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Qualitative research with businesses on intra-UK trade

The Office for the Internal Market

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1 Introduction

In August 2022, BritainThinks was commissioned by the Office for the Internal Market (OIM) to conduct qualitative research with UK businesses. The focus of this research was understanding the potential impact of regulatory difference between UK nations on intra-UK trade. This report sets out the findings from the research, which consisted of 45 in-depth interviews and four workshops with business participants.

1.1 Context for this research

Following the UK's departure from the EU, powers have been returned to the UK Government and Devolved Governments which increase the possibility of regulatory differences (and, in turn, potential trade barriers) between the four UK nations.¹

On the one hand, this change presents an opportunity for each of the UK nations to implement rules and regulations which deliver against their individual policy goals; for example, each nation has announced significant policy initiatives around protecting the environment and tackling climate change. On the other hand, differences in rules and regulations between each nation could create barriers to trade across the UK internal market, due to the costs that businesses face in understanding and complying with them.² Whilst it is possible that each government will adopt similar or the same approaches in many policy areas, differences in policy details and timings may still have substantial implications for UK businesses.

The Office for the Internal Market (OIM), which is part of the Competition and Markets Authority (CMA), was established to support the effective operation of the UK internal market. The OIM's role is to independently advise the UK Government and Devolved Governments on how specific laws, rules and regulations impact the UK internal market, as well as to monitor and report on how well it is working.

The OIM is due to produce its first statutory reports in spring 2023 on the operation of the UK internal market and on certain other aspects of the internal market, including in relation to the Market Access Principles (MAPs) and Common Frameworks (CFs).³

¹ The UK Government, Scottish Government, Welsh Government, and Northern Ireland Executive.

² The 'UK internal market' refers to the set of trading relationships within and across the four nations of England, Scotland, Wales, and Northern Ireland, as opposed to trade between the UK and the rest of the world.

³ The UK Internal Market Act 2020 lays down a set of principles, referred to collectively as the Market Access Principles (MAPs), which aim to ensure that UK businesses can trade seamlessly across all nations of the UK, irrespective of regulatory differences between one or more of those nations. Common Frameworks are non-statutory agreements between the UK Government and the Devolved Governments to establish how devolved or transferred matters previously governed by EU law are to be regulated after the UK's exit from the EU.

1.2 Research objectives

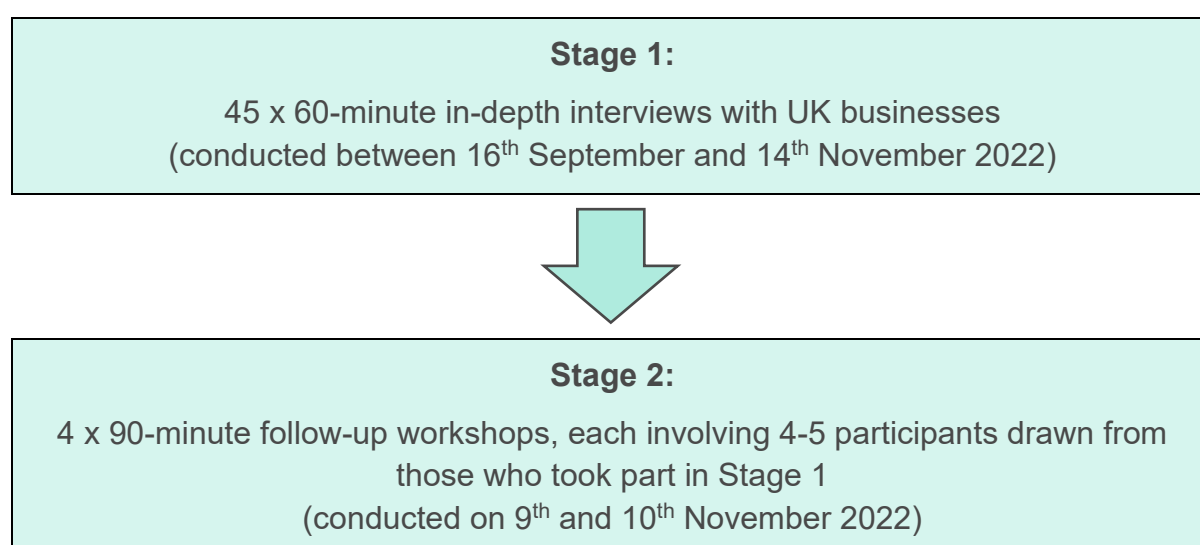
In August 2022, the OIM commissioned BritainThinks to conduct qualitative research with a sample of 45 UK businesses in four sectors of the economy to explore their experiences and perceptions of intra-UK regulatory difference (i.e., differences that may arise as a consequence of governments exercising their powers to make laws for their own nations in certain policy areas). These sectors – Agriculture, Food and Drink, Manufacturing, and Construction – were identified by the OIM as being those most likely to be affected by potential regulatory difference at this time. The findings from this research will be used by the OIM (alongside a range of other evidence) to inform the content of its statutory reports.

The research explored the following topics:

- The importance of intra-UK trade for UK businesses, on both the supply side and demand side.
- Experiences of adapting to regulatory difference to date and any preparation in anticipation of potential future regulatory difference within their sectors.
- How UK businesses think they would respond to instances of hypothetical regulatory difference, and the impact this would have.
- Levels of awareness amongst businesses of the existence and application of the MAPs, and how this knowledge affects their potential responses to regulatory difference.
- The ways in which businesses conceptualise and talk about internal market issues.

1.3 Research methodology

We conducted two stages of qualitative research with businesses engaging in intra-UK trade, as set out below:



A qualitative approach was adopted because we wanted to fully explore and understand the responses of each participant to the nuanced and at times hypothetical issues covered during the research, such as potential reactions to changes in intra-UK trade regulation. Our methodology allowed participants the time and space to engage with and react critically to what was usually new, as well as reasonably complex, information in a readily digestible way, allowing an informed response to the topics being considered.

This need to ‘take participants through’ the research meant that in-depth interviews were felt to be the most appropriate methodology at Stage 1. Having one-to-one interviews ensured participants could reflect upon new information at their own pace and allowed the flow of conversation to be flexible around each business’ particular experiences. At Stage 2, deliberative-style, follow-up workshops provided an opportunity to delve more deeply into the hypothetical scenarios (see below) and for participants to compare perspectives and develop their thinking in discussion with their peers.

An important feature of the research programme was the inclusion of the following ‘hypothetical scenarios’:⁴

Scenario 1:

In your business, the main good/product you manufacture contains a specific input. One UK nation bans the sale of goods/products containing this specific input.

Scenario 2:

One UK nation imposes new labelling requirements on the main good/product that you manufacture.

Scenario 3:

One UK nation bans the supply of your services in its nation unless service providers like you comply with a new and additional (regulatory) requirement.

These were used to provide businesses with an illustrative, generic example of an instance of intra-UK regulatory difference that could be relevant to them. The scenarios were written at a high level, with participants filling in certain details (for example, the ‘specific input’ in Scenario 1 and the UK nation introducing the regulatory difference in all scenarios) to make sure that the particular eventuality discussed during the interview was pertinent to each business. In this way, the scenarios helped us to understand responses to regulatory difference at a practical level, and ensured participants remained focussed on the impact of, and their likely response to, possible differences.

⁴ Sometimes simply referred to in this report as “the scenarios”.

Stage 1 details

Over the course of each interview, participants were presented with the following pieces of information:

1. A brief description of how Brexit has returned powers to the UK Government and Devolved Governments, resulting in the increased possibility of regulatory differences between UK nations
2. One of the three hypothetical scenarios of regulatory difference⁵
3. An introduction to the UK Internal Market Act and the OIM
4. An introduction to the MAPs, including the principle of mutual recognition and the principle of non-discrimination

The information was shared in the order given above, to allow us to capture spontaneous as well as informed views on the topics in question, and to ensure a logical 'flow' to the conversation, with each piece of new information building on the last. A full discussion guide and the exact stimulus information shown to participants is provided in the Technical Annex.

Stage 1 in-depth interviews were conducted iteratively, starting with five pilot interviews to ensure that the discussion guide agreed with the OIM was working as intended. After the pilot interviews, the methodology was found to be working effectively and we proceeded with the mainstage 40 interviews.

Overall, the research aims of Stage 1 in-depth interviews were to:

- Understand the importance of intra-UK trade for businesses.
- Gauge awareness of the potential for regulatory difference within the UK and understand any experiences of adapting to regulatory difference to date.
- Understand how businesses might respond to hypothetical instances of regulatory difference.
- Gauge awareness of the existence and application of the MAPs.

Stage 2 details

After the participants were all introduced to the research topic and had shared their initial views through the interviews, we felt it would be beneficial to hold follow-up workshops in which businesses could speak with each other and compare thoughts on the potential impacts of intra-UK regulatory difference on their businesses and intra-UK trade. These groups facilitated an exploration of any development in participants' attitudes towards intra-UK regulatory difference and the MAPs since their interview (i.e., after having time to reflect further on our questions, perhaps in

⁵ For the interviews, the scenario that was most relevant to each business was decided by the BritainThinks team following the recruitment screening call.

conversation with their colleagues) and also in response to the different experiences and perspectives of representatives from other businesses.⁶

The workshops were grouped by sector as it was felt this would bring out the clearest insights from discussions between businesses on the topic of trade. Furthermore, the business sector in which they operated gave a good indication of which hypothetical scenario would most be relevant for each business. It was decided that Scenario 1 (input ban) would be tested with the Agriculture and Construction groups, with Scenario 2 (labelling) covered by the Manufacturing and Food and Drink groups.

Given weaker engagement with Scenario 3 in the interviews, it was agreed that it would be less successful for understanding participants' views on the non-discrimination principle, and Scenario 3 was therefore excluded as a topic of discussion from the workshops. The workshops focussed instead on the principle of mutual recognition, using Scenarios 1 and 2. Businesses that had responded to Scenario 3 in the interviews responded to Scenario 1 in the workshops.

The overall aims of the workshops were to:

- Explore in more detail how businesses would react to the scenario they discussed in the mainstage interviews, by drawing on reflections from other businesses in their sector.
- Explore in depth in what circumstances businesses would rely on the MAPs in relation to potential UK regulatory difference.
- Identify and understand what businesses think they need to ensure smooth and efficient intra-UK trade in the event of regulatory difference.

