrease almost doubled (15% to 28%). Conversely, the growth and contraction of goods stayed consistent across quarters and did not deviate from the average.

Between the first quarter and final quarter of 2020, exporters increasingly reported having public bodies as customers (from 9% to 18% of exporters). Furthermore, between the first quarter of 2020 and the final quarter of the year there was an increase in the proportions of businesses exporting to the USA (35% to 51%) and Nigeria (5% to 15%). Similarly, between the first half and final quarter of the year there was an increase in businesses exporting to Australia (28% to 37%).

10.2 Effect of coronavirus on businesses

Nearly 2 thirds of businesses reported a negative impact on their business following the coronavirus outbreak (64%) with over half (53%) saying that business had reduced. A further 1 in 10 (11%) said they had paused work or temporarily closed. However, there was evidence of some recovery later in the year. Between the second quarter and final quarter of 2020 there was a shift away from businesses closing temporarily (18% to 8%) and towards reports of the coronavirus pandemic having no effect (17% to 28%).

As the pandemic progressed, business estimates of how long any impact would last increased. There is a rise from the second quarter to the final quarter of the year in expectations of being affected for more than a year (17% up to 24%). There is also decreased expectation that it would be less than one year (64% down to 46%). However, there was also some increased polarisation, with a rising proportion feeling their business was not affected (9% up to 16%). This change was seen for exporters and non-exporters.

At the beginning of the coronavirus pandemic in the second quarter of 2020 there was a substantial immediate impact on exports, with around 2 in 3 (62%) reporting a negative impact. This includes 20% of exporters reporting that they had stopped exporting since the outbreak began. This recovered to some extent in the final quarter of the year (dropping to 44% negative impact), with far fewer having stopped exporting (4%). By the final quarter of 2020 over half of businesses either said they were not affected (42% up from 27% in the second quarter) or reported growth (11%). There was, however, no change in the number of exporters reporting supply chain issues as the pandemic progressed.

10.3 Knowledge, information and support

Knowledge, information and support are all closely related to businesses' capability to export. Perceived 'high level' knowledge about how to export in 2020 was lower in the first quarter of 2020 (19%) compared with the remainder of the year (29%). Without this lower-level knowledge in the first quarter there would have been no significant decline in knowledge from 2015 to 2020. It shows levels reported in the second to fourth quarters of 2020 almost identical to those seen in 2018 (29%). The decline in the first quarter was driven by those in the Sustain segment, with just 28% reporting a high level of knowledge, recovering to 42% in the final quarter of the year. This may reflect concerns about departure from the EU at the beginning of the year, with recovery mirroring a fall in concerns as the year went on.

The sources of information that businesses reported using to keep informed on business and export products were largely consistent quarter on quarter in 2020. However, in the second quarter businesses were relatively more likely to say they used other recommendations from friends and colleagues, other businesses and trade associations (58%, 43% and 43% in Q2 compared with 47%, 31% and 34% in Q1). This could be related to the start of the coronavirus pandemic and businesses urgently needing to find information relative to the problems that caused them.

In terms of hypothetical sources of information and advice on exporting among all businesses, after the first quarter of 2020 there was a shift away from online searches. This was 27% in Q1, 17% in the final quarter of the year. There was a shift towards UK government sources (23% in Q1, 30% in the remainder of the year). However, throughout 2020 there was no change in reports of seeking support and advice among those who export or who potentially could export.

