



# Understanding medium-sized businesses' exporting behaviour and the role of DIT

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## Executive Summary

### Context

Medium-sized businesses (MSBs), defined as businesses with between 50 and 249 employees, represent a relatively small number of businesses in the UK, and yet have a disproportionate contribution to the UK economy. In 2017, there were around 40,530 MSBs in the UK, making up just 1.5% of registered businesses, however they contributed 13.2% in employment, 14.4% in turnover, and 16.6% in gross value-added terms (ONS, 2017) to the UK economy. MSBs make up 7.4% of the total number of businesses exporting goods but contribute 14.7% of the total value of goods exports (HMRC, 2017). According to the Department for International Trade's (DIT) 'National Survey of Registered Businesses' (NSRB), 40% of MSBs have exported in the past 12 months, but around 11% of MSBs do not currently export despite having a product or service that could be exported (DIT, 2018). Therefore, MSBs are a significant group and it is important to understand their needs, as well as how they might benefit from support to help make an impact on the UK's wider economy and job growth.

### Aims and objectives

This qualitative study (commissioned by DIT and conducted by Ipsos MORI) explored the barriers that MSBs face when exporting their products and services, their support needs and their willingness to pay for support in the future. This work was commissioned to inform the development of the DIT 'Export Strategy', and UK regions' operating model. Specifically, the aims of this research, as outlined below, were to:

1. Provide evidence on exporting behaviours of MSBs, and what the barriers and challenges to exporting are.
2. Explore which sources of support MSBs currently seek out, and their perceptions of how useful this support is.
3. Gauge how MSBs feel support should be provided in the future, and what they perceive the role of government to be within that.
4. Explore attitudes around willingness to pay for export promotion products and services.

### Methodology

The study comprised 74 depth interviews with MSBs and DIT operational staff. Three types of businesses were recruited for the research: Exporters (who had sold goods or services overseas within the last 12 months), Intermittent exporters (who had not exported in the last 12 months, but had done so previously), and Non-exporters (who had never exported but self-identified as having exportable products or services). Within these groups, different types of businesses were identified, who differed in their characteristics, export behaviours, and support needs.

## Key findings

### **What are the main barriers to export faced by MSBs?**

MSBs faced barriers to exporting at all stages along the export journey. Lack of knowledge and access to contacts and customers were particularly common barriers and were prevalent among all groups and multiple typologies of businesses. However, more niche barriers also existed around country-specific barriers, and compliance with regulations.

Examples of the specific barriers to export faced by businesses included: being too time-pressed to be able to conduct sufficient planning at early stages; lack of access to networks in a specific market; facing resistance from decision-makers due to exporting being perceived as risky; or lack of information and control over market-specific regulations. The impact of these barriers differed between different business types, and smaller businesses, and those with limited resources and budgets tended to struggle the most as a result.

### **What export promotion products and services would be most useful to address these barriers?**

For all businesses, knowledge was seen as the most important factor to help with overcoming the barriers to exporting. MSBs who were not yet exporting needed support to see exporting as an opportunity and positive case studies to help overcome any negative perceptions of exporting. Intermittent exporters would benefit most from proactive intervention from DIT, for example to help them develop an export strategy. Exporting businesses in general needed less support than Intermittent or Non-exporters but wanted this to be more bespoke.

Businesses who had used International Trade Advisors (ITAs) were positive about their experiences. ITAs were perceived to have understood businesses' needs well and helped by providing tailored support and feeding into growth strategies. Both ITAs, and the MSBs who had worked with them, felt that this support was unique, as there were currently no other outlet offering free, impartial advice to explore businesses' export potential and to develop an export strategy that has government-backing. Non-service users described the ITA role when outlining what support they wanted, suggesting that much of what businesses need was already available through DIT and the ITA service.

Table 1.0 below summarises the key barriers faced by different types of MSBs and how these related to support needs.

**Table 1.0 Summary of the key barriers and support needs across all MSBs**

Category	Barrier	Support for MSBs
MSB Type: All		
Capacity	<p>Facing stringent entry requirements, such as obtaining an export license and requiring documentation or approval from foreign governments, where compliance takes time and costs MSBs.</p> <p>Require staff time when conducting market research.</p> <p>Require staff with flexibility to work in different time zones.</p> <p>Current product portfolio too small to be of interest to distributors, or at capacity with UK activities.</p>	<p>Raise awareness of potential issues when starting to export. For example, compliance with entry requirements, staff time and flexibility. ITAs offer specific advice on things such as product certification and can also use existing networks with the Chambers of Commerce to offer support with compliance.</p> <p>Capacity support, for example, providing access to expert legal, financial and business support to help with specific capacity barriers such as entry requirements and lack of in-house capacity.</p>
Attitudinal	<p>More willing to export to markets that are profitable, low cost, familiar, or easy to access. Unlikely to pursue market if faced with strong competition.</p> <p>Put off markets that require obtaining export licences, have trade sanctions or red tape.</p>	<p>Highlight the benefits of exporting to suitable new markets and make advice available to address specific barriers. Existing DIT support includes market research, events, advice dealing with regulatory issues and E-Commerce Advisors. ITAs also currently organise 'meet the buyer' and 'meet the expert' events, and meetings with Trade Officers.</p> <p>Provide links to other successful exporters, for example through the 'Export Champions' scheme. Export Champions are successful exporters who volunteer their time for DIT to encourage others to export. Pilot programmes have been running in the North and the Midlands and will be rolled out nationally, including a national campaign.</p>

Category	Barrier	Support for MSBs
Knowledge	<p>Lack market intelligence and process knowledge at set up stages.</p> <p>Difficulty establishing a pricing strategy for new markets.</p>	<p>Provide market-specific information, ideally in the form of a digital exporting manual. Country guides are available on the gov.uk website<sup>1</sup> and there is also strategic marketplace information available on the Selling Online Overseas<sup>2</sup> tool. Current products offered through Overseas Market Introduction Service (OMIS) are also helpful in this regard<sup>3</sup>.</p> <p>Provide specialist market research and advice on establishing a market strategy.</p> <p>ITAs currently offer pricing strategy workshops or webinars, which also include content on working with foreign currencies.</p>
Access to contacts and customers; knowledge	<p>Language and business culture in the market pose additional challenges when making deals.</p> <p>Lack a suitable partner or someone to advise on the wider market, including advice on political situation.</p>	<p>Existing DIT digital services which help with finding a partner with local overseas knowledge include Trade Profiles<sup>4</sup>, Export Opportunities<sup>5</sup> and Selling Online Overseas. DIT Posts and E-Commerce Advisors work to link businesses with relevant overseas partners, and trade missions and overseas events also act to introduce UK businesses to potential partners overseas.</p> <p>ITAs currently organise 'meet the buyer' and 'meet the expert' events in UK Regions. They also provide cultural advice on product design and marketing.</p>

<sup>1</sup> Department for International Trade, (2014), ['Guides for UK businesses who are interested in selling overseas'](#)

<sup>2</sup> Department for International Trade, ['GREAT: Selling Online Overseas'](#)

<sup>3</sup> GOV.UK, ['Find overseas customers and export opportunities'](#)

<sup>4</sup> Department for International Trade, ['GREAT: Find a buyer'](#)

<sup>5</sup> Department for International Trade, ['GREAT: Find opportunities to export'](#)



Category	Barrier	Support for MSBs
Trade costs	Exporting can be unprofitable during initial stages, for example, visiting markets, market research, legal or consulting fees, hiring new staff.	Signpost businesses to support provided from DIT to assist with early stages of exporting; ITAs can provide advice on the most suitable support tailored to individual needs. This may be services such as the 'Tradeshaw Access Programme' (TAP) <sup>6</sup> which provides financial support for the cost of a stand at a tradeshow, and support in the Northern Powerhouse and Midlands Engine via super regional missions.
MSB Type: Exporters		
Knowledge; costs	Uncertainty of exchange rates can impact profits.	Provide up-to date information on exchange rates of relevant markets and impact to the business. ITAs already provide workshops or webinars on potential solutions, such as conducting all transactions in the same currency or hedging currencies. There is also some information on the great.gov.uk website <sup>7</sup> .
Knowledge; attitudinal	Expect processes to be easy and can replicate processes and strategies used in other countries.	ITAs and Posts work with MSBs to develop a detailed export strategy tailored to a specific market, including specific market entry advice.  E-Commerce Advisors work with MSBs interested in exporting through online marketplaces, where this is relevant for the business.
Knowledge	Face competition from firms with existing networks when entering new markets.	ITAs and/or E-Commerce Advisors work with MSBs to develop a detailed export strategy to increase competitiveness and/or access to networks when entering new markets. Encouraging the use of market entry research is vital to this.  ITAs also point businesses to other relevant services such as third-party providers or Chambers of Commerce in the target country.

<sup>6</sup> GOV.UK, (2014), ['Tradeshaw Access Programme \(TAP\)'](#)

<sup>7</sup> Department for International Trade, (last updated 2019) ['GREAT: Payment methods for exporters'](#)

Category	Barrier	Support for MSBs
		DIT events, tradeshows and trade missions also provide a platform for researching competition.
Access to contacts and customers	Important to have trusted and reputable networks, or a partner who makes exporting easy.	<p>ITAs and Posts can provide support with developing a market entry study (or suggesting private sector providers who can help with this) and facilitating introductions. ITAs also organise 'meet the buyer' and 'meet the expert' events to help businesses make professional connections. Current ITAs services also include advice on finding and selecting an agent and distributor, and advice on logistics and freight forwarding.</p> <p>Other DIT services can also help with networking, such as overseas events, tradeshows and missions, Trade Profiles, OMIS, and overseas delivery partners such as the China British Business Council<sup>8</sup>. The Export Champions scheme will also help to connect businesses.</p>
Country-specific barriers	Where MSBs sold their services online but delivered them in the UK, some reported their customers facing visa barriers when entering the UK to receive the service. For example, a language school where students come to the UK to attend a course in person.	Cross-government approach to addressing export barriers using the most appropriate policy levers, for example, the Business Environment Advisory Team within DIT support this for Foreign Direct Investment.
Country-specific barriers; knowledge	New regulations after EU- Exit seen as a threat to future exports.	<p>ITAs help businesses think through the practicalities, potential outcomes and mitigating activities for different scenarios, and then refer businesses to relevant third parties such as lawyers or accountants.</p> <p>DIT Digital are improving the great.gov.uk website to make it easier to publish news more quickly and with appropriate prominence. Other</p>

<sup>8</sup> China-Britain Business Council '[Doing Business with China](#)'

Category	Barrier	Support for MSBs
		support will be made available via HMRC, on a dedicated government website and via a central team in DIT.
Costs	Unexpected or high costs during export, such as translation.	Increase knowledge of the initial costs faced when starting to export and DIT support to help mitigate this, such as special deals for online marketplaces on the Selling Online Overseas tool. ITAs can help businesses predict and find suppliers for services such as translation.
MSB Type: Intermittent exporters		
Costs; knowledge	Uncertainty of exchange rates can impact profits.	As above
Costs	Unexpected or high costs during export, such as translation.	As above
Costs; attitudinal	Unwilling to invest money at early stage if sales are not guaranteed.	Use DIT segmentation approach to deliver support based on customer's needs and attitudes. For example, for businesses in the 'Reassure (develop export capacity) segment, ITAs could provide information on the relative benefits of foreign markets.
Knowledge	Lack practical experience of exporting.	Experienced ITAs to support MSBs, or MSBs to be linked with other experienced exporters, for example through the 'Export Champions' initiative.  ITAs already provide case studies and make connections between businesses to share best practice and learning. They also refer businesses to export training offered by the British Business Council.
Access to contacts and customer	Fear losing control of personal touch if using overseas partner.	Support with networking opportunities; finding a trusted local partner, for example through in-market research, DIT Posts, overseas tradeshows and missions, and digital services.  ITAs can help to identify suitable overseas partners including agents and distributors. They provide a workshop on managing agents and distributors and can provide advice on partnership agreements.
MSB Type: Non-exporters		
Costs; attitudinal	Unwilling to invest early on if sales are not guaranteed.	As above

Category	Barrier	Support for MSBs
	Perceive there to be strong competition from cheaper firms.	Market research to inform pricing strategy; ITAs to help with this.
Attitudinal	Exporting not yet seen as a priority.	Use tailored messaging to promote the benefits of exporting by implementing the DIT segmentation approach. For example, for businesses in the 'Promote, communicate benefits' segment, ITAs could provide tailored information to show where demand and opportunity could lie for them abroad. The GREAT campaign also has a role to play.
Access to contacts and customers	Fear losing control and/or personal touch if using overseas team.  Important to have trusted and reputable networks, or partner who makes exporting easy.	As above  As above
Attitudinal; knowledge	Heard of bad experiences from other businesses.	Good news stories of successful exporters, for example using behavioural insights to inform service delivery. The GREAT campaign has adopted this approach. ITAs to facilitate introductions to like-minded or established exporters to share best practice and learning, including for example through the 'Export Champions' scheme.
Country-specific barriers; knowledge	New regulations after EU-Exit seen as a threat to future exports.	As above

### **Would MSBs be willing to pay for products and services, and if so, how?**

MSBs' willingness to pay depended on four factors: personal preference, their previous experience with DIT, whether they needed expertise or not, and whether they saw support before exporting as an investment or a cost. There was evidence that some MSBs were willing to pay for support services, however this rested on certain conditions being met; the support needs to be bespoke and tailored to their business, good value for money, and available in a timely fashion. Businesses had varying opinions on how they would prefer to pay for DIT services; those who felt they would need to access support on an ongoing basis would prefer a subscription model, whereas those who felt they would only need one-off or sporadic support would prefer a pay-per-product model.

Across the board, service-users felt that early-stage support from DIT should remain free, but there was an acceptance that more advanced services could be chargeable (once MSBs had established whether exporting is viable or not, and therefore worth the investment). Operational staff were strongly opposed to the idea of charging for their services, particularly charging for introductory services. This was because they felt this would put off potential exporters from contacting them, and the free service sent a clear message to businesses about DIT being invested in businesses' longevity and not driven by making money. Further, they would worry about the implications of dis-incentivising exporting at early stages.

## **Implications for DIT**

### **Improving existing products and services**

Findings from this research have highlighted the importance of tailoring existing support for MSBs to effectively address the varied barriers faced by Exporters, Intermittent exporters and Non-exporters. DIT's segmentation approach will help to better tailor and target the messages and support given to different groups of businesses.

There is also a need for DIT to be more visible and reach a wider range of businesses, particularly given that awareness of DIT support is low but appetite to use is high. DIT are currently developing several options for prospecting to identify businesses who are not aware of DIT support but may benefit from it. This includes using data science to identify businesses who have not been supported by DIT and tailoring communication campaigns informed by the segmentation framework to allow DIT to proactively approach businesses rather than waiting for them to approach<sup>9</sup>. Good news stories and positive experiences of others could help to allay concerns and motivate Non-exporters to consider exporting as a worthwhile pursuit. These are incorporated into the GREAT campaign and can be informed by DIT's behavioural insights programme to ensure the most effective messages are being used. Export Champions can also be used to talk to other businesses and encourage other businesses to export.