1.4 Recruitment approach and sample

Businesses were recruited to take part in the research programme either by members of the BritainThinks team, or through our trusted network of external recruiters. Our external recruiters were briefed and given copies of the sample specification and screening questions (included in the Technical Annex) to ensure they found participants who were suitable to take part in the research.

Internally, we used freely available data such as that provided by Companies House, supplemented by search engine results, to build a sample list of potential businesses and representatives. Once we had built a contact list, we sent invitation emails and made telephone calls to prospective participants (or to their business, depending on the contact information available), explaining the nature and purpose of the research, as well as the criteria necessary to take part. This included the requirements that businesses must be engaging in intra-UK trade and participants must have

⁶ In these discussions, moderators ensured that participants avoided any anti-competitive exchange of commercially confidential information.

considerable knowledge of that trade within their business. For those who were interested in taking part, we followed up with a number of screening questions to ensure they would be suitable participants for this research, before scheduling a date and time for the interview.

Interviews

We conducted interviews with a total of 45 participants, recruited from a selection of UK-based businesses that engage in intra-UK trade.

The sample included businesses from four target sectors – Agriculture, Food and Drink, Manufacturing, and Construction – as these sectors were identified by the OIM as being the most likely to be affected by potential regulatory difference at this time. The sample was also designed to ensure coverage of businesses in all four UK nations, and a range of business sizes.⁷

The achieved sample of businesses that took part in the research is summarised in the tables below:

SIZE					
	England	Scotland	Wales	N. Ireland	Total by size
Micro (1-9)	1	1	2		4
Small (10-49)	4	4	4	5	17
Medium (50-249)	5	4	2	1	13
Large (250+)	6	3	1	2	12
Total by nation	16	12	9	8	45

SECTOR					
	England	Scotland	Wales	N. Ireland	Total by sector
Agriculture	1	2	3		6
Food and Drink	3	5	2	1	11
Manufacturing	6	3	2	6	17
Construction	6	2	2	1	11
Total by nation	16	12	9	8	45

Due to certain businesses proving more difficult to recruit (for example, large companies in Wales and Northern Ireland, and large businesses in the Agriculture sector), our final counts do not wholly reflect the original target sample profile, which was to be evenly distributed across nation, business size and sector.

A full explanation of the recruitment approach for the interviews is provided in the Technical Annex and includes the following information:

- The target sample specification
- A copy of the invitation email template, call script and screening questions
- The achieved interview sample breakdown (including the size, sector and

⁷ The size of the company was defined by number of employees: 'microbusiness' as 9 employees or fewer; 'small' as 10-49 employees; 'medium' as 50-249; and 'large' as 250 employees or more.

nation of each business interviewed, along with the job title of the interviewee)

Workshops

Having obtained an indication from participants at the end of each interview as to whether they would like to attend a follow-up workshop, we sent invitation emails to interested participants in small, medium and large businesses.⁸ We then sorted those who accepted into four workshop groups, according to business sector but also participant availability.

Four participants took part in each of Workshops 1, 3 and 4, and five took part in Workshop 2. The achieved sample breakdown for the workshops was as follows:

	Workshop 1		Workshop 2		Workshop 3		Workshop 4	
Sector counts	Agriculture	2	Manufacturing	5	Food and Drink	4	Construction	3
	Manufacturing	2					Manufacturing	1
Size counts	Large	1	Large	1	Large	2	Large Small	3 1
	Medium	1	Medium	3	Medium	1		
	Small	2	Small	1	Small	1		
Nation counts	England	1	England	2	Wales Scotland	2 2	England	2
	Wales	2	Scotland	1			Wales	1
	N. Ireland	1	N. Ireland	2			Scotland	1

A version of this table which describes the particular businesses that took part in each workshop is included in the Technical Annex, alongside a full explanation of our recruitment approach for the workshops.

1.5 A note on the analysis and report

As is the nature of qualitative research, the findings in this report are reflective of what individual participants in our sample *thought* and *said*. However, businesses recruited to take part in the research were neither a representative cross-section of all businesses that engage in intra-UK trade in their respective sectors, nor of all businesses in the UK that engage in intra-UK trade. Consequently, the findings are illustrative and not generalisable.

While qualitative research is not intended to be a robust quantitative measure of the incidence of views and opinions, we do include some indicative references as to how widespread a view was within our sample. The report uses the following quantifying terms to provide an indication as to how widely held the finding is:

⁸ Please see the Technical Annex for an explanation of why micro businesses were excluded from involvement in the follow-up workshops.

- Few / a minority: <25% of the sample
- Some: 25%-50% of the sample
- Many: 50%-75% of the sample
- Most / a majority: 75+% of the sample

Sub-group differences have been highlighted in this report where a particular view was expressed by most participants in a given sub-group, and this was either different from, or a development of, the general business view. While the sample size allowed us to do some indicative, comparative analysis by business size, sector or nation, it was not large enough to permit comparative analysis on a combination of these variables.

During the research programme, participants were engaging with a number of complex issues, which, whilst salient to their businesses, were not necessarily things they had considered in any detail previously. Descriptions of key terms were therefore provided to participants to ensure discussions were fully informed. These included:

- Intra-UK trade: By intra-UK trade we mean trade (either buying or selling goods/services) with other UK nations.
- Regulatory difference: Since leaving the EU, the UK Government and Devolved Governments have regained powers to determine rules and regulations formerly made by the EU concerning the sale/purchase and/or supply of goods and services. This means there could be regulatory difference in the future – in other words – different rules and regulations between each UK nation.

While ‘regulatory divergence’ or ‘divergence’ was the terminology used in the research materials and during the interviews and workshops discussions, this report uses ‘regulatory difference’ or ‘difference’.

It should be noted that in both stages of the research, participants’ understanding of the different parts of the discussion (i.e., regulatory difference, the internal market, the MAPs) was varied, and the views expressed may not always be factually accurate. Similarly, contextual factors in each sector may encourage businesses to have different priorities when answering questions on these topics.

Lastly, while some participants spontaneously raised the Northern Ireland Protocol (the Protocol) as an example of regulatory difference, participants were advised by moderators that it was out of scope for further discussion. Northern Ireland is part of the UK internal market and included in the OIM’s reporting functions. However, the Protocol and legislative provisions which are necessary to give effect to it are outside the scope of the OIM’s functions under the UK Internal Market Act 2020. Therefore, while this report does include some Protocol-related findings, they are based purely on participants spontaneously raising the Protocol during the interviews or workshop discussions. The discussion guides and stimulus materials did not include any

coverage of this topic, nor are issues pertaining to the Protocol covered in detail in this report.

1.6 Summary of findings

Experiences of intra-UK trade

While businesses were invited to participate in the research on the basis of having *some* involvement in intra-UK trade, it often accounted for a large proportion of their business and was vitally important to them. Due to only a minority of businesses experiencing regulatory difference within the UK to date, most regard intra-UK trade as working smoothly, currently.

There was low spontaneous awareness that the UK Government and Devolved Governments have regained powers to determine rules and regulations concerning the sale and purchase of goods and services across UK nations following Brexit. Moreover, the potential for regulatory difference being a result of the UK leaving the EU is not intuitively associated as being one of the outcomes of Brexit.

Views on intra-UK regulatory difference

Participating businesses felt overall that the potential introduction of intra-UK regulatory differences is counter-intuitive given the cost, logistics and administrative complications associated with regulatory compliance. When prompted, many businesses struggled to identify the benefits associated with intra-UK regulatory difference. A minority of businesses stated that in theory some opportunities could arise, including their company gaining competitive advantages through compliance that was more difficult for other businesses to achieve, or by allowing for beneficial regulatory developments to be adopted in at least some UK nations (and perhaps be copied in other nations or observed more widely than just in the nation that required them). For the few who had experience of existing intra-UK regulatory difference, it was largely perceived to have been disruptive.

The prospect of future regulatory difference across UK borders is seen as particularly challenging in the current climate, with businesses highlighting a tough operating context affected by the aftermath of the Covid-19 pandemic, the rise in the cost of living, the war in Ukraine, the Northern Ireland Protocol, and Brexit-related challenges, all of which are putting significant pressure on business finances and resilience. This context led many businesses in our sample to state they were currently risk-averse and wary of further change that could introduce uncertainty, such as future regulatory differences.

When learning about the potential introduction of regulatory difference, businesses initially struggled to understand what would drive such a policy change. This was largely due to the lack of clear perceived benefits and a lack of understanding on which parties could be driving it. On further consideration, some participants

recognised that consumer interests (such as improved health and safety) or a nation's political priorities (such as environmental protection) may be at its heart.

When presented with the prospect of additional intra-UK regulatory differences, businesses could identify the types of issue that might emerge for them from such differences. This included disadvantages, i.e., logistical and administrative challenges, difficulties understanding the varying rules and regulations across nations, the added costs associated with regulatory compliance, and the potential creation of competitive disadvantages. These were seen to outweigh potential business advantages, such as the possibility of a short-term competitive edge gained from swift compliance.

Regardless of whether businesses had experience of regulatory difference either in the UK or Europe, there was an overall feeling that intra-UK regulatory difference would be a cost of doing business, rather than a barrier to trade per se.

Intra-UK regulatory difference was not an eventuality that businesses felt the need to prepare for at this moment in time. Rather, most businesses emphasised that they would respond to differences as and when they occurred. This was largely due to the low awareness of existing or proposed regulatory differences, the fact that most businesses felt it would be more cost-effective to adapt to changes reactively than proactively, and a feeling that the nature of possible regulatory change is difficult to predict.

Impact of future intra-UK regulatory difference

When prompted with different hypothetical scenarios of regulatory difference, participants outlined their thinking on how such an occurrence would affect them. All of this discussion took part prior to participants' exposure to information about the MAPs.

Scenario 1 (in which one UK nation bans the sale of a key input used in a good or product) was considered problematic across the board, as any such change was felt to go to the heart of business operations and would require significant resources to mitigate or resolve. It is the only scenario we tested that research participants considered to be a potential existential threat, particularly by businesses who were very dependent on a specific input.

The response to Scenario 2 (in which one UK nation introduces new labelling requirements) was more varied. Some said it would have a minor impact on their business, due to their prior experience in tailoring specific labels and the associated costs not being too high. Others, however, foresaw deeper logistical challenges that could arise and believed that it could cause ongoing costs and issues for their business.