10.4 Expectations for growth and trade

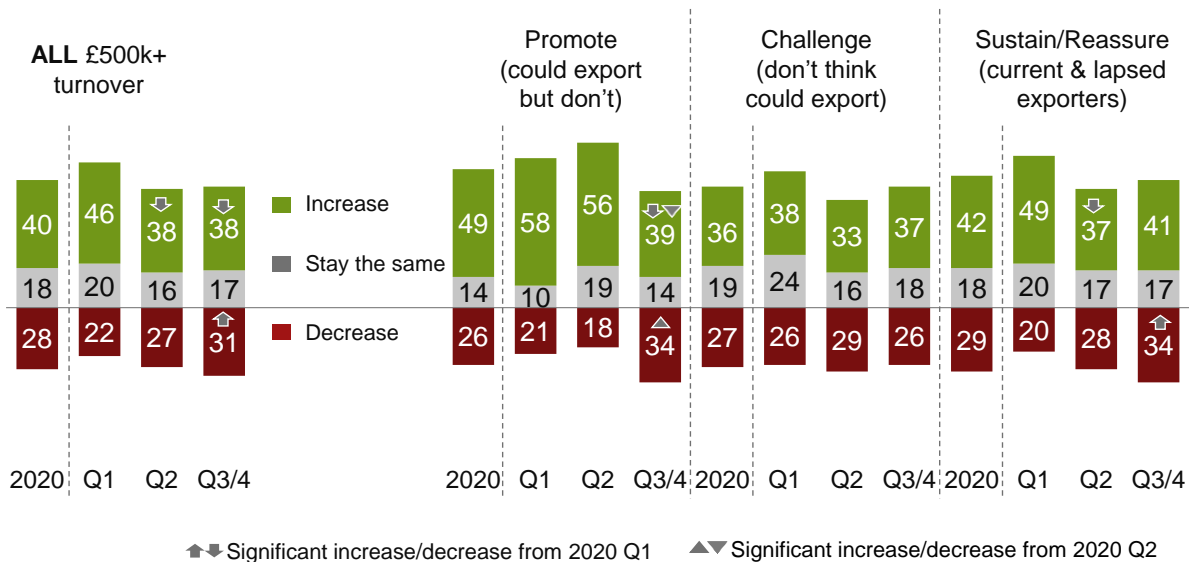
In the first quarter of 2020, half of businesses (50%) said growth was integral to their plans and a quarter (26%) were aiming to consolidate in line with 2018 findings. However, there was a sharp change in the second quarter, to 35% planning growth and 38% focused on consolidation. There was some recovery in the final quarter of the year, but less evidence of recovery among potential exporters (in the Promote segment) than among other businesses.

As with growth plans, there was a dip from the first quarter (50%) to the second quarter (36%) and then recovery in the final quarter of the year (48%). While there was a decline in Q2 in all exporting segments, there was little evidence of recovery in the Promote segment. This segment remained less likely to report innovation in the final quarter of the year (41%) compared with the Sustain and Reassure segments (59%). This suggests there may be a longer-term impact for businesses that may have considered starting to export.

In the first quarter of 2020, attitudes to the level of UK exports in the next 5 years were fairly similar to those seen in 2017 (46% increase, 22% decrease). However, there was a sharp drop in optimism in the second quarter (38% increase, 27% decrease) and no recovery in the final quarter of the year (see Figure 10.2). The Promote segment was slower to respond to the coronavirus pandemic in 2020, only becoming more negative in the final quarter of the year. The earliest shifts during 2020 were seen in the Sustain and Reassure segments. This suggests that real knowledge of the process of exporting has driven these trends, rather than wider and uninformed perceptions of the current exporting context.

Figure 10.2: Whether believe UK exports will increase or decrease over the next 5 years

% of all respondents: in next 5 years think total UK export value will ...



Source: Q40a. Moving to a different topic now, thinking about UK exports over the next 5 years or so, do you think that the total value of exports by UK businesses will...

Base : 2020 Wave 5: 2020/Q1/Q2/Q3&4 - All £500k+ turnover businesses (2557/626/653/1278); Promote (368/103/90/175), Challenge (993/208/266/519), Sustain/Reassure (1173/307/293/573)

The pandemic also appears to have affected businesses' expected change in UK exports in the next 12 months. In the first quarter of 2020 businesses were relatively optimistic, with 34% anticipating an increase and 26% a decrease. However, this was reversed in the second quarter (24% increase, 47% decrease), and saw no significant recovery in the final quarter of the year (25% increase, 41% decrease).