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<sup>9</sup> These were not mentioned by businesses but are ways DIT is working to address this support need.

There is also the potential for DIT to reach more businesses whose journey into exporting is more reactive. These businesses are unlikely to seek out support from DIT, and they tend to lack the time or resources to develop detailed export strategies. These MSBs require support to build more sustainable export capabilities, and support from ITAs could help them adopt a more proactive approach to exporting. Examples from the DIT segmentation framework include the 'Reassure, develop export capacity' group, who can be supported by helping to improve and build their export capability and support with exporting to a specific foreign market.

There is also a need to improve internal communications to ensure that MSBs are getting the support they need and that Posts and ITAs can work together effectively. This will be taken forward by DIT as part of work to improve the ITA service.

### **Informing potential new products**

The research also raises the question of what shape DIT's support should take in the future – continuing to provide in-house advice and expertise or increasing their brokering role. MSBs and operational staff feel that certain services are highly valuable and irreplaceable (trade missions and tailored export planning ITA support) but see the benefit of DIT working more with local business networks and organisations such as banks. At present DIT plays an important role in facilitating information and interactions, and any future support should take this into account. As an example, MSBs require DIT support to build stronger networks within key markets (in terms of local experts, agents, distributors and potential customers), so there is scope to develop new products to help with this.

The research also has implications for whether DIT charges for export promotion services. There is a desire for free support services, particularly for new exporters at the early stages of the export journey when risks are high and where some MSBs are likely to either be put off by upfront costs or adopt an unplanned or reactive approach to exporting if they have insufficient funds. However, businesses are more willing to pay for services at later stages.

Explaining to MSBs how certain services cost money to DIT would help them understand the need to charge. Businesses would also need clarity about the value of support services. It is also important to consider where support services already exist from other sources, such as private consultants; in these instances, brokering support is another option which could be considered.

# 1 Introduction

This report presents findings from qualitative research with Medium-sized businesses (MSBs) and operational staff, undertaken on behalf of the Department for International Trade (DIT). The research was commissioned to explore the barriers that MSBs face that prevent them from exporting their goods and services, and importantly, their support needs.

## 1.1 Context

DIT is responsible for bringing together policy, promotion and financial expertise to break down barriers to trade and investment, and help businesses succeed. To support their work, DIT commissioned Ipsos MORI to conduct research to better understand the challenges and barriers that affected MSBs seeking to export their goods and services. MSBs, defined as businesses with between 50 and 249 employees, make up a small proportion of the UK business population. In 2017, there were approximately 40,530 MSBs in the UK (ONS, 2017). All business size groups make an important contribution to the economy and data shows that there is a positive relationship between business size and contribution to the economy. For example, whilst making up just 1.5% of registered businesses in the UK, MSBs contribute 13.2% in employment, 14.4% in turnover and 16.6% in gross value-added terms, to the economy.

MSBs are a significant group that could benefit from DIT's support and help to make a significant impact on the UK's wider economy and job growth. They are also likely to be able to pay for support. MSBs have complex organisational, financial, and decision-making structures, and face a variety of barriers to exporting. These barriers could range from import bans, licences or quality standards rules and regulations that are set by government, to wider issues such as lack of experience in exporting to foreign markets, red tape, and legislative or financial difficulties.

## 1.2 About the research

Ipsos MORI was commissioned to undertake qualitative research to understand the barriers that MSBs face when exporting their products and services, their support needs and their willingness to pay for support in the future. Specifically, the objectives of this research were to:

1. Provide evidence on exporting behaviours of MSBs, and what the barriers and challenges to exporting are.
2. Explore which sources of support MSBs currently seek out, and their perceptions of how useful this support is.
3. Gauge how MSBs feel support should be provided in the future, and what they perceive the role of government to be within that.
4. Explore attitudes around willingness to pay for export promotion products and services.

### 1.3 Methodology and sample

Ipsos MORI conducted 74 qualitative depth interviews with MSBs and operational staff between 14 May and 15 June 2018. Interviews were conducted via telephone.

MSBs were recruited based on their exporting behaviour, with quotas set for businesses who were Current exporters, Intermittent exporters, and Non-exporters, as well as those who had accessed DIT's support services. Additional quotas were set around geographic location and export market. Table 1.3.1 below shows the number of participants recruited within each primary quota; further details can be found in annex 8.

Operational staff who had worked with MSBs were recruited from a range of regions and overseas Posts.

**Table 1.3.1 Number of MSBs and Operational Staff recruited within each primary quota**

<b>49 Interviews conducted with MSBS:</b>		
Export Behaviour	Current exporter - exported goods or services in the last 12 months	22
	Intermittent exporter -not exported in the last 12 months but have exported previously	11
	Non-exporter - never exported but self-identify as having exportable goods and services	16
Relationship with DIT	DIT service user	25
	Non-user	24
<b>25 Interviews conducted with Operational Staff:</b>		
Participant type	International Trade Advisor	17
	Posts	8

Owing to difficulties sourcing Intermittent businesses, three interviews were conducted with eligible businesses with between 20 and 49 employees. Further information about the methodology can be found in annex 8.

Throughout the report individual countries and regions have been anonymised to protect the identity of respondents and to avoid revealing potentially sensitive commercial or political information.



## **1.4 Interpreting the findings**

The qualitative interviews were conducted to obtain a spread of views from different types of MSBs. Quotations and case studies have been included to provide rich, detailed accounts, as given by participants. Qualitative research is based on non-probability samples, and so its samples are not representative of the overall population. Therefore, the qualitative findings cannot be generalised to the MSBs population.

## 2 Exporting Behaviours

This initial chapter outlines the exporting behaviours of Medium-sized businesses (MSBs) who took part in the research, including Exporters, Intermittent exporters and Non-exporters. It provides content on the characteristics and behaviours of businesses with a view to understanding the different barriers faced and support needed. The patterns described in this section are referred to throughout the report.

### 2.1 Key Findings

This research explored the views of three core groups of MSBs, namely, Current exporters, Intermittent exporters (who had experience of exporting, but not within the past 12 months), and Non-exporters.

Different typologies existed within each of the three groups, and these typologies faced different barriers and support needs. However, quantitative segmentation would be required to assess the prevalence and size of each typology within the wider MSB population.

MSBs' journey to exporting tended to be either proactive or reactive to an opportunity. This distinction was important as the approach taken determined how much planning MSBs undertook prior to exporting, and so has implications for how the Department for International Trade (DIT) could support potential exporters in the future.

### 2.2 Exporting typologies

Three types of businesses were recruited for the research: Exporters (who had sold goods or services overseas within the last 12 months), Intermittent exporters (who had not exported in the last 12 months, but had done so previously), and Non-exporters (who had never exported, but self-identified as having exportable products or services). Analysis of the data found that different typologies of businesses existed within each group, and these typologies all faced different barriers and support needs. Details of these typologies are shown below in Chart 2.2.1, these are not quantitative typologies but are developed by grouping together businesses who faced similar barriers to exporting.

Comprehensive quantitative segmentation analysis based on attitudes, needs and behaviours is recommended to help to inform whether these groups can be said to be representative of the population of MSBs. Quantitative segmentation will help to tease out in more detail the groups that lie underneath each of the core groups (DIT, 2018).

**Table 2.2.1 Exporter, Intermittent exporter and Non-exporter typologies**

Typologies	Definition	Quotes
Type of MSB: Exporter		
Established exporter	Regularly exported goods or services for an extensive period. These businesses typically started exporting to grow their business after finding that the UK market was saturated. They perceived expenditure in the initial stages of exporting as an investment, rather than a cost.	<p>“Our approach was never scattergun...We’ve had many trips out to Region X the past 18 months and our products have been well received. We chose there ahead of Country A as it just wouldn’t be viable for us to look there with the competition being so stiff.”</p> <p>MSB, Exporter, Service user</p>
Opportunistic exporter	Lacked detailed export strategies, and instead reacted to ad hoc client requests. They were open to the idea of building an export strategy with support from DIT, to maximise their revenue from exporting and take a more proactive approach.	<p>“We didn’t have a strategy, plan to export, or ideas of how to. The opportunity just came to us.”</p> <p>MSB, Exporter, Service user</p>
Invisible exporter	Sold services online to overseas consumers (who either accessed these services online or travelled to the UK to receive the service). Examples included an English language school based in the UK for foreign students, and a health and safety training provider. They worked with third parties to bring in customers and felt their support needs differed from other exporters, as they incurred fewer risks (around time and cost).	<p>“It’s fairly straightforward in terms of sales. We have a website and use an agent to help attract foreign students. The real barriers are the ones we’re facing now we’re trying to set up a school overseas.”</p> <p>MSB, Exporter, Service user</p>
Types of MSB: Intermittent Exporter		
Ad hoc Intermittent exporter	Exported previously, usually in response to a client request. They took a reactive approach to exporting and did not have detailed export strategies. They saw investing in further market research or scoping work to grow their exports as a cost, and so lacked motivation to do this.	<p>“There is a market for our products out there...the biggest stumbling block is the amount of money you have to spend, on advertising and promotion, and you’ve got to get yourself local agents to work on your behalf... it’s just something we’re not really interested in anymore.”</p>

Typologies	Definition	Quotes
		MSB, Non-exporter, Non-service user
Passive Intermittent exporter	Previously exported but chose not to respond when relationships with old clients came to an end. Typically, it was their circumstances (rather than intentions) which drove exporting.	“We exported when someone came to us...They took care of most of the paperwork side and we just gave them the product...they found a cheaper alternative later, so we just moved on really.”
		MSB, Non-exporter, Non-service user
Type of MSB: Non-exporter		
Content Non-exporter	Were either building a stable base for their product or service in the UK or were highly successful in the UK market and therefore did not see exporting as a priority. Some therefore saw exporting overseas as an unnecessary risk. This group included MSBs who felt they currently lacked the knowledge or skills to export.	“We need sound footing in the UK first, establishing some links with say, a major housing builder. We need a regular supply of work and if the UK takes off, perhaps we will consider abroad.”
Unable Non-exporter	Had solid, often non-negotiable barriers preventing them from exporting. Examples included being part of a multinational group (with branches in other markets) and selling a product or service that would be unprofitable overseas (such as fresh produce or providing care for the elderly).	“Exporting from the UK is not that important to the (Multinational) Group. From a Group point, rather than exporting they want to make it locally, to ‘localise’ the product.”
Interested Non-exporter	Were open to the idea of exporting and were either just beginning to investigate it or felt that the barriers were too prohibitive at their current stage.	“We cannot just look to continue everyday business in one territory... we need to diversify ourselves and make sure we reach countries in other parts of the world.”
		MSB, Non-exporter, Non-service user

The typologies will be referred to throughout the remainder of the report, including the barriers they faced and their support needs. It is important to note that MSBs moved between these groups at different stages of their export journey. There were also cases where MSBs fell into more than one typology, based on the changing nature of the products or services they exported, the barriers they faced and their support needs. For example, one business that produced medical supplies such as bandages and instruments was both an Opportunistic and an Established exporter. This was because they initially began exporting reactively (when they received an order from abroad) but had adopted a more formal export strategy in recent years, including hiring an export specialist to drive forward their overseas sales.

It is important to note that these typologies exist within the study population, which might not be representative of the wider MSB population.

## 2.3 The export journey

The export journey described by MSBs was either proactive or reactive in approach. This distinction is important as the approach taken determined how much planning MSBs undertook prior to exporting and so has implications for how DIT could support potential exporters in the future.

Businesses who took a proactive approach were motivated by growth in overseas markets – either to increase revenue, diversify the business, or to reduce reliance on the domestic market. As such, they invested time and resources to developing detailed export strategies, conducting market research, considering the barriers they may face, and determining whether their product or service would be suitable (and profitable) overseas. Due to their proactive approach, they typically needed the most support prior to exporting, and sought or wanted advice on market knowledge, finding agents, creating overseas networks and being introduced to potential clients.

“There was a threat that we could lose a lot of our business in the UK, so the company really needed to start looking further afield – so we didn’t have all of our eggs in one basket.”

MSB, Exporter, Service user

Reactive businesses tended to wait for opportunities to come to them or exported because of unplanned events (such as having excess stock in the UK or sudden shortages of their product overseas). These MSBs would export to capitalise on a specific opportunity, rather than to build a sustainable presence in an overseas market. As they were responding to ad hoc requests (often time-pressured) they applied less time and resources to planning or building an export strategy. Consequently, they sought support later in their journey once they had begun exporting. This support tended to relate to specific issues that arose, such as guidance around duties, documentation or regulation, as they had not pre-empted obstacles they might face.

“The reactive (exporters) are typically comfortable in the UK and they underestimate risk. They are not well structured and lack the capacity to deal with exporting... they will not have an export department.”

ITA, Region D

There were few patterns in terms of which types of businesses took a more proactive or reactive approach. However, larger businesses (with higher turnovers) were typically better positioned to invest more time and resources upfront, and so were more likely to be proactive.

## 3 Barriers to exporting

This chapter explores the barriers and challenges that Medium-sized businesses (MSBs) face which prevent or hinder them from exporting their products and services. The barriers are grouped under five key categories, as outlined in the Department for International Trade (DIT) 'barriers to exporting framework', shown in Chart 3.1.1. This chapter outlines the effect of barriers on MSBs under each of the categories in turn, as well as the views of International Trade Advisors (ITAs) and Posts, and the implications for DIT support provision.