Scenario 3 (in which one UK nation bans a service unless the business complies with a new, additional regulatory requirement) has the potential to be significantly disruptive to services businesses. The major issues that businesses anticipated in

this scenario include the logistical costs of adopting new regulations for specific nations, the difficulties associated with demonstrating compliance, and the 'anti-competitive' risk of other businesses not complying. While most businesses felt they could adapt to similar scenarios due to their past experience of complying with regulation, the prospect of each UK nation having a range of different regulatory requirements was concerning.

Response to the Market Access Principles (MAPs)

There was next to no prior awareness of the MAPs amongst our sample. Only a couple of businesses said that, along with the UK Internal Market Act, they sounded familiar, but they were then unable to provide detail of the MAPs unprompted.

After being presented with information about the MAPs, many participants who had earlier expressed concern about new intra-UK regulatory differences said that knowing about the MAPs helped to alleviate their misgivings. They felt the MAPs could diminish the negative impact for their business caused by further intra-UK regulatory differences. As such, many businesses said they would consider relying on the MAPs in order to be able to continue trading.⁹

Meanwhile, some businesses in the interviews had a negative initial reaction to the MAPs, questioning whether they would be sufficient to create smooth intra-UK trade or whether they would introduce more disruption into the UK market. Some were also sceptical of the possible administrative burden involved, as well as potential legal and reputational risks surrounding the MAPs, adding to a hesitance to rely on them.

In the follow-up workshops, when businesses had reflected on the information shared in the in-depth interviews, perceptions of the MAPs shifted to an increased hesitance to rely on them. This derived from concerns that the MAPs may create competitive disadvantages for businesses from nations where the regulation is introduced, and from a lack of clarity on what precisely relying on the MAPs would involve (as well as the time and costs associated with doing so).

⁹ It is important to note that because of the low prior awareness of the MAPs, and the very high level nature of the information we provided about them during the interviews, this finding should be interpreted as a hypothetical willingness from participants to consider relying on the MAPs, rather than an indication of how many would choose to rely on the MAPs in practice.

2 Experiences of intra-UK trade

Discussions with research participants commenced with an introduction to their business and their involvement in intra-UK trade. While they were invited to participate in the research on the basis of having *some* involvement in intra-UK trade, it is worth noting that in most instances it accounted for a large proportion of their business. Overall, intra-UK trade was seen as vitally important for the businesses that took part in this research.

“[Intra-UK trade] is very important for us. We have a varied customer base across the nations, both direct to consumer and industrial.”

(Medium, Northern Ireland, Manufacturing – Textiles)

For small businesses in particular, who were much less likely to trade internationally, trade within the UK was considered especially important for their survival and growth. More broadly, there was a greater reliance on trade with England due to the relatively larger size of the market, as well as its geographic proximity to all other UK nations.

2.1 Views of intra-UK trade

Intra-UK trade plays an important role in the operations of participating businesses, and most see current intra-UK trade as working smoothly, with very few examples of regulatory difference arising.

“As far as I’m concerned there is no difference in regulations between the UK nations.”

(Small, Wales, Agriculture)

“There isn’t really an issue [with intra-UK trade]. We ship out hundreds of orders a day across all of the UK. It doesn’t matter which nation, because it comes through the same system... we don’t notice any difference.”

(Large, England, Manufacturing – Toys)

Meanwhile, there is low spontaneous understanding that powers returning to the nations of the UK following Brexit could have a substantial impact on how intra-UK trade functions in the future. On prompting, there was little realisation as to why the UK leaving the EU would result in the possibility of further regulatory difference within the UK.

“At the end of the day we’re all living in the same [UK], how can it be that [there are different] regulations on one side of the border – how can it make things better for the whole world?”

(Medium, Wales, Agriculture)

Research participants felt that introducing intra-UK regulatory difference is counter-intuitive given the cost and administrative complications associated with regulatory compliance. Instinctively, businesses assume that the effects of complying with future regulatory differences will be negative for their business due to the cost and administrative burdens. The common perception that regulatory difference is counter-intuitive and that the effects of future regulatory difference will be negative was felt by businesses across the sample, in all nations.

“I’m not aware of anything specifically that would impact us, but I would suggest it be avoided. It’s a bad idea and it’s only going to make it more complex to do business and increase the burden of businesses. I don’t see any benefits to be perfectly frank.”

(Small, Northern Ireland, Manufacturing – Clothing)

Due largely to a lack of intra-UK difference experienced so far, businesses continue to see the UK as one market. Furthermore, there is no evidence that national borders are factoring into business decision-making such as where to buy and sell. More typically, businesses reported disregarding internal UK borders and instead making decisions and plans based on customer demand, supplier availability, cost and travel distances. Businesses said that they conduct cost-benefit analyses, drawing on these four factors, to determine whether it is economically viable to buy from a certain supplier or to sell to a certain customer or market.

“While there are a number of factors that we consider such as factory requirement, supply availability and sustainability, it all comes down to the costs associated with these.”

(Large, England, Manufacturing – Clothing)

2.2 Current experiences of regulatory difference

On prompting, most businesses in our sample had not experienced intra-UK regulatory differences to date and did not anticipate experiencing it in the future. Out of the total sample of 45, five could recall an example of differences not related to the Northern Ireland Protocol.¹⁰ Of these:

¹⁰ We heard from seven businesses that had experienced regulatory difference in trade with Northern Ireland which was directly related to the Northern Ireland Protocol. Of these seven, two were in

- Three were small businesses, one was a medium business, and one was a large business.
- Two, both based in England, traded with Wales (one in Agriculture and one in Construction).
- Two, one based in England (Construction) and one in Northern Ireland (Manufacturing), traded with Scotland
- One based in Scotland (Food and Drink) traded with England.

Actions taken by businesses that had experienced intra-UK regulatory difference included the following:

- Obtaining and providing accreditations for a service or product (raised by a business in Scotland).
- Changing the label on a product.
- Providing a different quality or amount of good (for example, having to meet different insulation standards in Wales, differences in sugar content permitted in food in Scotland, and being required to use a different amount of fertiliser in Wales).
- Abiding by a new regulation regarding a particular business practice (for example, rules about culling animals in Wales).

“There are differences between the governments [of the UK] and their policies. For example, the amount of fertiliser you can apply to the ground, or how to cull animals... This puts us at a disadvantage compared to farms in England.”

(Medium, Wales, Agriculture)

“There are slightly different legislations [sic] [across the different nations in the UK]. For example, between England and Scotland there is a different minimum unit pricing on alcohol, and there is a difference in the fat and sugar content permitted in food.”

(Large, Scotland, Food and Drink)

For those who had experience of it, the impact of intra-UK regulatory difference was largely reported as having been disruptive or costly to their business. These businesses said that it had limited their productivity and reduced their competitive advantage. Changes that had to be implemented involved:

Agriculture, one in Retail, one in Construction and three in Manufacturing. Northern Ireland is part of the UK internal market and included in the OIM's reporting functions. However, on the basis that the Protocol and legislative provisions which are necessary to give effect to it are outside the scope of the OIM's functions under the UK Internal Market Act 2020, the Protocol was out of scope of the research described here.

- Changing processes to meet new regulations
 - Increasing or shifting the focus of working hours to achieve this
- Spending additional time managing relationships with suppliers or customers

“These [regulatory differences] happen because of the different Governments. They have caused us lots of headaches especially in changing some of our farming processes.”

(Medium, Scotland, Agriculture)

2.3 Other factors contributing to business decision-making

Throughout the research, participants alluded to a tough and uncertain business environment that is putting significant pressure on their finances and testing their resilience. They referred to a number of external factors that are contributing to the broader landscape, including:

- the aftermath of the COVID-19 pandemic and related ongoing challenges;
- the rising cost of living;
- the war in Ukraine;
- the Northern Ireland Protocol;
- Brexit.

This context created a risk-averse mindset amongst businesses in our sample and a wariness of further change or anything that might introduce uncertainty into their business planning, such as future regulatory difference. The concern was that any degree of volatility may require additional financial outlays or other resource, something that businesses were keen to minimise where possible given their low levels of resilience in the current context.

This complex context appeared to influence how participants engaged with the research materials and scenarios, with participants showing high levels of frustration and nervousness that regulatory differences may be introduced during a time of uncertainty and financial complications.

The COVID-19 pandemic

Businesses told us that the COVID-19 pandemic had a significant impact in almost every aspect of their work, ranging from short-term regulations such as adhering to social distancing in workplaces, to longer-term impacts such as changing office working expectations and altered consumer purchasing behaviours. The pandemic also had significant impacts on supply chains due to freight issues and workforce limitations meaning businesses were unable to access key supplies. Manufacturing and Construction businesses in our sample were more likely than businesses from other sectors to highlight the impact of these challenges on their business.

“With COVID-19, there were big delays in shipments coming in. Freight costs went through the roof. We had a year of survival, and then a year of going back to normal but having no stock.”

(Medium, England, Construction)

The rise in cost of living

The rise in cost of living was a significant concern for all research participants who felt their businesses were suffering as a result. Businesses reported seeing the impact of inflation on their bottom line – simply put, the crisis has increased the cost of doing business. Many participating businesses were also conscious of the squeeze on consumers’ disposable income and the knock-on impact this was having for them. For some, this was evident in reduced sales or lower spend per customer. Some other businesses reported feeling the pressure on their profit margin from being unable to pass on increased costs to customers.

“Price is a huge driving factor especially now with the cost of living, customers just want the cheapest that they can get. We’ve noticed ourselves that the higher price models are less likely to be sold than the cheaper models. People want the cheaper option, and the cost of living has had a big impact on our sector.”

(Large, Northern Ireland, Construction)

The war in Ukraine

The war in Ukraine was most commonly mentioned in terms of its impact on energy prices. This can be seen to have affected a range of businesses in the sample, but participants in the Manufacturing and Food and Drink sectors had particularly strong concerns, given the significant amounts of energy required for their production processes.

The impact on supply chains and related costs was also reported by some participants and often characterised as ‘significant’ or even ‘potentially fatal’ if the disruption carries on longer term. Those in the Agriculture and Food and Drink sectors were more likely to have strong concerns about this, where there was reliance on supplies originating from Ukraine, most notably wheat.

“Some things we need from certain suppliers outside the UK, and once we got paperwork and regulations sorted it was fine, but a major blow was everything with Ukraine, which made things extremely difficult for a three- or four-month period.”