Over the course of 2020, overall agreement that *there is a lot of demand for British products or services around the world* dropped from 68% in the first quarter to 62% by the final quarter of the year. The main shift is towards more saying they had no opinion either way (14% rising to 19%). This may indicate greater uncertainty after the start of the coronavirus pandemic, adding to existing uncertainty about the impact of the EU exit. As for expectations of growth in UK exports, this was slower to fall in the Promote segment than among exporters. There was also a decline in agreement that *a lot more businesses could export than do export* after the first quarter of 2020 (62% down to 52% in the second quarter) but with no recovery later in the year. This suggests that now may not be seen by businesses as the right time to move into exporting.

Agreement that *demand for British products or services around the world has decreased since the outbreak of coronavirus* was considerably higher in the second quarter (56%) than in the remainder of 2020 (42%). When asked for the main factor influencing this decrease, in Q2 businesses largely referred to coronavirus (53%). In the final quarter of the year coronavirus declined in importance while remaining the top issue (39%) but was joined by the UK departure from the EU and general business uncertainty (15%).

Agreement levels with most general attitude statements about exporting and growth were stable over the course of the year. However, agreement that *there are too many risks in taking a business international* fell from 42% in the first half of 2020 to 32% in the final quarter, suggesting businesses views about exporting became less reserved over the year.

Under half of businesses agreed with a new statement in 2020 that *there are enough opportunities for growth within the UK to mean my business is not interested in exports* (45%). Although this was higher in the first quarter of the year (51%) falling to 42% by the final quarter of 2020. Agreement levels did not fall, however, over the course of 2020 among potential exporters (Promote) and only among those with exporting experience. It suggests that many of those who could export but do not, feel no need to expand outside of the UK, and that the pandemic has not changed this.

11 Findings within the *total* registered business population

The preceding chapters have focused on businesses with an annual turnover of £500,000+. In contrast, this chapter focuses on findings relating to the *total* population of registered businesses.

Given the very high number of smaller businesses in the total registered business population, these data are strongly influenced by micro businesses (which make up 80% of the total business population).¹²

Key findings in this chapter are as follows:

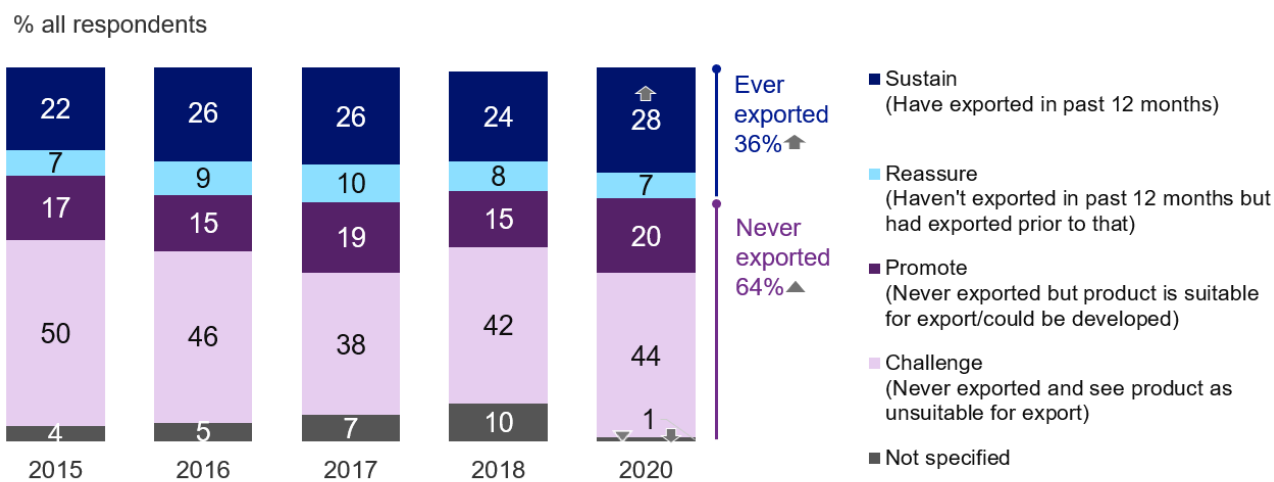
- the proportion of businesses in the total population in 2020 who have ever exported has risen to over a third since 2015, driven by an increase in the proportion who have exported in the last 12 months
- among businesses who have exported each of goods and services in the past 12 months, around a third report reduced exports while around a quarter report an increase over the last year
- the coronavirus pandemic has clearly played a role in reducing exports in 2020, bringing a reduced level of demand, supply chain problems and (at least initially) staffing issues
- despite these problems, over 6 in 10 businesses report having sufficient supply chain capacity, while staff capacity recovered from a decline in 2018
- businesses are a little less likely to be planning growth in 2020 and reports of innovation have declined. There is also an increasing expectation that the total UK export value will decrease both in the shorter and longer term
- perceptions of levels of demand for UK goods have reverted to lower levels similar to those seen in 2015, with the coronavirus pandemic one factor in this shift, but with other factors also appearing to be in play.