### 3.1 Key Findings

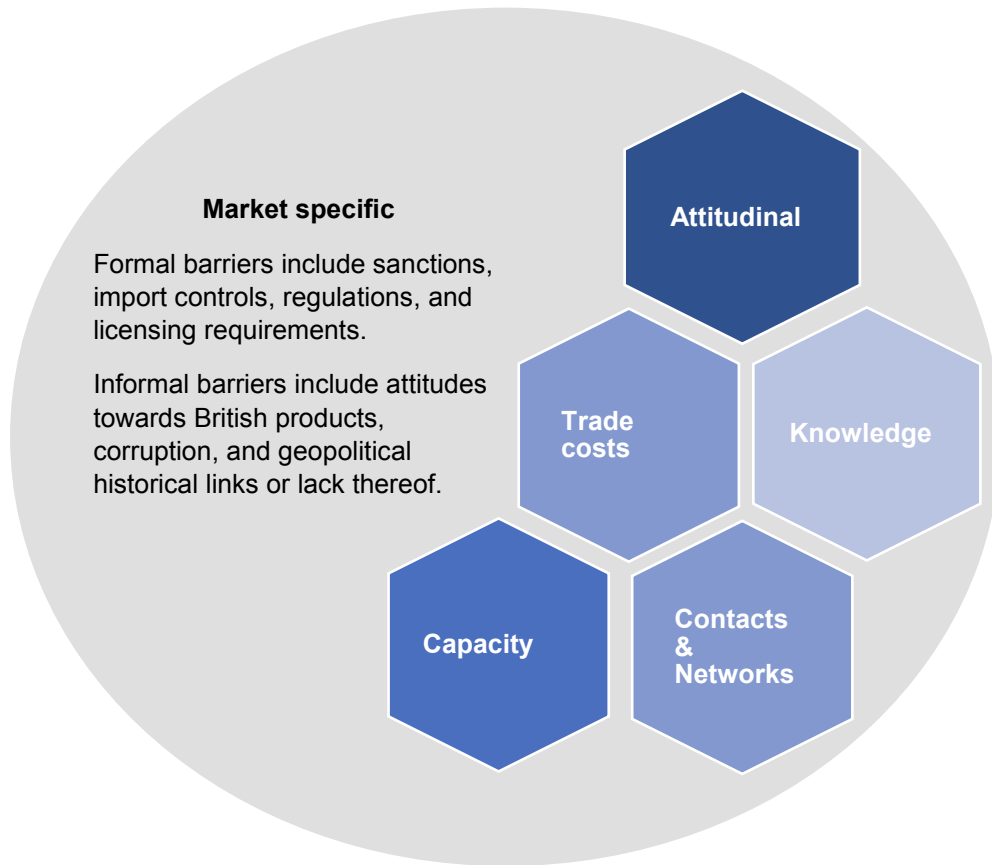
MSBs faced barriers to exporting at all stages of the export journey. Lack of knowledge and networks were the most common barriers, but more niche, market-specific barriers also existed. Examples include:

- being too time-pressed to be able to conduct sufficient planning at early stages
- over-reliance on informal or historic relationships, and lack of access to networks in a specific market
- lack of capital to explore export opportunities
- facing resistance from decision-makers due to exporting being perceived as risky
- lack of capacity and expertise to be able to plan exporting activities
- not being motivated to export, which was driven by hearing stories about negative experiences of other businesses
- lack of information and control over market-specific regulations, which prevented market access

The impact of all these barriers differed, and smaller businesses and those with limited resources and budgets tended to struggle the most. Larger and more experienced businesses were more likely to perceive these barriers as hurdles which could be overcome, but issues such as economic and political situations had more of an impact on their profitability and ability to export.

The research found that MSBs faced barriers to exporting at all stages of the export journey. Lack of knowledge and networks were commonly mentioned and were prevalent among all groups and multiple typologies of businesses. There were also specific barriers associated with certain markets or with global or political events. The impact of all these barriers differed, and smaller businesses and those with limited resources and budgets tended to struggle the most as a result. Larger and more experienced businesses were more likely to perceive these barriers as hurdles which could be overcome, but other issues such as economic and political situations had stronger impacts on their profitability and ability to export. The views of ITAs and Posts were broadly reflective of MSBs.

**Chart 3.1.1 Key barrier categories**



Source: DIT (2021), 'Barriers of exporting businesses and the role of export promotion in addressing them'

It is important to note that these barriers were often interlinked. As an example, a business which lacks knowledge of the market they want to export to may struggle to overcome this barrier if they also lack capacity or upfront investment to spend time researching the market or to access external support. This means it is likely that support to reduce the impact of one barrier may have positive benefits on other areas too.

The next sections of this chapter explore the barriers in turn, focussing on the impact they had on MSBs and implications for DIT and future support provision.

### **3.2 Lack of knowledge**

The DIT 'barriers to exporting framework' defines knowledge barriers as a lack of know-how related to exporting and where to get the necessary information, including navigating the processes in place around finance, compliance with standards and regulations, documentation and shipping. There may also be individual country



specific requirements (doing business in a specific market, unique business culture, language and others). NSRB, Wave 3 data for 500k+ small and medium businesses shows that 23% of MSBs report a lack of knowledge as a strong barrier to exporting, with a further 23% noting it to be a moderate barrier and 50% felt it was a slight barrier (DIT, 2018):

There were marked differences in knowledge levels across the MSBs. Broadly, Non-exporters and those earlier along the export journey lacked general awareness while Established Exporters (regularly exporting goods or services) and those further along the export journey tended to have better levels of awareness. Lack of knowledge was broadly split into three areas, explored below.

Firstly, a lack of knowledge around the demand for their products and services overseas. Non-exporters and those breaking into new markets lacked awareness on what the demand was for their product or service overseas, what pricing strategy they should adopt to be competitive, and how profitable the business might be if they sold in this market. Those who did not seek early support commonly went on to make incorrect assumptions about their profitability and pricing strategy, and effectively priced themselves out of the market. MSBs were sometimes unsure of whether customers overseas would react to products and/or services in the same way as customers in the UK, for example if they would prefer to buy low-cost goods over higher cost, premium goods. This presented a challenge for businesses who would need to adapt their marketing strategy to export successfully.

“In Country B, all they care about is price, they do not care about the quality of the product... they're very price conscious, whilst we sell quality and trademark...our products sell here, but not in Country B. It's a different market.”

MSB, Exporter, Service user

Secondly, a lack of knowledge around the wider market they were seeking to sell in. Intermittent exporters and those breaking into new markets commonly lacked awareness about how the market worked overseas (for example, the local way of doing business and bribery practices) and faced language barriers. The impact of this barrier was that businesses tended to prefer exporting to English-speaking or more familiar markets, which they perceived to be easy to export to and risk-free.

“They send you emails that pretty much say 'we can make this happen, but you're going to have to grease my palm with silver before it happens'. We would not risk our reputation for this. A lot of the time they come back and say they'll do it anyway, and you realise that culturally this is just how they operate.”

MSB, Exporter, Service user

Thirdly, a lack of awareness of specific processes, rules and regulations. This included not knowing about potential distribution channels, market entry

requirements and documentation needed, customs rules, legal and/or accounting requirements, such as product tests and freight costs. This barrier meant MSBs lost out on contracts, or faced delays, additional costs or fines which they had not planned for.

“Sometimes we lose [contracts] because of quality tests that we weren't aware of.”

MSB, Exporter, Service user

### Case Study

A car manufacturing business started exporting its products in the early 90s. Though their decision to export was initially reactive to an opportunity, the business eventually set up their own facilities in Country A. In 2008 the business started exporting to Country D, however found that bribery was part of the business culture. The MSB faced higher-than-anticipated costs from brokers who added 'undisclosed fees' to their invoices. The business refused to pay these invoices as it wanted to operate legally, which led to disputes over the payment.

ITAs and Posts felt it was common to be approached by proactive MSBs who wanted to break into a new market but lacked knowledge about it. The market intelligence available to these businesses also tended to be out of date or poor quality, and did not provide sufficient information about business opportunities, local tax systems, business culture and laws and practises. Further, MSBs (and smaller ones in particular) tended to lack legal or financial expertise in-house, which meant they needed support with drawing up distribution agreements or ensuring public liability measures were in place.

The implications of this barrier are that time-pressed businesses tend to conduct insufficient planning at early stages. Therefore, they need quick access to market-specific information which is up-to-date and reliable. To consider a non-English speaking or unfamiliar market, businesses ideally need access to locally based partners or market experts who could provide guidance and intelligence.

### 3.3 Lack of networks

The DIT 'barriers to exporting framework' defines network barriers as a lack of access to reliable contacts. This can range from customers, distributors, or agents. Businesses also learn from the experience of their peers, and in some cases government-to-government relations are essential to securing business overseas. NSRB, Wave 3 data for 500k+ small and medium businesses shows that 30% of MSBs report having access to contacts, customers and the right networks as a

strong barrier to exporting; 32% felt this was a moderate barrier and 34% noted it was a slight barrier to exporting (DIT, 2018).

Trusted experts, such as distribution partners, played an important role in making the export journey smooth, quick and hassle-free. Lack of networks and points of contact was a particular issue for new exporters and those breaking into new markets. The barriers they faced included:

Finding it difficult to find trusted distributors who were well-connected to customers and could sell goods quickly.

- Quick sales were a particular priority for reactive MSBs.

Lack of trusted or reputable partners.

- MSBs who were working with unfamiliar or new distributors faced risks around losing control over the brand and ultimately the reputation of the business. This barrier was linked to perceptions and was a particular concern for the Content Non-exporter sample group (successful in the UK market or growing their UK business, so see exporting as unnecessary or a risk) as explored in Chapter 2.

“Making sure that they're good custodians of the brand. We have our heritage and we don't want it destroyed by a distributor who doesn't treat the brand with respect.”

MSB, Exporter, Service user

Not having access to a point of contact in the market who could provide market intelligence and guidance.

- MSBs that did not have access to this support tended to have more limited understanding of cultural or business practises and norms, such as bribery processes. These points of contact also served a second purpose, in being able to endorse MSBs or brands to potential customers.

The above concerns were also raised by operational staff. ITAs and Posts also raised other network-related barriers, including MSBs facing strong competition from other businesses that were more established within a market and tended to have existing networks. This was underpinned by overseas customers and clients who preferred to use suppliers they were more familiar with or had built relationships and trust with. Without endorsement, smaller businesses struggled to overcome this barrier and break into markets or win new contracts.

“A lot of the major companies have preferred suppliers, which rule out a lot of the smaller MSBs. The smaller MSBs are trying to break into the larger companies to work with them, but because they've already got a preferred suppliers list, it is very difficult to do so.”

MSB, Exporter, Service user

The implication of this barrier is that businesses need signposting to a point of contact or market expert to provide vital guidance and bridge information gaps. Reactive businesses and those who are unaware of other, formal networks can become over-reliant on their customers or existing, informal networks. The decline of these networks over time can lead to MSBs forgoing exporting rather than actively seeking out new networks (escalated by capacity and funding barriers). This is particularly the case for Passive exporters, for whom exporting is a low business priority.

### **3.4 Trade cost**

The DIT framework defines this category as entry barriers due to upfront financial costs. Some businesses therefore need to raise external funds to finance the large costs associated with exporting. Exporting is a risky activity that a business needs to manage. NSRB, Wave 3 data for 500k+ small and medium businesses shows that 21% of MSBs report this as a strong barrier to exporting, 34% felt it was a moderate barrier and 40% noted it to be a slight barrier to exporting (DIT, 2018).

Exporting was perceived to be an expensive and high-risk activity. It required significant investment from MSBs at two key stages, those being upfront and during execution.

In advance of exporting their products and services, businesses described needing to invest money to develop a strategy. These included fees paid to lawyers and consultants, entry fees for tradeshows to meet with potential customers, as well as costs associated with visiting potential markets, clients and distributors. The latter was associated with paying for staff time, flights and accommodation. These costs were a significant barrier, particularly for smaller or financially struggling businesses who lacked funding. Given also that there was no guarantee of success or sales at such an early stage, MSBs commonly faced resistance from internal decision-makers who thought it would be too risky to invest large sums of money upfront. Without upfront funding, MSBs were more likely to progress on their export journey with insufficient planning and so adopted hastier approaches.

"We're paying thousands of pounds to lawyers about the practicalities of setting up. So much that we're almost not able to set up, because the legal costs are so high."

MSB, Exporter, Service user

"We plan to go to the Middle East 2-3 times a year. The cost implications of this is quite high. All it takes is a slight downturn in business or a slight downturn in margins and those plans can be thrown off. The costs of investigating those markets are prohibitive."

ITA, Region G

Once Current and Intermittent exporters had progressed in their export journey, they faced additional costs associated with exporting. Those mentioned included high translation costs, shipping costs, import taxes and higher insurance premiums. If budgets were limited, the impact of these were said to leave MSBs unable to pay for support services or unable to pay these fees, such as, legal fees. This barrier was escalated for businesses which did not make any profits in the early exporting stages, which was common. In one case, a business did not make any profit from exporting in ten years.

Additional cost barriers also existed in terms of fluctuating exchange rates, not being paid by overseas customers or being undercut on price by competitors (owing to having higher operational costs than local businesses).

Operational staff had consensus that exporting was a costly activity. In their view, these barriers were driven by inappropriate costing strategies and lack of experience, as well as limited budgets. MSBs who had not planned their exporting strategy in enough detail or had rushed into exporting tended to have underestimated the costs and profit margins. The impact was that they were unable to pay fees or unable to pay for support. It was also common for MSBs to overlook or forget to budget for 'extras', such as accommodation, translation costs and marketing. At earlier stages, these higher-than-expected-costs put some businesses off exporting as a worthwhile pursuit. Operational staff further spoke about a general lack of financial incentives and grants which could motivate Non-exporters to start thinking seriously about exporting.

"Three out of five exporters stop exporting within five years. In my experience it's because they got burned, usually because they've not made any money and have underestimated their true cost of sale, their margins, etc."

ITA, Region G

The implication of this barrier is that outside of needing more funding, businesses need better awareness and guidance around planning their exports and estimating costs. More could also be done to alleviate concerns of decision-makers around the

risks of exporting. There is also a need for free or low-cost support services, particularly at early stages in the export journey where the guarantee of success are low, as well as for smaller businesses.

### **3.5 Lack of capacity and capability**

The DIT framework defines this category as limited access to the right personnel to effectively do business overseas, or lack of capacity to scale up and meet international demand. This could range from modifying product labels to comply with overseas regulation to changes to their production processes, for example, new machinery and/or produce different products. NSRB, Wave 3 data for 500k+ small and medium businesses shows that 22% of MSBs report this as a strong barrier to exporting, 28% felt this was a moderate barrier, whilst 45% deemed it to be a slight barrier to exporting (DIT, 2018).

Exporting was described as a time-consuming activity and was said to require significant resource investment at early stages to conduct market research, develop relationships with distributors and clients, and plan an export strategy. Non-exporting MSBs often lacked the capacity, skills and time to consider exporting seriously, despite some being interested in doing so. They faced numerous barriers, such as being at full capacity in the UK and so too busy to devote time elsewhere, not having someone who could cover day-to-day activities while the business owner was visiting markets, and existing staff being unwilling to relocate overseas, which meant having to recruit new staff if the business wanted to pursue exporting.

“We have lots of UK business and new products coming out, so we lack the capacity at a strategic level to do this.”

MSB, Exporter, Service user

The impact of this barrier was that businesses were either deterred from exporting or tended not to dedicate enough time or resources at early stages. This meant that activities such as market research or visits, developing networks, planning export strategies and taking time to understand market access requirements were often overlooked.

This barrier was also linked to the skills and experience of staff. MSBs felt that they needed staff with experience of exporting or more strategic skills to take exporting forward. Staff within smaller businesses tended to lack these skills and so MSBs needed to source external support in these areas. Further, MSBs mentioned that recruiting overseas staff was challenging, as it was difficult to find candidates who had the right set of skills required to do the job.