(Medium, England, Food and Drink)

The Northern Ireland Protocol

Spontaneously, businesses engaged in trade to and from Northern Ireland referenced the Protocol as an example of intra-UK regulatory difference. Many businesses that regularly trade with Northern Ireland, as well as those based in Northern Ireland, had experienced administrative and logistical challenges impacting supply chains as a result of the Protocol. Some businesses based in Northern Ireland went one step further by suggesting that trading between Northern Ireland and the rest of the UK has become more difficult and burdensome than trading with EU nations. As a result, a number of Northern Ireland-based businesses (particularly smaller businesses) see themselves competing at a disadvantage compared with other UK businesses.

“You now have to fill in forms when trading with mainland UK because of the Northern Ireland Protocol... It has become more costly to trade with the rest of the UK, as well as it being more burdensome.”

(Small, Northern Ireland, Manufacturing – Packaging)

“We don’t have a huge amount of business in Northern Ireland, but it’s a pain in the neck because the shipment there will have to get custom forms filled in for it, which are not the same as the custom forms we have to fill in for rest of the world, and then once the shipment has gone we then have to go back to the system and put their details in the portal.”

(Medium, Scotland, Food and Drink)

Their negative experiences of the Protocol influenced how some businesses responded to the fact that each nation in the UK now has the power to introduce its own new and different rules and regulations, creating a sense of frustration.

Brexit

The UK’s exit from the EU is seen to have caused challenges for many businesses (particularly larger businesses who are more likely to trade with Europe), who say they are spending additional time and money having to deal with regulatory difference with EU countries (although none reported having ceased trading with Europe). To their minds, it has caused significant logistical challenges for which they have not received sufficient support, creating a common view among some businesses in the sample who regularly trade with the EU that the transition has been ineffectively managed.

The core challenge presented by Brexit was described as the additional administration required to continue trading with EU countries. Examples included having to provide safety and security declarations, having to provide additional detail on Country of Origin certification, and having to submit to more health and safety inspections.

Many businesses also attributed some of the increased costs and time in their supply chain to Brexit (as well as to the war in Ukraine) which had caused further delays and led to higher direct costs for their trade with Europe. Across the sample, this can be seen to have caused greater disruption and therefore greater harm to businesses that relied heavily on suppliers in the EU before Brexit.

“We’ve had real challenges with Brexit and not being able to get the product from our suppliers, and even sending it to customers in Europe. Brexit has been a logistical nightmare.”

(Large, Northern Ireland, Manufacturing – Pharmaceuticals)

“Due to Brexit and shortages of plastics around the world, we had to decide whether to pull our product out or fight it.”

(Small, England, Construction)

The experience of UK-EU regulatory difference has created the perception that regulatory difference is seriously disruptive and creates concern that regulatory difference within the UK would create more such issues.

“We did an awful lot to try and prepare for Brexit, but we found that anything we thought of was superseded by what actually happened. We didn’t have a clue what was going to happen next. Preparations have been tricky. We tried to put ourselves in a position where we could respond to a change in circumstances, but it became impossible to predict.”

(Small, Northern Ireland, Manufacturing – Clothing)

For a minority, however, having experience in complying with different regulations in the EU has made them more confident in being able to adapt to regulatory difference in the future.

“Logistically it would obviously cause issues, but we already deal with it with different countries so we would be able to think about getting round it.”

(Small, Wales, Manufacturing – Electronics)

3 Perceived impact of future regulatory difference

Research participants were then shown the following information regarding the potential for greater intra-UK regulatory difference following Brexit:¹¹

Since leaving the EU, the devolved administrations and the UK Government have regained powers to determine rules and regulations concerning the sale/purchase and/or supply of goods and services. This means there could be regulatory divergence in the future, i.e., different rules and regulations between each UK nation.

Note: this is separate to the issue of the Northern Ireland Protocol.

Initially, many businesses struggled to understand what would drive intra-UK regulatory difference. This was largely because the benefits weren't immediately evident to them, so it was harder to understand which parties would be driving it. On further consideration, some participants said that consumer interests (such as improved health and safety) or political interests (such as nations pursuing greater autonomy) may be at its heart.

"If divergence was coming about [I assume it would be] as a result of greater autonomy or independence in Scotland."

(Medium, Scotland, Manufacturing – Production Equipment)

On further deliberation in the individual in-depth interviews, participants were asked to identify potential opportunities arising from, and risks associated with, future regulatory difference within the UK. This was prior to learning about the MAPs.

3.1 Perceived disadvantages

Most participants found it difficult to see how intra-UK regulatory difference would be of benefit to them. It was broadly seen to present disadvantages to businesses and even to put a strain on the UK economy more widely.

Many businesses, from across all UK nations, also stated that the UK *should* be united and working together on trade, given the geographic proximity of the nations and historical precedent. The practical features of a single UK market were seen as a major advantage to businesses, and there was a perception that introducing further regulatory differences between nations would cause problems by creating an overly complex market that is difficult to navigate.

¹¹ At this point during the interview, participants had not been introduced to the MAPs.

“We are one nation; we are already together. We have shared culture and shared business practices so [we] should be able to trade together. We are stronger together in the world stage and any internal regulations will just destroy our competitiveness as a country.”

(Medium, Wales, Agriculture)

“The idea that [the UK] could discriminate against one another feels concerning. It should be an open market – almost like a mini-European market.”

(Large, England, Construction)

An example of the type of issue that such complexity might cause was raised by several participants in the research – two businesses that manufacture packaging and two Construction companies. Their concern was that in a complex market where different businesses are subject to an increasing number of different rules and regulations, the likelihood of unwittingly trading with a non-compliant business rises, risking the integrity, reputation, and legality of their own business operations.

“At the moment, it is an incentive to trade within the UK compared to other countries, and we prefer doing this when we can as we don’t experience any [differing] regulations here.”

(Micro, Wales, Manufacturing – Electronic Materials)

There was also a widespread view across sectors that this creation of more ‘red tape’ would lead to additional stress, time and costs for businesses.

“I just think that the whole thing [regulatory difference] is extra red tape.”

(Small, Northern Ireland, Manufacturing – Clothing)

“Why, when we are the UK, should we be putting up barriers for sale, and legislative red tape that the consumer is going to end up paying more for?”

(Medium, Scotland, Food and Drink)

The double-edged concern was that this could eat into profits as well as drive customers away if any costs were passed on. While most businesses envisaged these costs being one-off costs, many were concerned that they may need to spend a large amount which would have a long-term impact on their business. In some specific instances, participants raised concerns about difference of this sort leading them to cease trading with another UK nation.

“It would have a massive financial impact because we would have to have different guidance for each separate entity, whereas now we have UK and NI guidance, we would have to have it separate for all nations... we’d have to create new Standard Operating Procedures.”

(Large, Northern Ireland, Manufacturing – Pharmaceuticals)

There were some concerns amongst research participants that regulatory difference could create unfair markets and competitive disadvantages. For those who raised this issue, they felt this was a problem because of its potential to undermine the idea of a ‘level playing field’ in the UK and unfairly affect some businesses more than others. Those trading with or from Northern Ireland and who had experienced challenges related to the Protocol were more likely to raise this concern.

Being at a disadvantage to ‘home’ businesses was felt amongst some Construction and Manufacturing businesses that focussed on installations to buildings. It was often considered that local businesses (those based in the nation where a change was introduced) would be perceived to have more experience and understanding of the regulation, and thus could potentially be favoured in procurement for contracts. This notion of ‘favouritism’ was considered by a minority as already common within procurement procedures and there were fears that intra-UK regulatory difference would exacerbate it.

“We see it day in, day out through our procurement and contracts that have been issued. I think the favouritism will always be there, so any divergence will just give more opportunity for favouritism.”

(Small, Wales, Manufacturing – Insulation)

Finally, and to a slightly lesser extent, a minority of businesses raised concerns about brand integrity and consistency across the UK. This was felt more strongly amongst businesses that sell direct to consumers – for example, Food and Drink companies whose labels are associated more strongly with their brand’s image – than amongst companies who sell business-to-business. Also, one Agricultural business was concerned that perceptions of their brand could be negatively affected by any perception that they were not ‘adhering to regulations’ if they continued to sell under their existing labelling to customers who live in a nation where the labelling regulation is different.¹²

¹² This concern was raised prior to being introduced to the MAPs.

“We have our own branded boxes for the markets. If we were seen to be breaking any regulations, we wouldn’t want to be seen as associated with that.”

(Medium, England, Agriculture)

3.2 Perceived advantages

Whilst it was a minority view overall, there were some potential opportunities arising from intra-UK regulatory difference that businesses identified. On prompting, there was some view that regulatory difference in the UK might create a competitive advantage for a business, as moving swiftly and nimbly to meet a new regulatory requirement could make them more attractive to potential customers over businesses that hadn’t yet adapted. This view was more typically heard amongst those in the Construction sector and by bigger businesses. However, some businesses were uncomfortable about gaining this competitive advantage as it was felt to be at the expense and disadvantage of another business and went against their strongly held value of fair competition. Competing on compliance was not something that most businesses considered was fair.

“We could gain a competitive advantage as not all players in the sector might decide to comply, or do so as quickly. It could be a positive thing.”

(Small, Scotland, Food and Drink)

There was another suggestion that regulatory change brought about in one’s home nation might create favourable conditions for local businesses, suddenly able to find an advantage over businesses based in other UK nations. This was recognised to be a double-edged sword though – beneficial if you are based in the nation in question, but a disadvantage (as detailed in the previous section) if not.

“If [regulatory difference] happened in your local area, then I think you would get an advantage.”

(Small, England, Construction)

Finally, there was a minority view that the introduction of nation-specific requirements could potentially improve the quality of their goods/services and have a knock-on impact on the overall reputation of their business. For example, as one participant working in the Construction sector suggested, the introduction of net-zero building regulations could enable their company to leverage their environmental credentials. This was echoed by one other participant in the Food and Drink sector (though in relation to proactively adopting nation-specific recycling initiatives).

“Legislation has been heavy in our home market. Some legislation could be helpful, there are potentially positives... businesses like ours could show our [environmental] capability”

(Large, Scotland, Food and Drink)

3.3 Preparedness for future intra-UK regulatory difference

Across most businesses, regardless of whether they had experienced regulatory difference either in the UK or Europe, there was a feeling that further intra-UK regulatory difference would be a ‘tedious cost’ of doing business rather than a barrier to trade taking place. And despite their concerns, most businesses remained confident that they could cope with intra-UK regulatory difference as and when it occurs.