11.1 Current and future exporting and business behaviours

Over a third of businesses said they had ever exported (36%) and this had risen from 29% in 2015, driven by an increase in those reporting they have exported in the last 12 months (28% up from 22%). There was no significant shift in any other segment, as shown in Figure 11.1. Since 2018, there has been an increase in the proportion that have never exported (64% up from 58%). This may result from the questionnaire changes to measure exporting segments, with fewer falling into the 'unallocated' category in 2020 and instead moving into the Challenge and Promote segments. For further information please see the technical report.

¹² Micro businesses are in this case defined as having fewer than 10 employees. In the total registered business population 78% of businesses had an annual turnover of less than £500,000.

Figure 11.1: Exporting segments



Source: Composite measure merging data from several variables
 Base : All respondents: 2015 Wave 1/2016 Wave2/2017 Wave 3/
 2018 Wave 4/2020 Wave 5: Total (1405/1418/2991/3000/3001)

In total, in 2020 10 businesses had exported goods in the last 12 months (18%) and 16% had exported services. These results suggest businesses have shifted back towards exporting a balance of goods and services, after slightly more exported services than goods in 2018 (12% goods, 16% services in 2018).

Those exporters who had exported goods in the past 12 months were more likely to report a reduction in exports in the last year (35%) than an increase (26%) with a similar balance among those exporting services (32% reduced, 26% increased).

One in 5 exporters (20%) reported taking an active approach, intentionally targeting customers in specific countries, but 78% reported a more passive approach, up from 66% in 2018. Most of those who had ever exported, did so to businesses (78%) with almost 3 in 10 (28%) reporting that they sold to the general public, one in 10 (11%) to public bodies and one in 20 (6%) to charities.

Among businesses that had not exported in the past 12 months (but which potentially could) around one in 5 (19%) said they had plans to start exporting, with 6% planning to do so in the next 12 months. This equated to 5% of all businesses planning to start exporting at some point. These were in line with the survey findings from 2018.

11.2 Effects of coronavirus

Overall, half of businesses reported a reduction in their business following the coronavirus pandemic (51%) with a further 13% saying they had closed temporarily.

One in 5 businesses expected any such impact to last up to 6 months (22%) with almost half expecting it to last 6 months or longer (45%). There was a shift in opinion toward greater uncertainty in the final quarter of the year, with fewer expecting it to last under 6 months (18% down from 31% in the second quarter of the year). More were saying that they did not know how long it would last (18% up from 8%).

Among those who had exported in the last 12 months, almost half said their exports had reduced following the outbreak of coronavirus (48%) with a further 13% saying they had stopped exporting completely. This means 6 in 10 exporters (60%) reported a negative impact on the level of their