"It's an industry wide issue with recruitment... There is not a lot of new blood coming in as wages are low and it's unsociable hours... it's an on-going issue."

MSB, Intermittent, non-DIT service user

Capacity and time were strongly linked to perceptions. Businesses that had not seriously investigated exporting perceived it to be time-consuming and complex.

"We felt we could export to one particular country (Country F) but thought that we could be exporting to Country I, Country J and all across Europe which might leave us rather stretched."

MSB, Exporter, non-DIT service user

ITAs and Posts also mentioned that it was common for Non-exporters and Intermittent exporters to perceive exporting to be time-intensive and onerous, particularly at early stages of the export journey. This tended to put MSBs off considering it. At the same time, it was also common for Intermittent businesses to underestimate how long it might take to establish within a new market, which led to frustration or businesses stopping exporting if profits were not made quickly.

ITAs who had experience of working with MSBs played a role in providing vital guidance and sharing their experiences of markets and helping to form export strategies. As a result, they felt MSBs were unable to progress without external support as they lacked staff with time or the right set of skills to be able to lead on exporting.

The implication of this barrier is that businesses need capacity support, particularly at early stages. There is also a need to have access to detailed information in a quick and convenient manner, to reduce the time burden for businesses. Further, smaller MSBs require support with strategic planning, particularly if they lack capacity in-house.

### 3.6 Attitudinal barriers

The DIT framework defines this category as attitudes which limit exporting activities: a) misperceptions about the true cost and benefits to exporting; b) lack of commodity or service suitable for exporting because their good is local, or not transportable; and c) being less globally minded. NSRB, Wave 3 data for 500k+ small and medium businesses shows that 39% of MSBs have never exported and felt their product was unsuitable for export, that is, fall into the Challenge segment. However, exporting is possible for more than half (56%) of MSBs (all other segments combined), which this research focussed on. The same data finds that 68% % of MSBs felt there was potential for their business to grow internationally, whilst 26% felt there were too many risks in taking a business internationally (DIT, 2018).

The research found that attitudes and perceptions around exporting underpinned the decision on whether individual MSBs considered exporting, as well as their choice on which market to target. In some cases, these decisions were rational and based on weighing up the pros and cons, for others, these attitudes were not grounded.

Attitudinal barriers fell into four broad categories -

- Attitudes towards the importance of exporting: for some businesses, especially Content businesses, exporting was not a business priority, and these MSBs wanted to focus their energy and resources on business in the UK. This lack of motivation was more prevalent for MSBs that were currently growing in the UK. MSBs were also unwilling to disrupt their UK activities if they considered business to be 'going well'. This was linked to a perception that exporting was a time-consuming and resource-intensive activity. MSBs reflected on the pros and cons of exporting and were put off if business in the UK felt more lucrative and the risks involved in exporting too high.

"It's more important for us to establish in the UK than to export from the UK."

MSB, Exporter, non-DIT service user

- Perceptions of the experience of others: it was common for businesses to hear 'scare stories' about the experience of other businesses who had attempted to export but things had gone wrong. This included stories about businesses not being paid by overseas customers. This fed into their perceptions of exporting being a risky activity.
- Perceptions of risks and costs involved: MSBs had an intrinsic fear of the unknown, which meant they had negative perceptions of exporting without having attempted to do it. Perceptions included: exporting being costly or businesses facing high competition from local providers, economic or political risks associated with certain markets, exporting being complex and time-consuming, and difficult to do without a point of contact with market experience. These MSBs were usually unwilling to invest time or money at early stages to confirm or dispute their perceptions.

"Based on political risk the company wouldn't want to deal with those sorts of countries and that will impact on our decision making."

MSB, Intermittent, non-DIT service user

- Perceptions of the ease of exporting to certain markets: MSBs preferred to export to markets they were more familiar with and did not perceive it worthwhile to consider certain markets. This was based on their views of how competitive or monopolised a market was, how familiar the market was and whether partners spoke the same language, what would be the risk to the



business reputation if the market were corrupt, and what would be the impact on quality and/or client satisfaction (and therefore reputation) if the business had to use a third-party supplier and lost overall control.

Established exporters (regularly exporting goods and/or services) with good experiences falsely perceived exporting to be easy to do in some cases, and so made incorrect assumptions about market regulations or believed they could replicate existing processes into new markets. This led to MSBs jumping into exporting without thorough planning and so making mistakes, which cost resources and money to correct and even led to delays.

ITAs and Posts had similar views on the attitudinal barriers MSBs faced.

“There are a lot of scare stories out there about getting the right partner and getting in to all sorts of contractor difficulties and not getting paid. The big one is not getting paid. Companies really worry about that.”

ITA, Region E

The implication of this barrier is there is a need to address misperceptions about the complexity and risks around exporting, particularly through sharing good experiences of others. There is also value in increased communication between Established exporters and those MSBs interested in exporting, in terms of providing guidance, sharing experiences and consultation. This communication would also help to motivate Non-exporters by highlighting the value of exporting and helping them to understand the risks better.

### 3.7 Market-specific barriers

All five barriers already mentioned will vary by market. There are also formal market-specific barriers such as sanctions, import control, regulations, requirement of specific licences, as well as informal barriers such as attitudes towards British products, corruption, or (lack of) geo-political historical links. NSRB, Wave 3 data for 500k+ small and medium businesses shows that 10% of businesses noted that legislation, regulations and/or red tape were barriers for exporting to specific countries, while 6% felt that corruption or fraud were barriers. Additionally, 5% highlighted understanding overseas clients in terms of language and culture as a barrier to exporting to specific countries (DIT, 2018).

The research found that this category included two sub-sets of barriers: global or political events which caused uncertainty and in extreme cases, prohibited exporting to certain markets; and market-specific rules and regulations which caused delays or additional costs.

Global and political events presented several barriers to MSBs, such as delays, uncertainty around product pricing, reduced demand for their products and services, or preventing them from progressing along the export journey. Examples of these events included:

- Economic and market fluctuations: these changes were linked to reduced demand for products and services and had impacts on exporting costs and currency exchange rates. This barrier made it difficult for MSBs to maintain sales and profitability, putting them at increased competition from local businesses that had lower set-up costs.
- War and resulting travel bans and rules of origin: this barrier put off new exporters from choosing certain markets, especially in the Middle East and in Africa. Unexpected changes were particularly problematic for Established exporters, as they disrupted existing processes and prevented MSBs from exporting.

### Case Study

A fisheries exporter used to export to Country C. This was a key market for them, making up to 30% of their total exports. In 2014, the Country C invasion of a neighbouring area resulted in an export ban on certain UK products to Country C. As a result, the MSB was unable to continue exporting their fish to that country and had to seek out alternative markets to stay afloat.

- Political upheaval as well as unfavourable conditions for foreign businesses operating in certain countries<sup>10</sup>: this meant that UK businesses were less likely to succeed than local competitors.

“The Country K laws tend to favour the Country K party, which might be a problem when there is a dispute resolution going on. So, we tell companies - when they're signing a contract - we advise them to follow international law.”

Post, Country K

- The European Union Exit: this caused uncertainty for exporting businesses, in terms of future (changes to) regulations they would need to comply with to continue exporting. EU-Exit was also a concern for smaller businesses and Non-exporters, who worried about their financial situation in the UK and whether they would be at risk of closure or struggle financially. This was a barrier to exporting, as is led to internal resistance and smaller budgets for considering exporting.

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<sup>10</sup> Findings for specific markets have been redacted for publication purposes

“Most European companies are now saying ‘let's wait until article 50’. We don't know whether there'll be tariffs and they are not sure about Britain now that we come out, which is a problem.”

MSB, Exporter, Service user

- Perceptions of the UK market for overseas customers: MSBs that were exporting services to overseas customers worried about the impact of growing issues such as terrorism and the difficulties of obtaining UK visas on customers' perceptions of the UK market being non-welcoming. In their experience, this barrier had led to a reduced demand for UK providers, with customers preferring to turn to alternative suppliers.

“Our government have actively done everything they can to deter international students from coming to the UK. There are huge barriers...It's to do with visas, and it's to do with attitudes.”

MSB, Exporter, Service user

MSBs also described facing prohibitive rules and regulations when exporting, or considering exporting, to certain markets. These included: sector-specific requirements (particularly in the pharmaceutical, healthcare and food and drink sectors), entry requirements for new exporters or having to obtain export licenses, requiring documentation or approval from foreign governments or embassies, lengthy paperwork, travel bans, needing to be on an approved supplier list in order to be able to sell, bans relating to rules of origin, import duties, trade sanctions, and requiring certification for goods to leave the UK – customs barriers. These barriers were not related to lack of knowledge, but rather time and costs associated with having to comply with these requirements. They were also linked to attitudes, as new exporters and Intermittent businesses preferred to export to markets they saw as being 'less complex'. This meant that certain markets were discounted.

The view from operational staff mirrored views of businesses here. International Trade Advisors (ITAs) and Posts also spoke about the need for MSBs to have quality and safety accreditations before being able to approach manufacturers or clients overseas, which delayed access to a market and was perceived to be a risky and time-consuming approach. Further, a Post based in one country felt it was easy for businesses based in that country to trademark British brands and companies, which essentially prevented these British businesses from selling to that country. This was particularly problematic for MSBs who had multiple brands or products as they would need to trademark these individually.

The implication of this barrier is that MSBs require clear information at early stages around what the market-specific rules and regulations are, as well as a better understanding of the risks, and bespoke support for when things go wrong. There is also a need to address misperceptions around how requirements vary between

countries and in the European Union. The biggest driver of this barrier is the frequency of changing rules and resultant unpredictability. Therefore, there is a need to prepare businesses upfront to mitigate against such risks.

The next chapters in this report identifies the support needs of businesses in relation to the barriers outlined, as well as perceptions on how this support should be delivered.

## 4 Perceptions of export support

This chapter explores the support that Medium-sized businesses (MSBs) have accessed along their export journey, both from the Department for International Trade (DIT) and non-DIT sources (either in-house expertise, or from the private sector). The chapter goes on to look at the International Trade Advisory (ITA) role in detail, from the perspective of both MSBs and ITAs themselves, and includes suggestions for how DIT products and services could be developed in the future.

### 4.1 Key findings

Businesses accessed a range of non-DIT support, and their choice of support mostly came down to personal preference or circumstance.

Awareness of DIT's products and services was low – particularly amongst Non-exporters.

The most valued aspects of DIT support were trade shows, trade missions and the ITA service. MSBs felt that the government endorsement opened doors that they could not open on their own.

Those who had worked with ITAs spoke highly of their expertise and support in helping businesses to build an export strategy. The process involved the ITA understanding the businesses' capacity to export, helping to identify a suitable market, outlining market entry requirements and highlighting any potential pitfalls and details including legal and tax requirements. Businesses felt that the ITA support was unique, with nowhere else offering the combination of free, impartial advice and expertise.

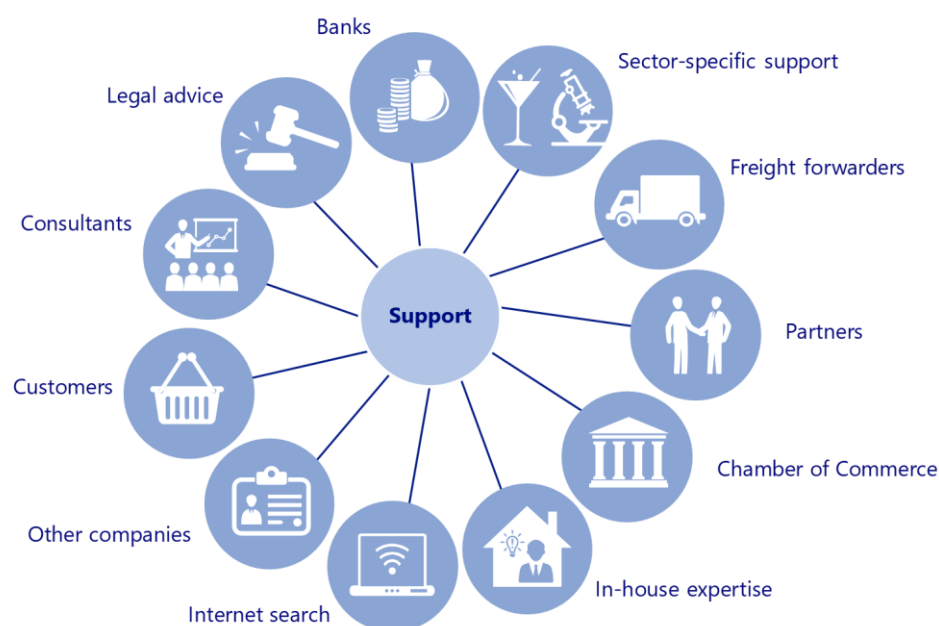
Non-service users described the ITA role when describing what support they wanted, suggesting that much of what businesses need is already available.

### 4.2 Use and views of non-DIT support

MSBs accessed a range of non-DIT support for advice on exporting at various stages throughout their export journey (shown below in Chart 4.2.1). For example, MSBs sought legal advice (on the most suitable legal entity to establish before trading), conducted internet searches (to research new markets), hired consultants (to develop export strategies) and spoke to other companies (about the suitability of distributors) prior to exporting. Once they began exporting, MSBs consulted their customers, partners, freight forwarders and Chambers of Commerce on the day-to-day details of exporting, such as relevant duties and paperwork.

Broadly speaking, these examples were raised by Exporters and Intermittent exporters, though there were a few exceptions where Non-exporters had used these services as well.

**Chart 4.2.1 Summary of non-DIT support used by MSBs**



Use of non-DIT support mostly came down to personal preference or individual circumstance (for example, a business contact putting the participant in touch with, or suggesting they use, one of the above sources of support). Therefore, there were few consistently strong patterns between awareness and use of non-DIT support and business characteristics. However, the following broad links emerged:

- Non-exporters who were unaware of DIT support also lacked awareness about non-DIT support, as they typically had not investigated exporting in that much detail.
- More reactive exporters, including, Opportunistic exporters, react to ad hoc export opportunities; Ad hoc Intermittent exporters, previously exported in reaction to client requests; or Passive Intermittent exporters, ceased exporting when relationships with clients came to an end, tended to rely for the most part on partners such as freight forwarders, clients, or agents for advice on exporting. Where they did contact DIT, it was usually in relation to a specific query that had come up once they started exporting, for example, one business needed support completing a cost insurance and freight document when they encountered an issue with invoicing. There were examples of these exporters saying that they did not have much contact with DIT because of the ad hoc nature of their exports. They felt that they were not necessarily on DIT's radar and did not feel the need to contact DIT as they did not have an export strategy and did not plan to implement one soon. However, those who were looking to export more seriously had consulted ITAs, to help build an export strategy, or DIT more generally for opportunities (including trade shows and lists of contractors).