“If specifications in the future could diverge, designing our products could take longer and be slightly more awkward. [Such changes] add no value and are a tedious cost... though shouldn’t ultimately be a problem.”

(Medium, Scotland, Manufacturing – Production Equipment)

Those who *had* experience of regulatory difference already perceived compliance with differing regulations as more beneficial and cost-effective than non-compliance, citing potential legal repercussions and long-term reputational damage as the major risks from non-compliance. Since they already had experience of regulatory difference which they had largely overcome, businesses didn’t feel the need to factor further potential differences between nations into their decision-making regarding where to trade within the UK, and so it was felt unlikely to be a barrier when considering future trade opportunities.

Furthermore, those who had experienced regulatory difference with non-UK nations had often, consequently, become more confident in their belief that they could deal with similar issues in the UK. This experience was seen to provide more knowledge surrounding regulations and related documentation that could be applied to issues arising from difference within the UK.

“Logistically, it would obviously cause issues, but we already deal with it with different countries so we would be able to think about getting round it.”

(Micro, Wales, Manufacturing – Electronic Materials)

“I think we’d be OK [in making such adaptations] ... We have already gone through the full rigmarole of putting ourselves on the government website, obtaining country of origin, and monitor codes.”

(Medium, Wales, Agriculture)

“If UK regulations do change, dealing with Scotland and Wales won’t be as difficult as dealing with the EU.”

(Medium, England, Agriculture)

For those who *hadn’t* experienced regulatory difference yet, many said they would be determined to meet the regulation for the sake of their business. As other UK nations were seen as critical to the survival of their business, most businesses felt they had to adapt to survive, with a minority using the term ‘do or die’ to describe their attitude. This was a view held by businesses across all UK nations.

“Because the UK is such a big part of our income, it may be an issue, but we would have to adapt. It’s a market we couldn’t afford to lose.”

(Medium, Northern Ireland, Manufacturing – Protective Covers)

Regardless of previous experience or anticipation of intra-UK regulatory difference, businesses had not yet prepared or planned for additional regulatory difference. This was largely driven by four factors:

Low awareness of the potential for regulatory differences

Beyond the five businesses in the research sample that had experienced intra-UK regulatory differences other than in relation to the Northern Ireland Protocol, there was very limited understanding amongst participants that one of the potential outcomes of Brexit is that each nation could introduce its own new and different regulations. This lack of awareness meant businesses had not realised that they might need or want to prepare specifically for potential future difference when trading across UK borders.

A perception that it is more efficient to react once the regulatory difference has been confirmed

Most businesses were reluctant to prepare in the abstract or speculatively for potential future regulatory difference because responding to requirements as and when they occur ensures efficient use of business time and money.

Also, smaller businesses had fewer internal processes, while larger businesses had more resources, meaning both felt they could react quickly and easily to differing regulatory requirements, rather than having to plan considerably in advance.

“We’re not a big business... being a smaller business is one of the benefits, we can be more nimble with processes and procedures.”

(Small, England, Agriculture)

“Our business has a structure in which we have a financial conduct aide who helps our marketing team and ensuring that we are following the strictest regulations, we also hold ourselves to a higher standard to ensure we are on the right side of regulations. With that added department we would be able to adapt quickly compared to smaller companies who don’t have that department.”

(Large, Northern Ireland, Construction)

Feeling that the nature of change is difficult to predict

Businesses were aware that diverging regulations could be complex: they could impact inputs, services, or business processes, and each would be likely to require a different response from the business, depending on the nature and extent of the difference.

Most of those with no prior experience of regulatory differences felt it was unrealistic for them to pre-emptively prepare, given the potential complexity. Likewise, those who did have some prior experience felt that multiple scenarios might occur which they could not foresee or prepare for all at once. For some businesses, this wariness to prepare was compounded by previous experience with Brexit, in which they attempted to prepare for changes that did not come to fruition.

Also, some had used agents and distributors in previous instances of regulatory differences and so had limited in-house experience.

“We have not yet prepared for it [as the regulatory changes are] unclear. We would be picking it up and dealing with it as and when it would come into force.”

(Medium, England, Agriculture)

Seeing it as unlikely to happen

Participating businesses had difficulty rationalising the reasons as to why any one of the UK governments might want to introduce a regulation that differed from other nations within the UK. The main reason for this was that regulatory differences are seen as at variance with smooth trade and a well-functioning UK economy.

A minority of businesses (in the devolved nations) were able to reference some socio-political reasons as to why the governments may want to introduce a rule or regulation (for example, higher environmental standards). However, the negative impact that regulatory differences are perceived by businesses to have on UK trade led to an assumption that regulatory differences would be unlikely to occur.

“To be honest I don’t see [regulatory differences] as likely, especially compared to the EU, as there is cooperation in the UK.”

(Medium, Scotland, Food and Drink)

4 Initial response to the hypothetical scenarios

As part of the initial in-depth interviews with businesses, we employed the use of three scenarios which each introduced a hypothetical example of regulatory differences between UK nations. Hypothetical examples were used because we anticipated that few businesses would have “lived experience” of regulatory differences as there has been relatively little divergence to date. Using hypothetical examples, which were deliberately kept general, also enabled us to avoid getting side-tracked by the specific details of real-world divergence, or by the merits of a proposal for a particular policy. The scenarios were introduced to understand the factors of importance or concern to businesses, were they to experience such difference in the future.

These scenarios were introduced after initial discussions of intra-UK trade and regulatory differences and, crucially, participants had not yet been introduced to the MAPs. This was designed to encourage participants to describe their instinctive response to the situation outlined, before being made aware of the MAPs.

4.1 Spontaneous responses to Scenario 1

Scenario 1 posed the following hypothetical situation to businesses and asked them how they thought they might adapt to it:

‘In your business, the main good/product you manufacture contains a specific input. One UK nation bans the sale of goods/products containing this specific input’.

Scenario 1 was initially posed mainly to businesses in the Manufacturing sector, but it was also tested with a variety of different businesses including Agriculture and Construction. Scenario 1 was felt to be of most relevance to businesses in the Manufacturing sector due to their reliance on specific inputs.

To establish the appropriate context for this scenario (i.e., relating the specific scenario to the participant’s own situation), we asked the following contextual questions:

- a) *In which nation of the UK do you do all or the largest proportion of your manufacturing?*
- b) *And of the remaining UK nations – so not including the nation you just mentioned – which one accounts for the largest proportion of your sales?*

We then encouraged the participant to consider the following aspects when answering probes pertaining to the given scenario:

- c) *Think about a specific input that your [main] good/product requires in its manufacture*
AND
- d) *Imagine that [country named at (b)] is the UK nation that has banned the sale of good/products containing this specific input.*

Full details of each scenario and how they were posed can be found in the Technical Annex.

Likelihood of Scenario 1

When initially presented with Scenario 1, many businesses in our sample viewed it as unlikely to happen. Many research participants emphasised that regulatory differences specifically relating to the sales of products between UK nations seems unlikely and would be unprecedented, and most stated that such a ban would undermine a healthy and effective UK economy.

“I can’t think of a situation where this is likely to happen, but it would be really bad for our business.”

(Medium, Scotland, Construction)

“Potentially I would give up on England – but I don’t think this scenario would ever actually happen.”

(Small, Northern Ireland, Manufacturing – Packaging)

As conversation progressed, however, many businesses presented with Scenario 1 said that their response might vary depending on the specific input that was subject to the prohibition of sale.

Detailed response to Scenario 1

In the in-depth interviews, most businesses presented with Scenario 1 mentioned some concern about the impact it would have on their business. Taking action to replace the banned input was the most common response, with most businesses stating that they would endeavour to adapt their product to adhere to the ban. This could involve simply swapping out the particular input in the product or changing the product altogether. This was usually seen as an unpopular but necessary course of action as many businesses said that the current input had been chosen for a reason, e.g., a practical, financial, or product quality reason.

“We’d be able to adapt in the flick of a switch, but it then puts pressures on the supply... It is also nutritionally inferior so it may have an impact.”

(Medium, Wales, Agriculture)

With limited knowledge of the potential for regulatory differences, some businesses said that, if they were faced with this scenario in real life, they would probably need to seek new suppliers who used an alternative input, potentially from abroad. Although this was a popular option for some, for certain products it was not considered viable due to a limited choice of suppliers. Many businesses emphasised that, where possible, they would rather stay within the UK for both supply and trade

as this was logistically easier, though some said they may have to turn to overseas trade.

“It would have a massive effect and I think if this happened, we’d have to source a lot from outside of the UK, like Europe and Asia which would make it much more expensive... for some of our inputs there is no alternative.”

(Large, Scotland, Construction)

“A few materials would be an absolute nightmare to replace, so the lack of availability of options to replace this material means I would be forced to... work with people to resolve what I’ve already got, rather than increasing the supply chain trying to source an alternative.”

(Large, England, Manufacturing – Packaging)

Moving their business (or certain sites) out of the jurisdiction of a particular nation’s policy was another option considered by a minority of businesses at this stage. These businesses assumed that if a nation banned the sale of a particular input, they shouldn’t (or wouldn’t be able to) manufacture products with that input there either. For instance, a Scottish-based business selling products with an input banned from sale in England may decide to move any English manufacturing sites they have elsewhere to avoid potential issues.

“What we would do is relocate. Our design and expertise is here in Scotland, but we would most certainly move the production to eastern Europe or partly eastern Europe and partly to Hong Kong where we have an office anyway.”

(Medium, Scotland, Manufacturing – Production Equipment)

At this stage, a few (usually smaller) businesses stated they would consider no longer selling to a certain nation if they viewed the ban as fundamentally prohibitive to the successful functioning of their business (i.e., if the ban severely reduced the company’s sales capacity in a particular nation). This was a minority response to the scenario, typically suggested by businesses engaged in a limited amount of intra-UK business, or those who would struggle to adapt their input.

“I feel [regulatory differences] would overcomplicate things – you’d have to be aware of regulation particular to each region.... [This] might make us less willing to trade with other UK nations.”

(Small, Northern Ireland, Manufacturing – Electronics)

Anticipated issues from Scenario 1

Most businesses at the interview stage envisaged the actions they would need to take would pose challenges to the success of their business, but all believed the changes would be necessary to continue trading in a particular nation.

“It would be a case of ‘adapt or die’; you either stop dealing with that country or change your product.”