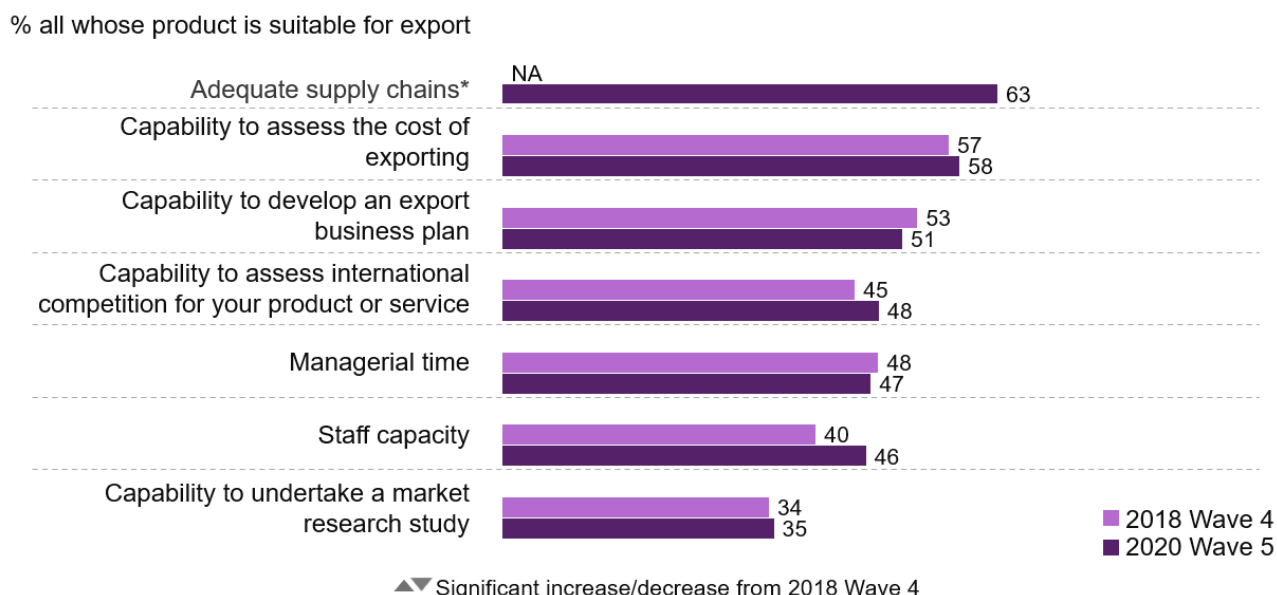
exports. The main reason given by these exporters was reduced demand in their sector (52%) followed by staffing issues, such as distancing measures or furloughing employees (17%).

Over 4 in 10 current exporters reported significant supply chain issues (44%) with just one in 4 (26%) of these having been able to use alternative supply chains to replace those lost.

11.3 Barriers to exporting

Among all businesses which have not exported in the last 12 months, but who potentially could start, there was no significant change since 2018 in reported capabilities and capacities for exporting (Figure 11.2). Over 6 in 10 of the total business population reported having adequate supply chains (63%), the highest level for all issues included in the question.

Figure 11.2: Whether businesses have enough capacity and capability to focus on exporting (% saying 'yes')



Source : Q31a - Thinking about your business' ability to start or continue exporting internationally, would you say that your business has enough of each of the following to focus on exporting

Base : All businesses whose product is suitable for export 2018 W4/2020 W5 : Total (1789/1813)