- In-house expertise was more common among Established exporters (regularly exporting goods and/or services) and larger companies, where they had brought in specialists to take forward the businesses' exporting strategy.
- Those who exported products, as opposed to services, consulted their freight forwarders in the first instance for information on duties and paperwork. Freight forwarders were a highly trusted source of information.

### Case study

This invisible exporter was a private English language school based in the UK, selling their services to foreign students (who would then come to the UK to study English). They had been operating in this way for more than fifty years but were looking into setting up a physical presence overseas.

Their bank had organised a seminar for all their educational clients on transnational education and establishing a physical presence overseas. The event was run by a lawyer and focused on the practicalities of overseas expansion. The seminar was free and was particularly helpful for this business, as they had found the cost of legal fees almost prohibitive. They would like to see more of these seminars organised by DIT in the future.

“We’re paying thousands of pounds to lawyers about the practicalities of setting up. So much that we’re almost not able to set up, because the legal costs are so high. We’re not a university, we’re not looking to set up something huge, we don’t have those kinds of resources. The legal costs are really expensive if you’re looking to set up overseas.”

MSB, Exporter, Service user

## 4.3 Use and views of DIT support

One of the key messages coming through from the interviews with MSBs at all stages of their export journey was that awareness of DIT's products and services was low (which chimes with NSRB, Wave 3 data for 500k+ small and medium businesses - showing that 6% of MSBs would approach DIT for advice and support about exporting). The most cited option was Google/online search engines (15%) (DIT, 2018). Across the three groups, recall of DIT emails, newsletters or advertising was limited and awareness of the ITA service was particularly low. Those who had accessed DIT services in the past tended to be those who took a more proactive approach to exporting and who had reached out to DIT for advice. Awareness was marginally higher amongst those who had been exporting for longer, and whilst

current awareness was low, there was an appetite for DIT support across all groups<sup>11</sup>.

Those who had taken part in DIT-organised events (such as trade shows and missions overseas) saw them as highly important opportunities to network and show credibility with potential customers, distributors and partners in their target market. Those who had secured opportunities or sales as a direct result of attending these events were the most positive. Service users saw this support as unique, as the government endorsement afforded them a certain status with overseas third parties and ultimately opened doors that they may not have been able to on their own.

“As part of a mission, you’re flying under the UK flag which gives you better credence in the overseas market. They often include receptions at the Embassy – potential clients love that – and the kudos of that is really good ... You’ll often gain access as part of a mission to government bodies overseas, which you wouldn’t if you were on your own.”

MSB, Exporter, Service user

#### 4.4 Working with ITAs

MSBs who had worked with an ITA spoke very positively of their experience; specifically, they felt the ITA had understood their business and helped them to develop a tailored export and growth strategy. Businesses who had worked with an ITA in this way described the process as involving:

1. An assessment of the businesses' current position and capacity for exporting (and how/whether this would fit in with their domestic efforts).
2. Identifying a suitable market with clear demand and outlining the necessary requirements for market entry.
3. Highlighting any pitfalls and/or recommending market research into the level of competition, and finer details such as the legal and tax requirements for the market.

MSBs commonly described the ITA as an extension of their business, or an extra board member, with the best feature being that the advice was free.

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<sup>11</sup> Please note: Ipsos MORI purposively recruited both DIT service users and non-service users, and these findings are not representative of businesses as a whole. What these findings demonstrate is that there are MSBs who need or would like help from DIT but are not receiving help due to low awareness of available DIT products and services.



"We have used an ITA, he was really good and well connected. It was like having an extra salesman! He enabled us to source customers, make contact, broaden our knowledge of the product ranges in the country, and gave us local knowledge of how the product will be used in the country."

MSB, Exporter, Service user

Both ITAs and the MSBs who had worked with them felt that the support was unique, as there was no other outlet offering free, impartial advice to explore businesses' export potential and develop an export strategy that they were aware of. In addition, the fact that the support was from government, added value in the sense that ITAs could open doors that other support (from the private sector) could not. This included direct access to other governments, and endorsement through trade missions. Further, ITAs reported a level of mistrust of private consultants amongst MSBs they had worked with, explaining that MSBs felt they were invested primarily in profit rather than businesses' long-term exporting success.

ITAs saw themselves as a unique service for MSBs who were looking to start exporting, or to export more. They felt that their support was superior to that offered by the private sector, for the following reasons:

Private consultants will charge at least £500 per day, which could be prohibitive at the early stages (this was also raised by MSBs).

"Small and Medium Enterprises (SMEs) just won't pay this and it could strangle their interest in exporting at birth."

ITA, Region A

ITAs felt that banks did not have the level of expertise required to develop an export strategy and were likely to refer MSBs back to DIT.

Chambers of Commerce tend to provide technical advice to their members who are already exporting, such as documentation, rather than supporting businesses to build an export strategy (this was also raised by MSBs).

"In terms of what we provide in the marketplace, there isn't anything like that. There's nowhere you can go to get impartial, free advice to explore your export potential and then develop it to a point where you can make some meaningful decisions about whether exporting is for you."

ITA, Region A

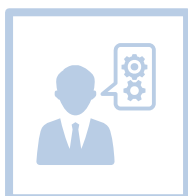
### Chart 4.4.1 Non-service users' description of the ideal support and ITAs views on their role



MSBs who wanted to start exporting or export more wanted someone who was highly knowledgeable, with practical experience of exporting. As a result, they would be aware of things to look out for and could help businesses avoid costly mistakes.

“The thing that works more than anything is the one-to-one support with someone who has commercial understanding of exporting. It’s the single biggest value added compared to anything else we do.”

ITA, Region G



MSBs wanted someone who could provide one-to-one information and advice, and to act as a sounding board for ideas (to check whether given situations were ‘normal’).

“It’s the voice at the end of the phone, to confirm what they think they know but aren’t 100% ... They use us as a sounding board.”

ITA, Region D

ITAs also felt they had a role to play in debunking myths associated with exporting (such as ‘horror stories’, complexities, and generally explaining the potential benefits).



MSBs who were interested in growing their exports wanted someone to support them to put together a solid export strategy, ensuring they had fully assessed the viability and feasibility of exporting before they committed to anything.

“We’re trying to get them to the finish line and there are steps that they need to complete, otherwise when they get to the other end they may well have left themselves open, at risk, by missing out those steps.”

ITA, Region C

## 4.5 Best practice in supporting MSBs

Across ITAs and Posts, several key themes emerged in terms of what best practice looked like in supporting MSB, these are listed below:

- assessing businesses' export readiness

- early involvement
- encouraging proactive exports
- market and sector knowledge
- instilling enthusiasm for exporting

ITAs and Posts worked one-on-one with businesses to properly assess their export readiness. These conversations allowed operational staff to thoroughly understand the businesses' current situation and to determine whether they were able to start exporting (or to export more).

To be able to help businesses to export most effectively, operational staff felt it was important to become involved with businesses as early as possible, when the idea of exporting first 'germinated'. They felt this enabled them to set businesses off on the right path, to ensure they had done sufficient research and put all the necessary measures in place prior to exporting.

Linked to this, operational staff felt it was important to encourage proactive exporting wherever possible. They stressed the importance to businesses of 'doing their homework' before making any firm commitments, to avoid costly mistakes. By becoming involved with businesses as soon as possible and encouraging them to approach exporting proactively rather than reactively, operational staff explained that this gave businesses the chance to make good, informed decisions about exporting.

ITAs and Posts felt that their market and/or sector knowledge was a key feature of their service and helped businesses to trust in their expertise. They felt it was important to share their own experiences and commercial understanding of exporting.

"What we do is sit with a company and say we've been there, we've done that, we can help you. If that's specific to a sector or market, that is when they start listening to you ... They need to respect that you have been through that before and will be confident that you can help them."

ITA, Region E

Finally, operational staff also felt that best practice involved instilling enthusiasm for exporting amongst MSBs. One ITA explained that most of the other barriers to exporting could be overcome if the business had the drive to export, and therefore highlighting the benefits and motivating potential exporters was a key aspect of their role.

"We go out and we try and get companies interested in exporting for the first time, or for companies who are already exporting, to get them excited about doing more. Doing more proactive export activity."

ITA, Region A

## **4.6 Views on how DIT services could be developed in the future**

MSBs discussed what services they would like to see DIT providing in the future, or how they felt their service could be improved. They generally found it difficult to know what other support they needed in the absence of prompts or suggestions. As such, they could not always clearly articulate what further support might be helpful to them in the future.

However, the clear message coming from the interviews with both MSBs and operational staff was that awareness of DIT services was low, but appetite amongst non-service users for the kinds of services that DIT already provides was high (particularly for ITA support).

This section discusses the service developments raised by both MSBs and operational staff, split into customer facing support and internal ways of working. The service developments raised by MSBs and operational staff were broadly similar, and are briefly summarised below in Table 4.6.1, grouped by theme.

**Table 4.6.1 Summary of MSBs' and operational staff's views on service improvement**

	<b>MSBs</b>	<b>Operational Staff</b>
Raise awareness of DIT services	Strong appetite among non-service users for products and services that DIT already provides.	Raise DIT's profile to reach more MSBs.
Internal Operations	Making it easier to get through to and/or identify the right person within DIT to speak to about a certain market or sector.	Improve communication between ITAs and Posts, ensure contact details are up to date, ensure a clear picture on regional priorities and who key personnel are.
DIT's role in UK exports	DIT to have a more prominent role, such as, applying pressure when MSBs struggle with being paid, or offering support with taking payments from countries that UK banks will not serve.	Ensure DIT staff have the right skills to identify what MSBs need, continuing to hire people with industry experience.
Expand partnership	Encouraging more industry experts who are experienced with exporting to give advice to newer or potential exporters and linking up more with local business associations. However, important not to lose key elements of support that MSBs see as unique, namely: trade missions, trade shows, and the ITA role.	Build external partnerships with banks and local business networks, encourage cooperation between MSBs (for joint bids, sharing of agents or distributors).
Review external grants and internal funding processes	Low awareness of DIT grants from non-service users and a perception that it has reduced amongst service users. Though, a recognition from others of the cost of DIT support and businesses' need to contribute to this (this is covered in greater detail in Chapter 6).	Increased investment in overseas resource, provision of more grants, ensure clear pricing strategy for DIT services, better planning and/or communication around DIT funding and budgets.
In-depth, focused support	More sector-specific support and tailored emails and/or opportunities, sharing more	Review in-market support.

	MSBs	Operational Staff
	market research, and ensuring contact lists for customers or distributors are up-to-date and that leads are pre-warned.	

### Customer facing support

MSBs who had used DIT services wanted to see better organisation. Service users found it difficult to get through to the right person, explaining that contact lists were hard to find and often out of date. For example, one exporter who manufactured parts for railway lines wanted to find out more about exporting opportunities in a European country and could not find contact details for someone affiliated with the UK government. The participant eventually found a contact in another European country through LinkedIn, who then put them in touch with the correct person.

“It was a bit of an odd way to have to go about it – it would have been nice if I could’ve rung someone in the UK and said, ‘Look, I want to contact a DIT person for rail in this country, have you got any contacts?’. Finding out who the relevant contacts are isn’t enormously helpful.”

MSB, Exporter, Service user

Exporters and Non-exporters also wanted more in-depth, focused advice, including sector-specific support such as sector-based trade shows. They wanted relevant, tailored emails detailing potential opportunities, and for DIT to share market research between businesses operating in the same sector and market. There were also examples of businesses being given contact lists of potential customers or distributors, that were not tailored to their business or where the leads were not forewarned about the call. Consequently, businesses were cold-calling potential contacts, with little success. This type of generic support did not feel valuable for MSBs further along their export journey.

A key barrier mentioned by Exporters and Non-exporters alike was the difficulty in getting paid by some overseas customers. Exporters explained how this could affect the financial health of their business, and Non-exporters explained how ‘horror stories’ of non-payment, in part, influenced their decision not to export. In addition, MSBs explained how UK banks would not process payments from certain countries. These exporters felt that DIT could support by applying pressure or offering advice on how to work around such issues.

Funding was also raised by MSBs and their perception was that grants were limited. On the one hand, there was generally low awareness of DIT funding options, yet on the other hand, Established exporters who had worked with DIT for several years perceived that funding had decreased over time. Those who needed grants were

typically smaller (in terms of both size and turnover) and were close to starting to export. For example, these businesses wanted grants to assist with translation costs, legal advice, and sending staff overseas. Established exporters also highlighted that funding was a key issue for them when they started exporting.

Finally, both MSBs and operational staff raised the idea of DIT facilitating more partnerships to benefit exporting MSBs, namely:

- Putting similar businesses, that they were currently working with or had worked with in the past, in touch with each other for mutual support
- Where possible, matchmake UK businesses to jointly bid for work overseas, where they would stand a greater chance of success working in partnership
- Facilitating the sharing of agents or distributors amongst similar businesses

“All of our companies have agents overseas ... Two companies, one sells lightbulbs and the other manufactures the fixings. These two could use the same agent. The impact would be a British agent who could present a portfolio of products and services to clients.”

ITA, Region F

- Increasing DIT's work with banks and other organisations, such as local trade associations. Local associations were felt to have more awareness on which businesses in their area were exporting or considering exporting, and which ones already had relationships in place

“Make it a two-way thing ... I would call up a bank and say, ‘Look, I’ve got this company who sells handbags, what companies do you have who distribute to the big shopping malls or have access to the distributing sector?’ ... A way of saying, ‘would your clients like to meet our clients to have a chat about doing business together’.”

ITA, Region E

“[DIT] need to be more proactive in approaching businesses, as many don't know who to approach when considering exporting. They need to embed themselves into networks such as Chambers of Commerce or the Institute of Directors to raise awareness.”

MSB, Exporter, Service user

Operational staff also felt that DIT needed to raise their profile to reach more businesses, particularly those with the potential to export; Content, successful in the UK market so see exporting as unnecessary; or Interested, open to the idea of exporting, exporters; or to export more consistently, that is, Intermittent exporters.

### Internal ways of working

Operational staff's views on service improvement complemented that of the MSBs. They also felt that internal communication could be improved, for example ensuring contact details were kept up to date, quicker email contact with Embassies, a clearer picture on what each (domestic) region was working on, and generally who the key contacts were for each sector and market within DIT (both domestic and abroad).

"It would definitely be nice to have a clearer map of who's where, who does what, who helps who, what their strengths are and somehow link up communication."

Post, Country L

Both ITAs and Posts felt they were most successful and best able to support MSBs when they worked closely with one another. There were examples shared on both sides of ITAs handing MSBs over to Posts where the latter felt they were not ready to begin exporting, or were not fully prepared, and of ITAs feeling that Posts were overstretched and unable to support businesses effectively. Operational staff felt there was a need for additional funding to overcome these issues.

"When the Posts, ITA and MSB work together, then there is more success. In theory, the ITA will work with the SME in the UK and then hand them over to the Posts overseas. However, budget cuts have reduced the number of Posts overseas and there is more outsourcing of services. Hence, there is less joined up working."