(Medium, England, Manufacturing – Motor Vehicles)

After discussing their anticipated responses, research participants emphasised that the changes they would need to make to their businesses would have various impacts. Firstly, at the initial interview stage, businesses emphasised that there would be additional costs associated with the mitigating actions described above. These consisted of both one-off and ongoing costs, mainly from potentially having to use a more expensive input or the labour involved in switching production processes.

“There’d be an initial cost to make sure we’re compliant and adapt appropriately... a lot of my time [and] purchasing time.”

(Medium, England, Construction)

Adapting to the ban was anticipated to involve administrative and logistical challenges, all of which have a direct cost to businesses and additional labour requirements. These were usually anticipated to be one-off costs in terms of sourcing alternative inputs, but also ongoing logistical costs relating to using the new inputs, training staff, and potentially differentiating products between markets.

“This would be a major administrative burden. I suppose it would be on the cost ... and whether it’s worth investing in new machines, as well as if we have space. Also, if we need more staff for this additional requirement.”

(Medium, Northern Ireland, Manufacturing – Printing)

At this stage, some businesses emphasised that due to the anticipated increased costs that come with adapting, they may have to eventually pass costs onto customers. Many of these businesses emphasised they are reluctant to do so (especially during the cost-of-living crisis) and that they may risk losing customers.

“If we were to put a significant mark-up on our products there are other places our goods can be purchased, mainly abroad, and they would undercut us.”

(Medium, Scotland, Manufacturing – Metal)

For some businesses that depend on their brand reputation, maintaining positive perceptions during the adaptations was an important consideration. These

businesses emphasised that it would be important for their business to proactively and outwardly demonstrate compliance with any additional requirements in the nation where goods are sold.

“Cost, customer demand and reputation are the biggest factors in decision-making. We have to think about consumers and what they want... and how to demonstrate we care about that.”

(Medium, Wales, Agriculture)

In circumstances in which the input ban would disrupt a significant amount of sales in a certain UK nation, and the business has a relatively low reliance on trade with that nation, a few businesses thought they may give up on trade in the nation in which the ban is introduced. In this circumstance, individuals stated that they would invest more heavily in their own national market to make up for the lost business.

“I think there would be a conversation to be had about abandoning the English market. If it’s a one-off and no other nations are thinking about following suit, we would consider putting emphasis on other markets as the other markets are really strong.”

(Large, Northern Ireland, Construction)

For a minority of businesses at this stage, the input ban was anticipated as so major that it could be the end of their business. These were usually businesses in which a specific input is core to their business (such as sellers of raw materials), and which are hugely reliant on another national market.

“If the cost was increasing a lot, we would probably cut back on staff to let some people go. I’m not sure if we could survive this.”

(Large, Scotland, Construction)

Responding to Scenario 1, the majority of agricultural businesses emphasised that conditions they considered to be particularly prevalent in their sector would make adapting to regulatory differences more difficult. These agricultural businesses emphasised that economic conditions have resulted in small profit margins and any additional costs could erode remaining profits and be problematic for their business. There were also felt to be extensive regulations in this sector already, and so businesses were largely opposed to the prospect of additional administrative or logistical complications.

“It could result in losing customers and it could result in losing business, we work with very small margins and would struggle to deal with a change such as this, there’s not much wiggle room.”

(Medium, Scotland, Agriculture)

Scenario 1 was perceived by the majority of Manufacturing companies to have a potentially large impact. This was particularly felt by businesses who rely on inputs which are either niche (such as a specific chemical compound) or central to their product's competitive advantage (for example, a cheaper or higher quality input). A minority of companies even said they might be forced to consider more extreme responses to the scenario, such as moving or ceasing trade with certain markets.

“Our goal would be to keep our inputs consistent in what we produce for the world. So, our choice, if it's awkward for England, is whether we have to forego the English market.”

(Medium, Scotland, Manufacturing – Cleaning products)

On the other hand, manufacturers who had a wide array of products, or who had access to alternative inputs that wouldn't represent a sacrifice on cost or quality, were more confident that they would be able to adapt to Scenario 1 with minimal disruption.

“I believe that we can adapt, we're agile and have adapted in the past and can vary our products. I don't see that as necessarily a huge issue.”

(Micro, Wales, Manufacturing – Electrical Materials)

A minority of larger businesses also alluded to being able to move distribution or manufacturing sites into different UK nations as they considered this would circumvent any supply issues that could accompany an input sales ban (i.e., if (say) England banned the sale of a particular material, they anticipate they would not be allowed to manufacture the material in England and would consider moving sites). In general, large businesses throughout the sample were consistently more confident in their ability to adapt to Scenario 1, with some expressing the view that it would be smaller businesses that generally struggled with such changes.

“These changes play to the strengths of scaled businesses; I anticipate it would be more difficult for independent businesses.”

(Large, England, Manufacturing – Packaging)

Business factors that impact on ability to cope with regulatory differences

There are clear factors that influence how easily businesses could adapt to Scenario 1 and there are certain factors that make businesses more (or less) adaptable. These factors impacted businesses' capacity to remain viable, generate sales and profit, and stay competitive (all factors are listed below). Generally, businesses that are more resilient because they have larger profit margins, better reputations, or greater experience, believed they could more easily adapt compared with other businesses in their sector.

The interviews suggest that Scenario 1 is more likely to have a major impact for businesses that:

- Run on smaller profit margins
- Don't have a strong reputation that differentiates them from competitors
- Are dependent on specific suppliers
- Operate in a highly competitive market
- Depend on a particular input or requirement for their businesses
- Have little or no prior experience of adapting to regulations
- Have less infrastructure to support tailoring of products
- Are not established, or have few repeat clients

On the other hand, Scenario 1 may be more likely to have a minor impact for businesses that:

- Run on larger profit margins
- Have a good business reputation
- Have a large choice of suppliers
- Operate in a less competitive market and/or can pass on costs to customers
- Can be flexible with their product inputs or specifications
- Have experience of dealing with regulatory changes in the past
- Have existing operations and processes in place to tailor products
- Are established with strong client relations

“Our clients would have to accept the cost increase, but they probably wouldn't because it's price sensitive with very small profit margins and it could potentially lose us the business. There are probably 600 companies that do what we do – lots of competition.”

(Small, England, Manufacturing – Window Frames)

“A [specific input ban] could close our business. If this was to happen in England I don't know how much choice we would have.”

(Small, Northern Ireland, Manufacturing – Packaging)

“Our company is...established and has a great reputation, industry leaders recognise our company has the highest integrity. No manufacturer has a doubt that we won't comply. This makes it easier to keep customers, though it will still come at a cost.”

(Medium, Scotland, Food and Drink)

“We [can be] adaptive with our product and could adapt [to the given scenario] ... My main [customer] population is in England and we need to sell in England, so I could change [our product] to adapt to this.”

(Medium, Wales, Agriculture)

Summary of responses to Scenario 1

From the responses provided by the research participants after first discussing Scenario 1, most state they would be unlikely to cease trading with a specific UK nation, with only a minority stating that it could provide an existential threat to their business.

Nevertheless, most businesses did emphasise that an instance of difference, such as the one outlined in Scenario 1, was a genuine concern and could still provide significant (though mostly surmountable) obstacles to which they would have to adapt their business, particularly in such a tough current business context.

Most businesses would proactively adapt to this scenario, mainly by changing the input of their product (or the product entirely) or by changing suppliers (to a supplier in a different UK nation, unaffected by the ban), with their capacity to adapt greatly influenced by a range of factors such as profit margins, business reputation, and the competitiveness of the market. Such adaptations were considered possible, though they would create issues on both sides of supply and demand such as additional costs, administrative and logistical issues, and potentially losing national markets.

4.2 Spontaneous responses to Scenario 2

Scenario 2 posed the following hypothetical situation to businesses and asked them how they would adapt:

‘One UK nation imposes new labelling requirements on the main good/product that you manufacture.’

Scenario 2 was posed mainly to businesses in the Food and Drink sector, but it was also tested with some relevant Manufacturing businesses. This was due to businesses in the Food and Drink sector relying heavily on labels as part of their business model, because of stringent product-labelling requirements. Further details on which types of business responded to each scenario can be found in the Technical Annex.

To establish the appropriate context for this scenario (i.e., relating the specific scenario to the participant's own situation), we asked the following contextual questions:

- a) *In which nation of the UK do you do all or the largest proportion of your manufacturing?*
- b) *And of the remaining UK nations – so not including the nation you just mentioned – which one accounts for the largest proportion of your sales?*

We then encouraged the participant to consider the following aspects when answering probes pertaining to the given scenario:

- c) *Think about your main good/product that contains a label.*
AND
- d) *Imagine that [country named at (b)] is the UK nation that imposed the new labelling requirements on this good/product.*

Full details of each scenario and how they were posed can be found in the Technical Annex.

Likelihood of Scenario 2

Scenario 2 was considered unlikely to occur by businesses, as many assumed that if there were a specific labelling requirement change for one UK nation, the other nations would presumably adopt it as well. It was, however, more readily grasped as an instance of regulatory difference that might feasibly happen compared with Scenario 1 and 3, largely because many businesses are used to specific labelling rules when trading internationally and adapting labels appropriately.

Detailed responses to Scenario 2

There was a variety of responses to Scenario 2, with businesses typically saying they would adapt to the labelling requirement, though not always in the same way.

A common response at this stage was for businesses to say they would simply create different labels for each UK nation, depending on what the individual requirement was. This was usually described as an internal adjustment to the labelling process, e.g., training staff to differentiate between labels and to ensure that the correct products were being sent to the correct nations. It was broadly considered to be relatively straightforward, though still potentially time-consuming and logistically challenging.

“In this particular scenario, we would be able to respond relatively easily, and if that was something that was deemed appropriate in England, we would adapt our processes accordingly. Any other competitors would be affected in the same way.”

(Medium, Scotland, Food and Drink)

Other businesses believed they could overcome the issue by applying the different requirement of one nation to all the labelled products they sell. To businesses that considered this course of action, it was seen as the more efficient approach.

“We could always include the added regulation for labels on all regions.”

(Medium, Northern Ireland, Manufacturing – Protective Covers)

“If it’s just a labelling issue, then the label will just be multi-national. We’ll just make sure it will have all the labelling requirements and then we can use it for all nations.”