* 2020 Q2-4 only

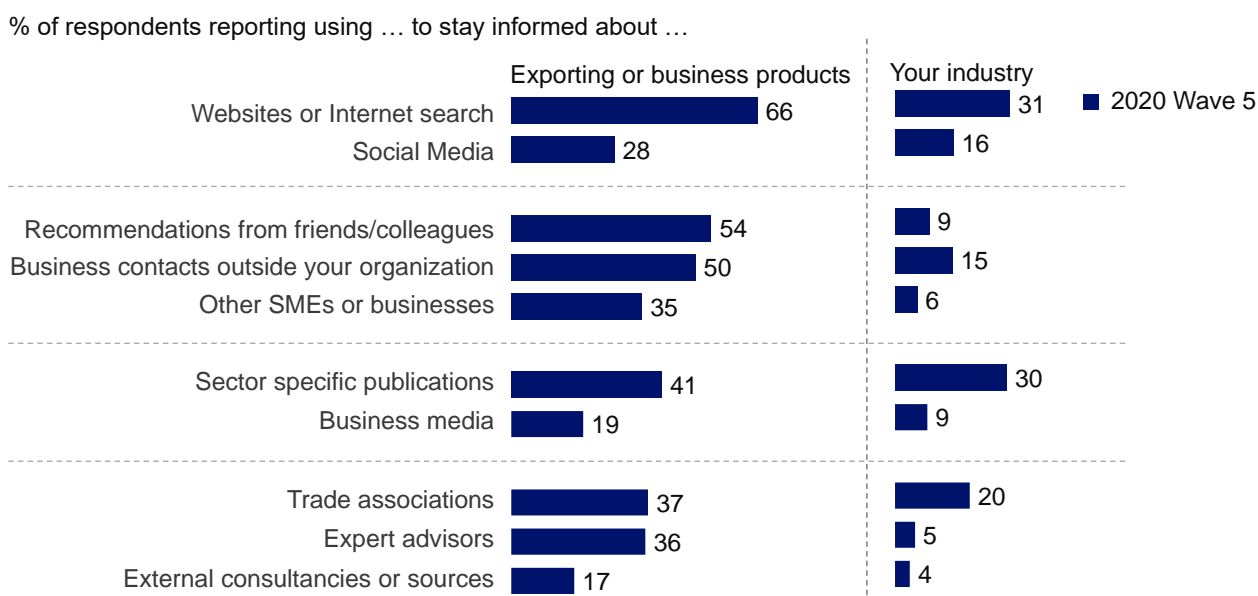
When it came to the main barriers to exporting, the total business population were more likely to cite access to contacts, customers and networks as a strong barrier than they were to cite cost (33% compared with 23%). Just over a quarter cited lack of knowledge (28%) and cost (27%) as strong barriers.

11.4 Knowledge, information and support

There was no change over time in the total business population in terms of knowledge. 21% of those who exported or could potentially export reported a high knowledge of how to export and 27% reported a poor level of knowledge. A similar proportion felt they knew where to go for help and support, with 23% reporting high knowledge and 30% a low level. Knowledge about where to go for information remained slightly higher, with just over a quarter (27%) of those who exported or could potentially export reporting either a high level or low level of knowledge.

The channels most commonly used by the total business population to find out about business and exporting products were the internet, followed by friends, colleagues and other businesses, and with business publications and experts also playing a role (Figure 11.3). To stay informed about their industry, far fewer channels were used, with general internet searches, sector or industry publications and trade associations reported most commonly.

Figure 11.3: Channels used to stay informed about exporting and business products and their industry



Source: F1/F2. Which of the following channels do you use to find out about [exporting or business products/your industry].
Base : All respondents: Total 2020 W5 (3001)

Just over one 10 of the total business population who had ever exported (12%) reported having ever hired an export services organisation in the last 5 years to help them export, in line with 2018. This assistance was most likely to be sought from a shipping or haulage firm (54%), followed by legal advice (19%) and distribution (18%).

Of those who have exported or could potentially export, 3 in 10 (29%) said they had ever sought advice or support with exporting, with no change year on year since 2015.

The sources of exporting advice that the total business population would use remained similar to those seen in previous years. However, businesses were less likely than in 2017 to say they did not know where to go (24% down from 30%) and more likely than in 2018 to say they would use a government source (30% up from 23%). Online searches also remained key for one in 5 businesses (21% up from 16% in 2018).