ITA, Region D

Operational staff also mentioned improvements around funding and investment that mirrored the suggestions raised by MSBs. These suggestions included:

- Increased funding to finance recruitment of more ITAs, to enable them to spend more time working directly with a greater number of MSBs, increasing the number of grants available, and investing in specific resources (such as the Export Opportunities website, as mentioned in the quotation below)



“If there was a real online system with up to date information, it could be a really important tool. The way it's managed now, I don't think it has the manpower or the money in it ... and it's something that we have actually stopped using because it had a less than 1% return rate. It was very slow ... and rarely had a positive impact.”

Post, Country L

- Ensuring a clear pricing strategy for DIT products and services, so that it was clear at what point services become paid for
- Better planning and communication around funding and budgets generally, raised by ITAs who had received confirmation of funding for events very late, which made engaging MSBs more difficult
- Increasing overseas resource which was perceived as currently insufficient to meet demand.

“[DIT's overseas service] was once something that we were very proud of, and you knew what you were getting from market to market. And it was something that really added value, whether it was a small exporter, or a £1 million business.”

ITA, Region A

## 5 Export support offer for Medium-sized businesses

This chapter covers the support that Medium-sized businesses and operational staff felt could overcome the barriers listed in earlier chapters, first for all businesses and then broken down by exporter type (Exporter, Intermittent exporter and Non-exporter). Please note that the research did not focus on which products and services are already available in the private sector. We are therefore unable to comment on whether there is a market failure in the provision of these services.

### 5.1 Key Findings

Knowledge was key to overcoming barriers to exporting and MSBs saw three key ways in which these could be overcome, those being: a digital exporting manual, good news stories to dispel some of the myths around exporting and increased networking opportunities with peers, distributors and potential customers.

MSBs who were already exporting were looking for support to enter new markets and help to avoid the potentially costly mistakes they may have made when starting to export.

Intermittent exporters needed support building an export strategy to help actively increase their exports.

Non-exporters needed support to see exporting as an opportunity and positive case studies to help overcome any negative perceptions of exporting. DIT's behavioural insights programme can help to inform these messages.

### 5.2 Barriers and support needs relevant for all groups

MSBs of all types (Exporters, Intermittent exporters and Non-exporters) faced similar barriers across their export journeys. Knowledge emerged as the most important factor for overcoming these barriers and distinguished successful from unsuccessful exporters. Consistently, ITAs and Established exporters, who had an export strategy in place at early stages, extolled the virtues of investing in market research to understand and assess the feasibility of exporting to a given market.

“If you were going to travel from London to Leeds, there'd be lots of different options ... You might think, 'I'd like to take the M6 because I like the countryside'. But, if you don't know your options, and you don't know what the consequences are, then you'll probably end up getting lost. And that's what happens to businesses if they don't do their research.”

ITA, Region C

In addition to improved knowledge, three key products or services that could help overcome the barriers associated with exporting were mentioned consistently across the three groups:

An exporting manual: a comprehensive, regularly updated digital resource that covered cultural norms, corruption warnings, entry requirements, pricing guidance, and potential distributors for every sector and every market

Incentives to export: good news stories or case studies of successful businesses to motivate MSBs to export (more) and to dispel some of the myths on the complexities of exporting. DIT does this through several avenues including the GREAT campaign and the 'Export Champions' initiative<sup>12</sup>. Some MSBs also mentioned tax breaks for exporters to help with the initial costs, and to encourage further exporting

Increased networking opportunities: having a trusted partner, distributor and key customers were essential to overcoming some of the barriers to exporting, and there was appetite for increased opportunities to meet these parties. Suggestions included bringing together experienced and new UK-based exporters, and a website to facilitate introductions between suppliers and buyers, both of which are offered by DIT.

The barriers faced by all business types and the support needed to overcome these are summarised in Table 5.2.1 below including the support offered by DIT to address these barriers.

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<sup>12</sup> Participants' awareness of existing case studies was low, but DIT does already produce and share these through the initiatives mentioned.

**Table 5.2.1 Barriers and support needs for all groups**

Category	Barrier	Description	Support for MSBs
Capacity and Capability	<p>Facing stringent entry requirements, where compliance is costly and takes time.</p> <p>Require staff time when conducting market research.</p> <p>Require staff with flexibility to work in different time zones.</p> <p>Current product portfolio too small to be of interest to distributors, or at capacity with UK activities.</p>	<p>These barriers were all described by businesses as unavoidable hurdles. As such, MSBs did not identify any support that could help overcome these issues.</p> <p>Whilst MSBs described these barriers in these terms, ITAs explained that making new exporters aware of these issues was an important part of their role.</p> <p>There is, therefore, an opportunity for ITAs to help make more businesses aware that they will encounter some of these issues if and/or when they start exporting. This would help to manage expectations and reduce risks.</p>	<p>Raise awareness of potential issues when starting to export. For example, compliance with entry requirements, staff time and flexibility. ITAs offer specific advice on things such as product certification and compliance.</p> <p>Capacity support, for example, providing access to expert legal, financial and business support.</p> <p>DIT to work with other government departments to align export support with improving general business capacity, to ensure businesses are thinking holistically about internationalisation, for example, scaling up.</p>
Attitudinal	<p>More willing to export to markets that are profitable, low cost, familiar, or easy to access. Unlikely to pursue market if faced with strong competition.</p> <p>Put off markets that require obtaining export licenses, have trade sanctions or red tape.</p>	<p>These barriers all related to knowledge of new markets and building a strategy for successful export. MSBs who had used ITAs spoke highly of their experience, knowledge, and support in overcoming these barriers, whilst</p>	<p>Highlight the benefits of exporting to suitable new markets and the advice available to address specific barriers. ITAs currently organise 'meet the buyer' and 'meet the expert' events. Other existing DIT support includes events, advice dealing with</p>

Category	Barrier	Description	Support for MSBs
		<p>there was strong appetite for ITAs' services amongst non-service users.</p> <p>ITAs felt their support was particularly helpful for those lacking previous export experience, and this was mirrored by Non-exporters who essentially described the ITA role when describing what their ideal support would look like.</p>	<p>regulatory issues, and E-Commerce Advisors.</p> <p>Provide links to other successful exporters, for example through the 'Export Champions' scheme.</p>
Knowledge	<p>Lack market intelligence and process knowledge at set up stages.</p> <p>Difficulty establishing a pricing strategy for new markets.</p>	<p>Where Non-exporters were more willing to export to markets that they perceived to be easier to enter (due to lower costs, being more familiar, or more profitable), ITAs could also have a role in signposting MSBs to opportunities they may not have considered, but where their product could have potential for success. ITAs described a key part of their role as instilling enthusiasm and appetite for export in potential exporters, and therefore felt that they should be trying to signpost more</p>	<p>Provide market-specific information ideally in the form of a digital exporting manual. Country guides are available on the gov.uk website<sup>13</sup> and there is also strategic marketplace information available on the Selling Online Overseas<sup>14</sup> tool. Current products offered through the Overseas Market Introduction Service (OMIS) are also helpful in this regard<sup>15</sup>.</p> <p>Provide specialist market research and advice on establishing a market strategy.</p>

<sup>13</sup> Department for International Trade, (2014), '[Guides for UK businesses who are interested in selling overseas](#)'

<sup>14</sup> Department for International Trade, '[GREAT: Selling Online Overseas](#)'

<sup>15</sup> GOV.UK, '[Find overseas customers and export opportunities](#)'

Category	Barrier	Description	Support for MSBs
		opportunities to a wider range of businesses.	ITAs currently offer pricing strategy workshops or webinars.
Access to contacts and customers knowledge	<p>Language and business culture in the market pose additional challenges when making deals.</p> <p>Lack a suitable partner or someone to advise on the wider market, including advice on political situation.</p>	<p>Finding a local partner who could help UK businesses establish relationships with distributors and customers in their target market and help them overcome language and cultural barriers was an issue faced by exporters and raised as a barrier to export by Non-exporters.</p> <p>MSBs and operational staff explained that local partners were particularly important, as they had first-hand knowledge of the language and cultural norms and could instil trust with potential customers (MSBs faced barriers as foreign businesses in a range of markets). However, there were examples of MSBs consulting other UK businesses who had experience in the relevant markets.</p> <p>Non-service users wanted more support from DIT in terms of</p>	<p>Existing DIT services which help with finding a partner with local overseas knowledge include 'Trade Profiles'<sup>16</sup>, 'Export Opportunities'<sup>17</sup> and 'Selling Online Overseas'. DIT Posts and E-Commerce Advisors work to link businesses with relevant overseas partners and trade missions. Overseas events also act to introduce UK businesses to potential partners overseas.</p> <p>ITAs currently organise 'meet the buyer' and 'meet the expert' events in UK Regions. They also provide cultural advice on product design and marketing.</p>

<sup>16</sup> Department for International Trade, ['GREAT: Find a buyer'](#)

<sup>17</sup> Department for International Trade, ['GREAT: Find opportunities to export'](#)

Category	Barrier	Description	Support for MSBs
		networking opportunities or direct matchmaking (of businesses and partners, distributors, or customers).	
Costs	Exporting can be unprofitable during initial stages, for example, visiting markets, market research, legal or consulting fees and hiring new staff.	Awareness of support provided by DIT at the early stages of exporting was very low, but there was appetite for financial support during the early stages of exporting. In addition, ITAs felt that more work needed to be done to make potential exporters more aware about how much the initial phases would cost (for example, help with financial planning and pointing out extras such as flights) so that they could factor this into their export strategy and overall decisions about whether exporting was viable.	Signposting businesses to support provided from DIT to assist with the early stages of exporting. ITAs can provide advice on the most suitable support tailored to individual needs. This may be services such as the 'Tradeshow Access Programme' <sup>18</sup> which provides financial support for the cost of a stand at a tradeshow.

<sup>18</sup> GOV.UK, (2014), ['Tradeshow Access Programme \(TAP\)'](#)

### 5.3 Barriers and support needs relevant for exporters

Exporters faced a variety of barriers around knowledge, funding, networks, and market-specific issues that could impact on their overseas business. However, generally they needed less support (but more bespoke) than Intermittent exporters or Non-exporters, as they were regularly exporting. The barriers faced by Exporters and the support needed to overcome them are shown below in Table 5.3.1.

The three types of exporters broadly had the following, specific support needs:

- Established exporters (regularly exporting goods and/or services): needs were low as they were the most experienced exporters, though those who wanted to expand into new markets still required support to fully assess their capacity to expand and the suitability of their product or service for export in their target market. For established exporters who were content with their current activities, their support needs were low as they typically already had an export strategy in place or had built up in-house expertise and networks.
- Opportunistic exporters (react to ad hoc export opportunities): more open to support to help them build an export strategy, and as such had a strong appetite for one-on-one, tailored support that could provide them with advice on how to grow their market share and start consistently exporting. These businesses were also interested in funding or grants to support their exports, as they lacked consistent revenue from exporting.
- Invisible exporters (export services online, exports are managed by third parties and may not necessarily be aware they are exporting): needs were also low, as their exporting was relatively straightforward, and they faced fewer barriers when compared to other types of businesses. Where they did need support, it was around specific issues relating to the nature of their export (selling a service to overseas customers but delivering it in the UK). For example, support around website design and tailoring content to specific overseas markets, and visa barriers to bringing foreign students to the UK to receive the service.



**Table 5.3.1 Barriers and support needs for exporters**

Category	Barrier	Description	Support for MSBs
Costs; knowledge	Uncertainty of exchange rates can impact profits.	Exporters described this as an 'unavoidable' hurdle. As such, MSBs did not identify any support that could help overcome these issues. As covered in Table 5.2.1, there is an opportunity for ITAs to help make more businesses aware that they will likely encounter this issue if and/or when they start exporting.	Provide up-to-date information on exchange rates of relevant markets and impact to the business. ITAs already provide workshops or webinars on potential solutions. There is also some information on the GREAT website <sup>19</sup> .
Attitudinal; knowledge	Expect processes to be easy and can replicate processes and strategies used in other countries; this turned out not to be the case.	As detailed, there were examples of Established exporters who wanted to expand to new markets and did so without investing in market research or building a proper export strategy. ITAs felt that they had an important role to play in reaching out to established exporters to ensure that they did not 'dive into' new markets and to help them avoid making costly mistakes.	ITAs and Posts work with MSBs to develop a detailed export strategy tailored to a specific market. Where relevant, E-Commerce Advisors to work with MSBs interested in exporting through online marketplaces.
Knowledge	Face competition from firms with existing networks when entering new markets.	Exporters identified this as a barrier for further export, but again this could be mitigated with market scoping and support to build an export strategy. Whilst they saw	ITAs work with MSBs to develop a detailed export strategy to increase competitiveness and/or access to networks when entering new

<sup>19</sup> Department for International Trade, (last updated 2019) '[GREAT: Payment methods for exporters](#)'

Category	Barrier	Description	Support for MSBs
		<p>competition as inevitable, operational staff and MSBs expressed how important it was to identify competition as part of the scoping exercise.</p>	<p>markets. Encouraging the use of market research is vital to this.</p> <p>ITAs also point businesses to other relevant services such as third-party providers or Chambers of Commerce in the target country.</p> <p>DIT Events, tradeshow and trade missions also provide a platform for research competition.</p>
<p>Access to contacts and customers</p>	<p>Important to have trusted and reputable networks, or a partner who makes exporting easy.</p>	<p>Finding a local partner who could help UK businesses establish relationships with distributors and customers in their target market and help them overcome language and cultural barriers was an issue faced by exporters.</p> <p>Non-service users wanted more support from DIT in terms of networking opportunities or direct matchmaking of businesses and partners, distributors, or customers.</p>	<p>ITAs and Posts can provide support with developing a market entry study (or suggesting private sector providers who can help with this) and facilitating introductions. They also organise events to help businesses make professional connections and offer advice on finding and selecting an agent and distributor, logistics and freight forwarding.</p> <p>Other DIT services can also help with networking, such as overseas events, tradeshow and missions, Overseas Market Introduction Service<sup>20</sup>, and overseas delivery</p>

<sup>20</sup> GOV.UK, ['Find overseas customers and export opportunities'](#)

Category	Barrier	Description	Support for MSBs
			partners such as the China British Business Council <sup>21</sup> . The 'Export Champions' scheme will also help to connect businesses.
Country-specific barriers	<p>Where MSBs sold their services online but delivered them in the UK, some reported their customers facing visa barriers.</p> <p>Economic or political situation can affect prices and profit, and trade sanctions can hinder exports.</p>	Exporters described these issues as 'unavoidable' hurdles, however there is scope for DIT playing a greater role here to support businesses.	<p>Cross-government approach to addressing export barriers using the most appropriate policy levers, such as the Business Environment Advisory Team support with Foreign Direct Investment.</p> <p>ITAs provide advice and latest information on the situation in a specific market.</p> <p>In-market support as a trusted contact, for example through trade envoys, VIP visits and government-to-government work.</p> <p>DIT Posts and UK Export Finance (UKEF) also currently work to address this barrier.</p>
Country-specific barriers; knowledge	New regulations after EU-Exit seen as a threat to future exports.	MSBs described being in 'wait and see mode' and knew they needed to be patient until something was announced by government. There were examples of MSBs working	ITAs help businesses think through the practicalities, potential outcomes and mitigating activities for different scenarios, and then refer

<sup>21</sup> China-Britain Business Council '[Doing Business with China](#)'

Category	Barrier	Description	Support for MSBs
		<p>with consultants to map the impact of EU-Exit, and these businesses were pausing any export plans until there was more certainty.</p>	<p>businesses to relevant third parties such as lawyers or accountants.</p> <p>DIT Digital are improving the great.gov.uk website to make it easier to publish news more quickly and with appropriate prominence. Other support will be made available via HMRC, on a dedicated government website and via a central team in DIT.</p>
Costs	Unexpected or high costs during export, such as translation.	<p>Awareness of DIT funding was very low, but there was appetite for financial support during the initial phases of exporting. Generally, these unexpected costs were less of an issue for more established exporters.</p>	<p>Increase knowledge of the initial costs faced when starting to export and DIT support to help mitigate this, such as special deals for online marketplaces on the Selling Online Overseas<sup>22</sup> tool.</p> <p>ITAs can help businesses predict and find suppliers for services such as translation.</p>

<sup>22</sup> Department for International Trade, ['GREAT: Selling Online Overseas'](#)

## 5.4 Barriers and support needs relevant for intermittent exporters

Intermittent exporters were those who had previously exported but had not done so in the past 12 months. They were reliant on customers or partners who had approached them with an opportunity to export (often on a one-off basis) and typically did not have a full export strategy in place. They had scoped out the feasibility of specific projects, but not established a wider strategy for actively increasing their exports. The barriers faced by Intermittent exporters and the support needed to overcome them are shown below in Table 5.4.1.