(Large, England, Manufacturing – Toys)

For a few other businesses, there was concern that this more comprehensive labelling approach would not work. These businesses emphasised that the labelling requirements may be specific for particular nations (such as having to attach a deposit return label on bottles sold in Scotland), and so it would not be appropriate to leave this on for nations without this requirement (such as England, who may not have the same bottle deposit scheme).

Many businesses faced with the prospect of intra-UK labelling difference also said they would seek advice (either in-house or external) to understand the labelling requirements, before endeavouring to enact changes. The main sources of information would be government websites, trade associations or external agents (such as export or import agents). Smaller businesses in particular were more likely to suggest they would look for external advice, as they were unlikely to have in-house expertise.

“We would just change [the label of our] recipes. Hopefully, it’s just not too difficult to change, but we could approach technical advisers who could help with this.”

(Small, Northern Ireland, Food and Drink)

“We’d have to get advice from our commercial and legal team and there could be pitfalls. We’d get explicit advice at all stages.”

(Large, Northern Ireland, Manufacturing – Pharmaceuticals)

Most businesses anticipated at least some costs involving the administrative processes and labour that comes with differentiating labels, and many believed that inevitably these would be passed onto customers eventually (despite concerns that customers may not accept this). Depending on the situation, these could be either one-off or ongoing costs, i.e., if it were a one-off label change (such as including an addition to products for all nations), or if it involved a permanent differentiation

involving logistical issues (such as storing two versions of different products with different specifications on the label depending on where they were being shipped to).

“Anything that upsets where we are at the moment would be at the detriment of the consumer’s purse.”

(Medium, Scotland, Food and Drink)

For businesses to be confident in their capacity to pass costs on to customers while retaining their business, they felt they would need to be able to explain/justify the increased costs, but there were mixed views as to whether that would be possible.

“I don’t know whether I could build in a premium onto a label that was being sold in Scotland, over the one that’s being sold in England for example. I don’t think the consumer would think that the addition of a new label was worth spending another five or ten pence.”

(Small, Wales, Food and Drink)

Anticipated issues from Scenario 2

In making the adaptations necessary to respond to Scenario 2, most businesses anticipated at least some additional issues. However, many businesses already had experience in adapting to such label changes when trading internationally, so felt they were prepared for adapting to label changes between UK nations.

“Logistically, it wouldn’t be too much of a challenge. It would be some manual labour, which will incur costs. It’s an onerous manual job and it would be segregated. It does add potential for errors, but it would be doable... We already have to do that, sometimes we have to change the labels for one shipment. It’s fairly easy and not too much of a problem for us”

(Small, Scotland, Food and Drink)

Some businesses did emphasise that adapting labels would have a sizeable labour cost and would be disruptive to their processes, e.g., delaying production to make the switch. These businesses also flagged that the processes involved in differentiating their labelling processes between nations would require significant company time that they would be hard pressed to provide. In addition to the time and labour requirement associated with making the amendment itself, some businesses stressed that there would be increased costs in training staff as well as increased quality control checks.

“[Scenario 2] would make things very difficult. If different nations were getting the same product with different labels, it would affect production on site. For quality control, it leaves a lot of room for human error on site. It would be costly, and we would have to implement additional internal checks at start and end of production with scheduled times for different nations. Plus, there’s the additional labour and upskilling, and potential audits to ensure that we were complying.”

(Large, Wales, Food and Drink)

“If you’re going to push a ton of products through a system you want them to have the same format and if you change the label halfway through, that stops the system. So, this would add a cost to it.”

(Micro, Scotland, Agriculture)

“If labelling was changed for the UK, it would require some programming change, e.g., this product is going to this country so needs this label. This would add cost.”

(Small, Wales, Agriculture)

A minority of businesses at this stage thought that having different labels between different nations would require the duplication of products, each with specific labels depending on where they were being shipped to. This would cause ongoing difficulties and costs both in terms of the increased storage space but also with the increased complexity of distribution of products.

“[Label difference] would cause a problem. You’d have to repackage everything; you’d have to separate Northern Irish stock from the rest of the stock, and you might have wastage. It would all have time implications that might increase the price and this could introduce competitors [in].”

(Medium, Scotland, Food and Drink)

For certain businesses at the in-depth interview stage (mainly those in the Food and Drink sector), there was a concern regarding the increased risks that regulatory differences in labelling could cause. For those in industries in which labelling requirements are sensitive and vital (such as allergy information), the potential to increase instances of human error was worrying. There was also a concern about misunderstanding or otherwise failing to adhere to labelling requirements in some way, risking the recall and wastage of products (a particular concern for those with products with a short shelf-life).

“This could cause confusion and danger when potentially selling labelled products in a non-standardised setting, particularly for things such as allergens.”

(Medium, Scotland, Food and Drink)

Due to these issues, some smaller businesses raised concerns that adapting too slowly could cause them to lose business opportunities, particularly when they are competing against larger businesses with more internal capacity and budget to respond to new labelling regulations. Conversely, due to large internal capacity and internal teams with extensive experience in adjusting to regulation, larger businesses said they would be confident in approaching such changes.

Business factors that impact on responding to regulatory differences

From speaking to businesses in the in-depth interviews, there are clear factors that influence how easily businesses could adapt to Scenario 2. These factors impacted businesses' capacity to easily adapt their labels, generate sales and profit, and stay competitive (all factors are listed below). Generally, businesses who are more adept at tailoring their products, as well as those who have experience and capacity for such adaptations, believed they could more easily adjust compared with other businesses in their sector.

The interviews suggest that Scenario 2 is more likely to have a major impact for businesses that:

- Have little capacity or resource for adapting labels
- Have consistent labels for all products
- Work in a sector in which incorrect labelling has large ramifications (e.g., food and drink)
- Run on smaller profit margins
- Have little or no experience of adapting to regulations
- Have limited infrastructure to support tailoring of products
- Are not established, with few repeat or loyal customers

On the other hand, Scenario 2 may be more likely to have a minor impact for businesses that:

- Have large capacity or resource for adapting labels
- Have existing processes in place to tailor labels
- Regularly tailor labels for specific products
- Work in a sector in which incorrect labelling has relatively small ramifications or can be amended more easily (e.g., manufacturing)
- Run on larger profit margins
- Have experience of dealing with past labelling and/or regulation changes
- Have a strong business reputation
- Are established with good client relations

“Businesses may not understand [divergent requirements] and might abstain. When categories like that are under legislation, it’s very hard for retailers to manage, and message clearly to customers. Legislation has been heavy in our home market and we’re fortunate that we have capacity to take this on. Others might not be so lucky.”

(Medium, Wales, Food and Drink)

“I think also, it’s just one more thing to deal with in terms of skills, in terms of time and in terms of money. You know there will be a limit to what we can all deal with, and customers will not accept the price increasing, especially with something like this.”

(Small, Wales, Food and Drink)

Summary of responses to Scenario 2

Most businesses believe labelling changes would be surmountable and would be unlikely to prevent them from trading with a specific UK nation. Participants had a mixed reaction on the perceived impact of Scenario 2, with some (typically larger) businesses believing such labelling changes to be inconsequential requiring only simple adaptations. However, some others (typically smaller businesses) raised larger concerns, believing the logistical implications of differentiating labels could raise considerable obstacles to their trade, though these were still considered as manageable.

Businesses had a range of anticipated adaptations they would have to implement to adapt to Scenario 2, with some stating they could easily make an ‘en masse’ change to their labels, and others believing they would have to implement processes to specifically differentiate labels for different nations. Although the former adaptation would be minor, the latter posed larger concerns for businesses who believed it could provide problems for their business (such as increased costs, logistical issues regarding storage and distribution, and an increased risk of incorrect labelling).

4.3 Spontaneous responses to Scenario 3

Scenario 3 posed the following hypothetical situation to businesses and asked them how they would adapt:

‘One UK nation bans the supply of your services in its nation unless service providers like you comply with a new and additional (regulatory) requirement.’

Scenario 3 was posed to businesses that were services providers, primarily those in the Construction sector. Further details on which types of businesses responded to each scenario can be found in the Technical Annex.

To establish the appropriate context for this scenario (i.e., relating the specific scenario to the participant's own situation), we asked the following contextual questions:

- a) *In which nation of the UK do you do all or the largest proportion of your services?*
- b) *And of the remaining UK nations – so not including the nation you just mentioned – which one accounts for the largest proportion of your sales?*

We then encouraged the participant to consider the following aspects when answering probes pertaining to the given scenario:

- c) *Think about the [main] service you provide and the regulatory requirements for this service.*
AND
- d) *Imagine that [country named at (b)] is the UK nation that imposed the new and additional regulatory requirement.*

Full details of each scenario and how they were posed can be found in the Technical Annex.

Likelihood of Scenario 3

Many businesses felt that regulatory changes in services in the UK were likely in the future, though most businesses were not anticipating them to be nation-specific. As such, when discussing the impact of Scenario 3 some businesses focussed on the adaptation to the regulation itself, rather than how it may be different between UK nations. The regulations they anticipated included: environmental regulations, improved working conditions, increased health and safety standards (e.g., having to work with flame-resistant building material), communication requirements (e.g., using the Welsh language), and data protection requirements.

“The area I can see this potentially being introduced would be with using carbon zero... That is something we will have to eventually accept anyway.”

(Medium, Wales, Construction)

Though the possibility of different approaches being adopted across the UK was not anticipated by most services businesses, many believe their business could adapt where necessary, despite increased costs. Research participants focussed on the process of adapting to a new or additional regulation, perceiving this to be the challenge, rather than the difference between UK nations. Some businesses stated that they struggled to conceptualise what specific impacts different requirements might have, as due to the nature of services regulation, there could be a large variation in the degree of impact (for instance, the policy could be a reduction in working hours, but this reduction could be minor or major depending on the specifics of the policy).

“We’d want to have a look at what the new requirement was, such as the reduction of working hours in Scotland from 72 to 60. It’s quite hard to think about how specifically this may impact on us as it would depend on how they decided to bring it in.”

(Large, England, Construction)

Detailed responses to Scenario 3

To prepare for any change to regulations, businesses emphasised that they would engage in research to understand the requirements for each nation (mainly internally, but sometimes sourcing external help such as professional agents).

“The key thing would be to understand the requirements in as much detail as possible. We have got procedures for this sort of thing, but we could also look to the government for clarifications of what they need.”

(Large, England, Construction)

Some businesses said they would adapt their internal processes, to adhere to each nation’s requirements for services.