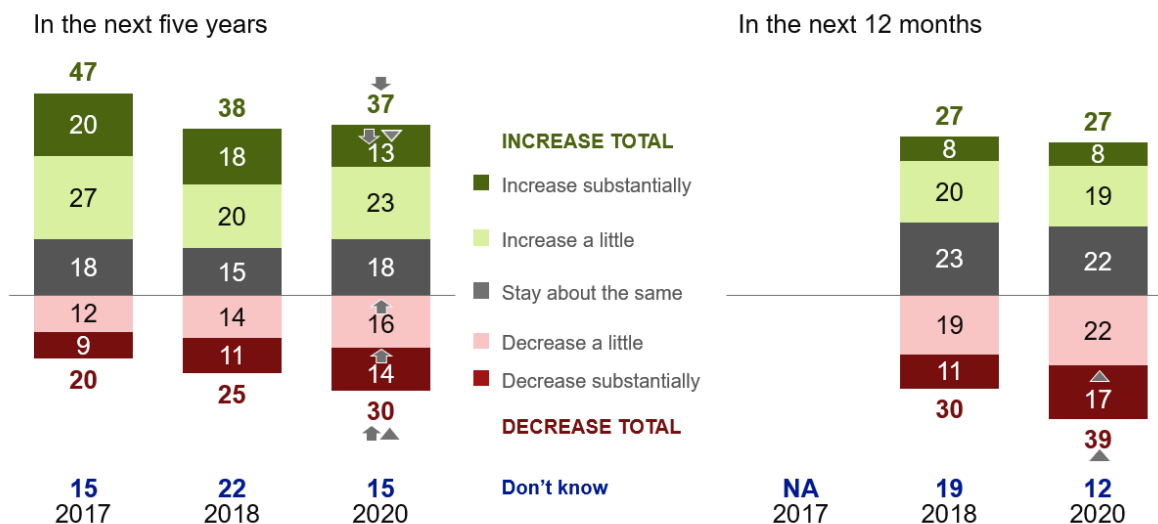
11.5 Expectations for growth and trade

In the total business population there was a shift away from planned growth and towards consolidation since 2018. Almost half were aiming simply to consolidate (45% up from 38%), while one in 3 (32%) said growth was an integral part of their plans and one in 4 (23%) were intending to grow but with no concrete plans. There had been a steady decline in reported innovation over the past few years with around 4 in 10 (38%) reporting having introduced new or significantly improved products in past 12 months, down from a half (49%) in 2015.

There was a shift towards an expectation that the total UK export value will decrease both in the next 12 months, and in the longer term over the next 5 years among the total business population (Figure 11.4). 4 in 10 thought it would decrease in the next 12 months (39% up from 30% in 2018) while 3 in 10 expected it to decrease in the next 5 years (up from 20% in 2017 and 25% in 2018).

Figure 11.4: Whether businesses believe UK exports will increase or decrease over the next 5 years / in next 12 months

% of all respondents – think total UK export value will ...



▲ Significant increase/decrease from 2017 Wave 3 ▲ Significant increase/decrease from 2018 Wave 4

Source: Q40a. Moving to a different topic now, thinking about UK exports over the next 5 years or so, do you think that the total value of exports by UK businesses will...

Base : All respondents 2017 Wave 3/2018 Wave 4 / 2020 Wave 5: Total (2997/3000/3001).

Business agreement that *there is a lot of demand for British goods and services around the world* dropped back to 66% reversing the increase to 73% seen in 2018. When asked (from the second quarter of 2020 onwards) specifically whether demand for British products or services around the world had decreased since the coronavirus pandemic, almost half (47%) agreed. In the first quarter of 2020, business perceptions of demand for British goods had already begun to shift downward. Therefore, while the pandemic likely played a key role in decreased perceptions of demand, other factors (for example the departure from the EU) were also likely to be in play. While over half (55%) agreed that a lot more businesses could export than do export, this also reversed the increase seen between 2015 and 2018 to 61%. In general, perceptions about demand are now back in line with 2015 levels.

More generally, attitudes towards exporting and growth among the total business population that has exported, or could potentially export, remained in line with those recorded in 2015 and in 2018. In one exception to this, fewer of these businesses agreed that international growth was an exciting prospect for their business (52%) than in 2018 (61%). In response to a new statement added in 2020, around half (53%) agreed that there are enough opportunities for growth within the UK to mean their business is not interested in exports This gives some insight into the size of one potential barrier to starting to export.

As in previous years, half of businesses continued to agree that there was a lot of opportunity for their business to grow internationally (54%). Meanwhile one in 3 agreed that there are too many risks in taking a business international, and that there would not be enough demand for my business overseas to make it worthwhile (each 33%). It suggests that fewer see barriers to exporting than see opportunities. The relevance of exporting to individual businesses continued to

be an issue, however, with just 3 in 10 (29%) agreeing that more and more businesses like theirs were starting to export. Perceptions about demand are now back in line with 2015 levels.

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