The two types of Intermittent exporters broadly had the following, specific support needs:

- Ad hoc Intermittent exporters (previously exported in reaction to client requests but can lack detailed export strategies): these businesses' needs were low; they were working with trusted and knowledgeable partners overseas and were generally content with the work they were doing. As such, they did not have any immediate plans to form a wider export strategy aimed at increasing their market share or moving into new markets. For Intermittent exporters, other than internal motivation, the biggest barriers were the cost and time of investing in an export strategy – and so funding and dedicated support from DIT (and signposting opportunities) would be the most helpful support.
- Passive Intermittent exporters (previously exported but chose not to respond when relationships with old clients came to an end): these businesses had very low drive to seek new opportunities – exporting in the past but had ceased to do so when the relationships they relied upon had fizzled out. As they did not respond by seeking out new opportunities, their drive to build an export strategy was very low. These businesses were generally content with their current situation and had not sought advice or guidance on exporting from DIT. This implies that the best way to engage these businesses is through proactive intervention and signposting of opportunities from DIT.

**Table 5.4.1 Barriers and support needs for intermittent exporters**

<b>Category</b>	<b>Barrier</b>	<b>Description</b>	<b>Support for MSBs</b>
Costs; knowledge	Uncertainty of exchange rates can impact profits.	See Table 5.3.1	See Table 5.3.1
Costs	Unexpected or high costs during export, such as translation.	See Table 5.3.1	See Table 5.3.1
Costs; attitudinal	Unwilling to invest money at early stage if sales are not guaranteed.	ITAs stressed the importance of investing in market research so that businesses could avoid making costly mistakes. ITAs try to get businesses to perceive market research as an 'investment' rather than a 'cost'.	Use DIT segmentation approach to deliver support based on customer's needs and attitudes. For example, for businesses in the 'Reassure' – develop export capacity' - segment ITAs could provide information on the relative benefits of foreign markets.
Knowledge	Lack practical experience of exporting.	ITAs could be a particularly valuable resource to those who lack practical experience of exporting – acting as a 'sounding board' and confidence boost to inexperienced exporters, or those exporting to a new market. They could help to identify pitfalls, walk them through the process of exporting, and build a strategy.	Experienced ITAs to support MSBs, or MSBs to be linked with other experienced exporters, for example through the 'Export Champions' initiative.  ITAs already provide case studies and make connections between businesses to share best practice and learning. They also refer businesses to export training offered by the British Business Council.
Access to contacts	Fear losing control of personal touch if using overseas partner.	Help from DIT with networking opportunities, matchmaking	Support with networking opportunities; finding a trusted local

Category	Barrier	Description	Support for MSBs
and customers		<p>businesses and partners, distributors, or even customers. Finding a trusted and established partner who understood the local market was one of the most important features for successful exporters (and often was the advice they would give to a newly exporting MSB).</p>	<p>partner, for example through in-market research, DIT Posts, overseas tradeshows and missions, and digital services.</p> <p>ITAs can help to identify suitable overseas partners including agents and distributors. They provide a workshop on managing agents and distributors and can provide advice on partnership agreements.</p>

## 5.5 Barriers and support needs relevant for non-exporters

Perceptions of what exporting may involve, and not seeing exporting as a priority, were the biggest barriers for Non-exporters. As such, they felt they would benefit from examples of successful businesses, and case studies that dispelled some of the myths on the complexities and 'horror stories' associated with exporting. They had mostly not seriously considered exporting in detail and so were also interested in someone to signpost them to relevant opportunities. The barriers faced by non-exporters and the support needed to overcome these are shown below in Table 5.5.1

The three types of Non-exporters broadly had the following, specific support needs, outlined below:

- Unable non-exporters (had solid, non-negotiable barriers preventing them from exporting): these businesses had the least interest in exporting, as they had solid barriers that prevented them from exporting. Additional support is unlikely to change their exporting behaviour.
- Content non-exporters (successful in the UK market and therefore did not see exporting as a priority): saw themselves as successful in the UK market, and therefore prioritised domestic sales over exporting. However, their perception that exporting was unnecessary may be tied to their low awareness of exporting opportunities, DIT and non-DIT support, and the fact that they generally had not investigated exporting in any significant detail and so dismissed it. When prompted, if these businesses were to consider exporting in the future, they would want one-on-one exporting advice to assess the viability for their business and local advice to understand customs and culture on the ground.
- Interested non-exporters (open to the idea of exporting): these businesses were the most suitable group for DIT to target to encourage exporting. They were open to the idea of exporting and wanted one-on-one advice, local advice, and would be interested in (or were currently carrying out) market research to fully assess the feasibility of exporting.



**Table 5.5.1 Barriers and support needs for non-exporters**

<b>Category</b>	<b>Barrier</b>	<b>Description</b>	<b>Support for MSBs</b>
Costs; attitudinal	Unwilling to invest early on if sales are not guaranteed.  Perceive there to be strong competition from cheaper firms.	See Table 5.4.1  Non-exporters identified this as a barrier to export, but ITAs and Posts can advise on this through market research and market knowledge. Market research can identify the main competitors in the new market, their price point, and help MSBs to price appropriately.	See Table 5.4.1  Market research to inform pricing strategy; ITAs can help with this.
Attitudinal	Exporting not yet seen as a priority	For some, domestic sales took precedence, but ITAs could have a role in signposting MSBs to opportunities they may not have considered, or where their product could have potential for success. ITAs described a key part of their role as instilling enthusiasm and appetite for exporting in potential exporters, and therefore felt that they should be trying to signpost a greater number of opportunities to a greater number of businesses.	Use tailored messaging to promote the benefits of exporting by implementing the DIT segmentation approach. For example, for businesses in the 'Promote – communicate benefits' - segment, ITAs could provide tailored information to show where demand and opportunity could lie for them abroad.  The GREAT campaign also has a role to play.
Access to contacts and customers	Fear losing control and/or personal touch if using overseas team.	See Table 5.3.1 and 5.4.1	See Table 5.3.1 and 5.4.1

Category	Barrier	Description	Support for MSBs
	Need trusted and reputable networks, or a partner who makes exporting easy.		
Attitudinal; knowledge	Heard of bad experiences from other businesses.	Suggestion of case studies for a range of MSBs so that others can be inspired and encouraged about the benefits of selling overseas.	<p>Good news stories of successful exporters, for example using behavioural insights to inform service delivery. The GREAT campaign has adopted this approach.</p> <p>ITAs to facilitate introductions to like-minded or established exporters to share best practice and learning, including for example through the 'Export Champions' scheme.</p>
Country-specific barriers; knowledge	New regulations after EU-Exit seen as a threat to future exports.	See Table 5.3.1	See Table 5.3.1

## 6 Willingness to pay

This chapter covers businesses' willingness to pay for Department for International Trade (DIT) support in the future and highlights the perspective of International Trade Advisors (ITAs) and Posts on businesses' willingness to pay.

### 6.1 Key Findings

Medium-sized businesses' (MSBs) willingness to pay depended on four factors: personal preference, their previous experience with DIT, whether they needed expertise or not, and whether they saw support before exporting as an investment or a cost.

Those who were willing to pay would only do so if the support was bespoke, timely and they saw it as good value for money.

Operational staff felt that making MSBs pay for their services would result in a significant reduction in the number of businesses approaching them to support.

MSBs' views on how they would prefer to pay for DIT services varied depending on personal preference and how reliant participants presumed they would be on support in the future. Those who felt they would be more reliant on DIT support opted for a subscription model, whereas those who felt they would not need ongoing support preferred a pay-per-product model. There were no consistent patterns by type of exporter.

### 6.2 MSB's willingness to pay

Across the board, service users felt that initial support from DIT should remain free, but there was an acceptance that more specialist services could be chargeable (once they had established whether exporting was viable or not, and therefore worth the investment). Businesses' willingness to pay for DIT support in the future rested on certain conditions; those who were willing to pay for support needed it to be bespoke and tailored to their business, good value for money, and available in a timely fashion.

“The one thing it would have to provide would be value for money. If I was to pay £1,000 for a mailing list of 50 people and I never got a single order from those 50 people, then that would not be value for money. But if I was to pay £1,000 for a mailing list of 50 people and out of that I got orders from three of them, then that would be good value for money. That would have been the start of a relationship so that would be money well spent.”

MSB, Exporter, Service user

Willingness to pay was driven by four factors: personal preference, MSBs' experience with DIT, whether they needed expertise, and whether they saw support as an investment or a cost. These factors are discussed in turn below and in table 6.2.1.

- Personal preferences: those who were generally willing to pay for expertise, or who appreciated the cost involved for DIT to provide products and services, were willing to pay to access their support in the future. Conversely, there were MSBs who were unwilling to pay as they felt government support should be free. There were also businesses who felt they were 'already' paying for the support through their taxes.
- Businesses' previous experience with DIT: where MSBs' had positive experiences with DIT in the past, they were typically more willing to pay, whereas non-service users were more reluctant, as they had no concept of how useful the advice would be, or whether it would be worth paying for.
- Whether businesses felt they needed additional, paid-for expertise: those who did not have capacity or knowledge in-house were reliant on external sources, and fully accepted that they would have to pay for specialist, bespoke services such as translation, taxation, or legal advice. On the other hand, experienced exporters, larger businesses with expertise in-house, or those who were already paying for third party support, were unwilling to pay for DIT services in the future – they just did not need it, as they already had access to specialist support.
- Whether businesses saw support for exporting in the initial stages as a cost or as an investment: those who were willing to pay saw this as an investment – to properly assess the feasibility of exporting and to identify any pitfalls and avoid costly mistakes. This 'investment mindset' was one that ITAs and Posts stressed as very important and tried to instil in the businesses they worked with. Conversely, those who were unwilling to pay saw paid-for support in the early stages as a cost, and something they were unlikely to recoup. These businesses tended to be at the earlier stages of their export journey and wanted to limit expenditure as far as possible until they had a clearer idea about whether exporting was profitable for their business. These businesses strongly felt that it was DIT's role to help businesses assess the viability of exporting, and so this service should remain free (which was linked to their support needs being more generic).

**Table 6.2.1 Discussion of willingness to pay factors by service and non-service users.**

Willingness to pay factors	Willing to pay	Unwilling to pay
Personal preferences	<p>"I always believe that if you want to get something quality, you have to pay for it. There's no such thing as a free lunch."</p> <p>MSB, Non-exporter, Service user</p>	<p>"I don't see why I should pay for Government services. I'm already paying for it – Corporation Tax!"</p> <p>MSB, Intermittent, Non-service user</p>
Businesses' previous experience with DIT	<p>"I'm always happy to pay for expertise. We paid for the 'Passport for Export' which was great, so I'd be happy to pay again for specific advice."</p> <p>MSB, Exporter, Service user</p>	<p>"I wouldn't feel like paying to find out whether it's any good or not ... You could be paying, but you do not know what you are going to get - relevant to our business. You might get a wonderful report saying, 'for the next 20 years, country X is going to be spending £20 billion rebuilding bridges and railways', but for lower-level information that might be in the public domain anyway - I can't see any value in paying for it."</p> <p>MSB, Exporter, Non-service user</p>
Whether businesses felt they needed additional, paid for expertise	<p>"We'd expect to pay for expertise and bespoke work – translation, for example."</p> <p>MSB, Non-exporter, Service user</p>	<p>"We already pay a subscription to Tate, who help with paperwork and documentation, and ensure we're compliant. Because we already pay for their services, we don't really need any other support."</p> <p>MSB, Exporter, Non-service user</p>
Whether businesses saw support for exporting as a cost or investment	<p>"If you said to me, 'this will future proof your business in the Middle East, these guys have already walked the path you're walking and have fallen down various pit holes, and they'll stop you from doing the same, but it'll cost you a grand - could be the best grand you ever spent."</p>	<p>"With your first toe in the water, you're exploring whether it's worth doing or not ... you're so far away from making any money that you don't necessarily want to spend much. Whatever you do needs to be done on a small budget - you're not going to put vast amounts of</p>

	MSB, Exporter, Service user	resource internally, externally, or financially for the first step."  MSB, Non-exporter, Non-service user
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### 6.3 Payment methods

Businesses' views on how they would prefer to pay for DIT services varied. Those who thought they would be more reliant on DIT support, or who felt that DIT would be able to offer support regularly throughout the year, preferred a subscription-based model.

"Subscription could be very useful, actually, if there is a flow of material and insight and updates, etc. We have a number of subscriptions that the business has set up for that reason."

MSB, Non-exporter, Non-service user

However, those who felt that they would not require ongoing support or would not have a recurring need for support from DIT (typically businesses who had very specific, one-off queries), preferred a pay-per-product payment model. These businesses felt that they would be overpaying for the support they may need if they had to pay via subscription. One business suggested paying one to two per cent commission from an initial sale, and others felt that choice between subscription and pay-per-product would be the most useful.

### 6.4 Operational staff's views on MSB's willingness to pay

ITAs' and Posts' views on MSBs' willingness to pay mirrored businesses' and overall, operational staff felt that it would be detrimental to charge for their services from the outset. They were concerned that charging for services could result in a significant drop-off in business engagement, particularly among Non-exporters who had the potential to export. They felt that those who were not seriously considering exporting would not pay for their services or seek further information, if it were not something they were seriously looking into.

"Sometimes they're just looking at the market, trying to see if it's worth it or not, and even just as an initial idea, if they have to pay they might be more conscious about which kinds of markets they would go to. They'd only go to 'safe' markets."

Post, Region B

Furthermore, operational staff felt strongly that the introductory services should remain free as they were an important means of proving their legitimacy and

expertise to MSBs. Operational staff also felt that charging could take away an integral part of their role – they felt that the free nature of their service set them apart from other avenues such as consultants and sent a clear message to businesses that ITAs and Posts were invested in businesses' longevity and not driven by making money. ITAs felt that as a government body, their services should remain free.

“We’re not a government department that adds cost, we're a department that adds value. The key consideration shouldn't be 'what does it cost us to provide this support?', the question has to be focused on the return on investment - and for the work we do, that can be huge.”

ITA, Region A

Despite this, operational staff identified certain types of business that they thought may be more amenable to paying for DIT services, namely those with greater turnover who were targeting a larger export opportunity and those who were accessing tangible products (such as trade shows, matchmaking, or trade missions). As with MSBs, operational staff felt that perceptions around value for money would be crucial in determining willingness to pay.

## **7 Conclusions and implications**

### **7.1 What are the main barriers to export faced by Medium-sized businesses (MSBs)?**

MSBs faced a range of barriers when exporting or exploring whether to export, relating to access to contacts and customers, trade costs, capacity, attitudes, and knowledge, as well as country-specific issues. Lack of knowledge around the process of exporting or of regulations within the target market was consistently reported as the biggest issue facing MSBs. More niche barriers also exist around global or political events, and compliance with market-specific regulations. Examples of specific barriers experienced by MSBs include being too time-pressed to be able to conduct sufficient planning at early stages; lack of access to networks in a specific market; facing resistance from decision-makers due to exporting being perceived as risky; or lack of information and control over market-specific regulations. The impact of these barriers differs and smaller businesses and those with limited resources and budgets tend to struggle the most as a result.

### **7.2 What export promotion products and services would be most useful to address these barriers?**

As a result of these barriers, businesses had some specific support needs outlined below.

- quick access to market-specific information which is up-to-date and reliable (ideally in the form of a digital exporting manual). This is particularly important for time, or budget, pressed businesses who tend to conduct insufficient planning at early stages
- signposting and access to a locally based partner or point of contact who could provide guidance and intelligence on language, culture and local business practises. There is also an appetite for networking opportunities with potential customers
- more funding to help with costs associated with export activities above usual business, and better awareness and guidance around planning their exports and associated costs. This support is desired by businesses across all groups; however, lack of financial support affects Interested businesses - those open to the idea of exporting - the most. There is especially a need for free or low-cost support services, particularly at early stages of the export journey where the guarantees of success are low and where they face resistance from internal decision-makers
- capacity support for smaller businesses, such as access to detailed information in a quick and convenient manner to reduce time burdens (particularly for MSBs who lack general capacity), and expert legal, financial and business support to help with strategic planning where these expert capacities do not exist in-house (particularly for the smallest MSBs)



- better communication from experienced businesses and those who have been successful at exporting. Not only would this motivate uncertain MSBs, but it would also be a source of sector or market specific guidance
- more information about the risks of exporting and market-specific regulations

### **7.3 Would MSBs be willing to pay for products and services, and if so, how?**

There are a variety of factors that influence MSBs' willingness to pay for support from the Department for International Trade (DIT). Overall, service-users feel that initial support from DIT should remain free but accept the need to pay for more specialist services. International Trade Advisors (ITAs) and Posts are strongly opposed to the idea of charging for their services and feel that this would put off potential exporters from contacting them. Businesses' views on how they would prefer to pay for DIT services depended on whether they felt they would need to access ongoing support, and therefore preferred a subscription model, or only on a one-time basis and so preferred a pay-per-product model.

Personal preferences influenced willingness to pay. Those who were generally willing to pay for expertise, or who appreciated the cost involved for DIT to provide products and services were willing to pay to access their support in the future. Conversely, there were MSBs who were unwilling to pay as they felt government support should be free. There were also businesses who felt they were 'already' paying for the support through their taxes. This has implications for how DIT should market and communicate any potential charges to businesses, for example explaining how much a service may have cost the department.

Businesses' previous experience with DIT was another factor affecting their willingness to pay for support in the future. MSBs were typically more willing to pay where they had positive experiences with DIT in the past, whereas non-service users were more reluctant, as they had no concept of how useful the advice would be or whether it would be worth paying for. This implies that the value of products needs to be clear to businesses if they are being asked to pay.

Those who were unwilling to pay saw paid-for support in the early stages as a cost, and something they were unlikely to recoup. These businesses tended to be at the earlier stages of their export journey and wanted to limit expenditure as far as possible until they had a clearer idea about whether exporting was profitable for their business. These businesses strongly felt that it was DIT's role to help businesses assess the viability of exporting, and so this service should remain free (which was linked to their support needs being more generic). This suggests that it may be better to keep products targeting the start of the exporting journey free and charge for those targeting the later stages when a business is preparing to win business overseas. An alternative might be to means-test support so that only businesses who can afford it have to pay.

## 7.4 Implications for DIT

### **Improving existing products and services**

Findings from this research have highlighted the importance of tailoring existing support for MSBs to effectively address the varied barriers faced by exporters, intermittent exporters and non-exporters. DIT's segmentation approach will help to better tailor and target the messages and support given to different groups of businesses.

There is also a need for DIT to be more visible and reach a wider range of businesses, particularly given that awareness of DIT support is low but appetite to use is high. DIT are currently developing several options for prospecting to identify businesses who are not aware of DIT support but may benefit from it. This includes using data science to identify businesses who have not been supported by DIT and tailoring communications campaigns informed by the segmentation framework to allow DIT to proactively approach businesses rather than waiting for them to approach. Good news stories and positive experiences of others could help to allay concerns and motivate Non-exporters to consider exporting as a worthwhile pursuit. These are incorporated into the GREAT campaign and can be informed by DIT's behavioural insights programme to ensure the most effective messages are being used. 'Export Champions' can also be used to talk to other businesses and encourage them to export.

There is also the potential for DIT to reach more businesses whose journey into exporting is more reactive. These businesses are unlikely to seek out support from DIT, and they tend to lack the time or resources to develop detailed export strategies. These MSBs require support to build more sustainable export capabilities, and support from ITAs could help them adopt a more proactive approach to exporting. Examples from the DIT segmentation framework include the 'Reassure – develop export capacity' group - who can be helped by helping to improve and build their export capability and support with exporting to a specific foreign market.

There is also a need to improve internal communications to ensure that MSBs are getting the support they need and that Posts and ITAs can work together effectively. This will be taken forward by DIT as part of the work to improve the ITA service.

### **Informing potential new product and service delivery**

The research raises the question of what shape DIT's support should take in the future – continuing to provide in-house advice and expertise or increasing their brokering role. MSBs and operational staff feel that certain services are highly valuable and irreplaceable, for example, trade missions and tailored export planning ITA support, but see the benefit of DIT working more with local business networks and organisations such as banks. At present, DIT plays an important role in facilitating information and interactions, and any future support should take this into account. As an example, MSBs require DIT support to build stronger networks within key markets (in terms of local experts, agents, distributors and potential customers), so there is scope to develop new products to help with this.

The research also has implications for whether DIT charges for export promotion services. There is a need for free support services, particularly at the early stages of the export journey when risks are high and where some MSBs are likely to either be put off by upfront costs or adopt an unplanned or reactive approach to exporting if they have insufficient funds. However, businesses are more willing to pay for services at later stages.

Explaining to MSBs how certain services cost money to DIT would help them understand the need to charge. Businesses would also need clarity about the value of support services. It is also important to consider where support services already exist from other sources, such as in the private sector: in these instances, brokering support is another option which could be considered.

## Annex 1 – Technical Annex

This section provides more detail on the research methodology.

### 8.1 Design

The research comprised a total of 74 interviews with Medium-sized businesses (MSBs) and operational staff from the Department for International Trade (DIT). All interviews were conducted via telephone and lasted approximately 45 minutes. Interviews were conducted between 14 May and 15 June 2018.

MSBs were recruited into three priority groups, as identified by DIT:

- Current exporters who had exported their goods or services to a non-UK market within the last 12 months
- Intermittent exporters who had prior experience of exporting their goods or services (even if only on a one-off basis), but had not done so within the last 12 months
- Non-exporters who had never exported before, but self-identified as having a product or service which could be exportable

MSBs were recruited based on their exporting behaviour, with quotas set for businesses who were Current exporters, Intermittent exporters, and Non-exporters, as well as those who had accessed DIT's support services.

Operational staff were recruited into two priority groups outlined below:

- International Trade Advisors (ITAs) who provided support to MSBs from the UK
- Posts who provided support to MSBs from overseas markets

Additional quotas were set around geographic location and export market. Table 8.1.1 below shows the number of participants recruited within each quota:

**Table 8.1.1 Number of participants recruited within each quota**

<b>49 Interviews conducted with MSBS:</b>		
<b>Export Behaviour</b>	Current exporter - exported goods or services in the last 12 months	22
	Intermittent exporter -not exported in the last 12 months but have exported previously	11
	Non-exporter - never exported but self-identify as having exportable goods and services	16
<b>Relationship with DIT</b>	DIT service user	25
	Non-user	24
Secondary quotas	Mix of sectors Mix of locations in the UK Mix of exporting markets	-
<b>25 Interviews conducted with Operational Staff:</b>		
<b>Participant type</b>	International Trade Advisor	17
	Posts	8
Secondary quotas	Mix of those who work with Current exporter businesses (Sustain segment), Intermittent exporter businesses (Reassure segment), Non-exporter businesses (Promote segment) Mix of locations in the UK (ITAs only) Mix of locations overseas (Posts only)	-

## 8.2 Recruitment and fieldwork

The business sample was drawn from three sample sources, namely:

- 'National Survey of Registered Businesses' (NSRB) – businesses that had taken part in the DIT-commissioned NSRB, and who had agreed to be recontacted for further research
- Datahub - a DIT management information system which contained a list of businesses who had a relationship with DIT

- Snowballing – recruitment was undertaken via business networks as well as via ITAs who had already taken part in the research and were aware of a business they worked with which might be eligible to take part

The operational staff sample was provided by DIT.

All participants were recruited by specialist recruiters using free-find methods. A purposive sampling approach was adopted, whereby key quotas were set, and participants were recruited according to these using a screening document.

During the recruitment process, it became apparent that Intermittent exporters were a hard-to-find group. A significant proportion of Intermittent leads in the sample had either started exporting again (which put them in the Current exporters category) or stated they had never exported before (which put them in the Non-exporters category). Further snowballing through ITAs was also largely unsuccessful. Owing to these difficulties sourcing Intermittent businesses, three interviews were conducted with eligible businesses with between 20 and 49 employees.

Interviews were undertaken by Ipsos MORI researchers using a discussion guide agreed with DIT, which was designed to reflect the aims and objectives of the study. Separate guides were used for the MSB and operational staff interviews.

### **8.3 Analysis**

Interviews were recorded (with informed consent being gained from respondents) using encrypted digital recorders in line with data protection. Interviewers wrote detailed notes, listening back to recordings to ensure no data was lost. The data generated from these interviews was systematically managed using a framework approach. This approach supports case and theme-based analysis. The analytical stage involved working through summaries, drawing out the range and diversity of experiences and views, identifying similarities and differences, and interrogating the data to explain emergent patterns and findings.

Analysis was conducted in two stages:

1. Data management stage: involved reviewing, sorting, labelling and synthesising the raw data.
2. Interpretation stage: interrogated the data using a content analysis approach. This enabled the research team to map the data, drawing out key themes and patterns (including differences by sub-group).

Please note, qualitative research is used to map the range and diversity of different types of experiences rather than indicate the prevalence of any one particular experience, as such, numerical language is not used, and findings are not aimed to be statistically representative.

## Annex 2 – List of references

### A2.0 Executive Summary

Office for National Statistics, (2017), [‘UK Businesses: Activity, Size and Location’](#)

HM Revenue and Customs, (2017), [‘UK Trade in Goods by Business Characteristics 2016’](#)

Department for International Trade, (2018), [‘National Survey of registered businesses’ exporting behaviours, attitudes and needs’](#) 500k+ Small and Medium Businesses Report

Table 1:

Department for International Trade, (2014), [‘Guides for UK businesses who are interested in selling overseas’](#)

Department for International Trade, [‘GREAT: Selling Online Overseas’](#)

GOV.UK, [‘Find overseas customers and export opportunities’](#)

Department for International Trade, [‘GREAT: Find a buyer’](#)

Department for International Trade, [‘GREAT: Find opportunities to export’](#)

GOV.UK, (2014), [‘Tradeshaw Access Programme \(TAP\)’](#)

Department for International Trade, (last updated 2019) [‘GREAT: Payment methods for exporters’](#)

China-Britain Business Council [‘Doing Business with China’](#)

### A2.1 Introduction

Office for National Statistics, (2017), [‘UK Businesses: Activity, Size and Location’](#)

### A2. 2 Exporting Behaviours

Department for International Trade, (2018), [‘National Survey of registered businesses’ exporting behaviours, attitudes and needs’](#) 500k+ Small and Medium Businesses Report

### A2.3 Barriers to Exporting

Department for International Trade, (2018), ['National Survey of registered businesses' exporting behaviours, attitudes and needs'](#) 500k+ Small and Medium Businesses Report

Department for International Trade, (2021), 'Barriers of exporting businesses and the role of export promotion in addressing them'

#### **A2.4 Perceptions of export support**

Department for International Trade, (2018), ['National Survey of registered businesses' exporting behaviours, attitudes and needs'](#) 500k+ Small and Medium Businesses Report

#### **A2.5 Export Support offer for MSBs**

Table 5.2.1

Department for International Trade, (2014), ['Guides for UK businesses who are interested in selling overseas'](#)

Department for International Trade, ['GREAT: Selling Online Overseas'](#)

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GOV.UK, (2014), ['Tradeshaw Access Programme \(TAP\)'](#)

Table 5.3.1

Department for International Trade, (last updated 2019) ['GREAT: Payment methods for exporters'](#)

GOV.UK, ['Find overseas customers and export opportunities'](#)

China-Britain Business Council ['Doing Business with China'](#)

Department for International Trade, ['GREAT: Selling Online Overseas'](#)





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