“We would make sure the contract is fit for purpose. We would make sure the spec of supplies and services was correct, hold regular meeting[s] with the clients and make sure we’re meeting the Key Performance Indicators.”

(Large, England, Construction)

In pursuit of being seen as a preferable service provider, businesses emphasised that they would proactively demonstrate and advertise the compliance of their business.

“We would ... do a load of testing over and above what might be logical, to demonstrate that we meet the criteria.”

(Small, Wales, Construction)

In cases where regulations were considered too difficult (and where particular national markets are relatively minor in terms of turnover for that business), businesses suggested they might give up on certain national markets. To compensate, some would focus more heavily on other national markets where the regulations didn’t apply.

“If regulations were changed [to make us introduce new] clean down procedures... that would suddenly become quite a logistical nightmare. That is possibly the sort of thing [where] you might just eventually give up on that sale in Scotland.”

(Medium, England, Agriculture)

Anticipated issues from Scenario 3

Businesses foresaw several challenges that may arise from their response to Scenario 3. These challenges included increased time and expenses associated with adapting to the scenario, including internal process evaluations and necessary adaptations. Additionally, there was concern about the potential risks of non-compliance, such as reputational damage to the business or the possibility of losing contracts. The requirement to advertise or prove compliance with regulations was also seen as a potential challenge, as many believed it would come with added costs. There was also a concern about losing business to competitors who may not adhere to the regulations, and the possibility of reduced work opportunities in certain UK nations.

“We would have to alter an awful lot with regards to material supplies and everything. That would have a big effect on materials and where we source them from.”

(Large, Wales, Construction)

“Corporate Social Responsibility is a major concern so if it is going to be a big PR element from the client, we would bear that in mind when adapting.”

(Medium, Wales, Construction)

Some businesses highlighted that regulations were prone to change in the services industry anyway, so believed that those working in services would have experience in adapting to change, with most in our sample suggesting such experience would make it easier to respond to Scenario 3. Adaptation experience gives businesses the skills needed to adjust to such regulation, with some businesses stating they could easily change business practices to accommodate new regulations (including increasing costs or contacting specialist advisors to help with adaptations). For most businesses, then, though such regulatory differences would increase costs, it was considered as usually surmountable.

“Something similar happened to us – suppliers wouldn’t sell to us unless we were FSE certified and adapting to this meant we had to invest time, money and conduct yearly audits. It’s not the worst thing... a relatively easy pill to swallow... and it’s every few years that certain regulations change anyway so we’re used to doing it.”

(Small, Northern Ireland, Manufacturing – Software Development)

“In Inverness we didn’t feel we had the workforce to deliver the quality and safety needed, so we brought in specialist teams from the south which would involve travel and accommodation costs, and we use that as justification for larger cost.”

(Large, England, Construction)

Business factors that impact on responding to regulatory differences

From speaking to businesses in the in-depth interviews, there are clear factors that influence how easily they could adapt to Scenario 3. These factors impacted businesses’ capacity to remain viable, continue providing services, and stay competitive (all factors are listed below). Generally, businesses that are more secure with their client base, have large internal capacity, and have prior experience of adapting to regulations, believed they could more easily adapt compared with other businesses in their sector.

The interviews suggest that Scenario 3 is more likely to have a major impact for businesses that:

- Have little capacity or resource for adapting to new regulations (including research)
- Rely on providing the same services to all clients
- Strictly adhere to all regulations
- Run on smaller profit margins
- Have little or no prior experience of adapting to changes to regulation
- Are not established, with few loyal or repeat clients

On the other hand, Scenario 3 may be more likely to have a minor impact for businesses that:

- Have large capacity or resource for adapting to new regulations (including research)
- Regularly adapt services for different clients
- Do not adhere strictly to all regulations*
- Run on larger profit margins
- Have a good business reputation
- Have prior experience of adapting to changes to regulations
- Are established, with good client relations

*NB. All businesses in our sample indicated that they adhere to all regulations, though some anticipate that some other businesses may not

“If we’re not able to use or disclose that data across the UK, that’s a loss for us because one of our key selling points is that we can pull out data [...] that would prompt a sale that might have been lost previously. If we lose the ability to utilise that data in certain nations, that’d be pretty annoying and difficult to change [between nations].”

(Medium, Northern Ireland, Manufacturing – Software Development)

Summary of response to Scenario 3

When initially presented with Scenario 3 during the in-depth interviews, businesses stated they would be proactive in adapting their business to maintain their UK-wide trade. Beyond this, participants struggled to provide concrete examples of the adaptations they envisaged might be necessary as they believed it would largely depend on the specifics of the regulatory difference (though many highlighted that any difference would involve a process of extensive research and actively demonstrating compliance to secure new contracts). As such, participants had more difficulty engaging with Scenario 3 compared with the other scenarios, and this contributed to the decision to drop Scenario 3 in the workshops.

A new, additional regulation has the potential to be significantly disruptive to services businesses, though as with the previous scenarios, it is unlikely to prevent businesses from trading across nations.

Most businesses emphasised that Scenario 3, despite not ending their intra-UK trade, could still create obstacles and increased costs when making adaptations. The issues anticipated included logistical costs, difficulty in demonstrating or advertising compliance with new regulations, and the ‘anti-competitive’ risk of other businesses not complying. Businesses who considered Scenario 3 were also more inclined to believe the regulation *itself* was more likely to create issues, as opposed to the regulatory *difference*, with some stating that their previous experience of tailoring their service to the client’s needs put them in a good position to manage additional adaptations between UK nations (depending on the extremity of the regulation).

4.4 Initial findings across all scenarios

During the in-depth interviews, across all three scenarios, businesses felt that they might respond to regulatory differences in one or more of the following specific ways:

- Conducting research
- Altering processes (inputs, labelling, distributors, suppliers)
- Advertising or marketing compliance to the new regulation
- Ceasing to trade in certain nations
- Moving aspects of their business to other nations
- Seeking advice (internally or externally)
- Attempting to justify and pass on extra costs to customers

Consistent through all scenarios during the in-depth interviews was a belief that preparation was neither necessary nor entirely useful until complete details about regulatory differences are clear. The majority of businesses said they would adopt a 'wait and see' approach and would not begin to prepare for regulatory differences until they were actually in the pipeline and they understood the specific details. Many believe that this is the most cost-efficient way for their business to behave, especially those who had experience of investing money in preparation for Brexit into changes that never materialised.

"It is waiting and seeing because things have never turned out the way we were told that they would turn out so there's no reason to expect this to be any less bumpy."

(Small, Wales, Food and Drink)

"We have not done anything to prepare yet. To be honest we have wasted thousands before in Brexit preparations that didn't come through - some of the money was down the drain. I will wait and see what any outcome will be."

(Small, Northern Ireland, Manufacturing – Clothing)

Difference by business size

From in-depth interviews with businesses of varying sizes, some noticeable differences were identifiable. However, as this is qualitative research with a relatively small sample, these findings are indicative and not intended to be representative.

The size of the company was defined by number of employees: 'microbusiness' as 9 employees or fewer; 'small' as 10-49 employees; 'medium' as 50-249; and 'large' as 250 employees or more.

Large businesses often alluded to dedicated product teams, administrative departments or legal representatives who could be tasked with designing the adaptations required. These teams often have experience of adapting processes to regulations, which would help to keep the work involved as efficient as possible.

Experience also gives businesses the reassurance that they could eliminate some of the perceived risks attached to regulatory differences, and so many feel confident in their ability to react.

“[Our legal team] would have to review it and then approve, then a commercial team that worked on it... [it’s] quite long-winded process and it involves lots of people.”

(Large, Northern Ireland, Manufacturing – Pharmaceuticals)

Due to lack of experience in adapting to regulations and a limited capacity to absorb the increased costs or labour requirements, some **small businesses** would be at risk of closing in the context of the hypothetical scenarios. Some in our sample emphasised that due to smaller budgets and less internal resource, smaller businesses would struggle to respond to new intra-UK regulatory differences.

“As a small company, we don’t have the capacity to keep our finger on the pulse. And if it becomes difficult to trade we [might be forced] to stop.”

(Small, England, Food and Drink)

Conversely, a minority of smaller businesses said that their size made them more agile and able to respond more quickly because they had limited or no formal business processes to follow.

“We’re a reasonably small company so we can make changes relatively quickly. I’m making assumptions [here] but understanding how our business works, I think we could do it within one to four months.”

(Micro, Wales, Construction)

4.5 The Market Access Principles (MAPs) in the in-depth interviews

Towards the end of the in-depth interviews, we introduced research participants to the MAPs, providing them with the following definition:

‘The UK Internal Market Act (2020) introduced two key Market Access Principles (or ‘MAPs’) to help ensure that businesses can continue to trade freely across the UK nations, even when the UK nations have in place different legal rules for the sale of goods or the provision of services.’

We then gave further details about the two principles of ‘mutual recognition’ and ‘non-discrimination’. Participants were also provided with details of the UK Internal Market Act (UKIM) 2020 and the Office for the Internal Market (OIM) as context. Full details of what participants were told can be found in the Technical Annex.

Although we probed around how the principles would impact on their businesses broadly, many participants answered our questions in relation to the scenario they had been discussing previously.

In the context of the scenario discussion, and based primarily on the limited amount of information we provided, the reaction of many participants to the MAPs was largely receptive. These participants tended to see the possibility of relying on the MAPs as a simple way of avoiding or resolving the challenges they had earlier anticipated might arise for their business. It is important to note that with a firmer realisation of what 'relying on the MAPs' might realistically entail, it is possible that their receptiveness to the MAPs would have been muted. For some other participants, reactions to the MAPs (based on the same limited information) were already less receptive and more cautious, driven by assumptions that relying on the MAPs would be likely to involve a degree of legal, administrative and/or financial burden, as well as some being less concerned about the scenario in the first place (thus, for them, making the MAPs 'unnecessary').

Awareness of the MAPs

Prior to their introduction in the discussion, awareness of the MAPs was very low. Though some participants said they sounded familiar, no participant could give an account of what the MAPs are. Reported awareness of the UKIM Act and the OIM was slightly higher, but still only a minority of businesses were familiar with either.

"I have heard of both [the UK Internal Market Act and the Office for the Internal Market] but not in detail, from trade association letters"

(Medium, Scotland, Food and Drink)

"Yes, I have heard of the UK Internal Market Act, they put the framework in place to harmonise across 4 UK nations."

(Large, Scottish, Construction)

Spontaneous reactions to the MAPs

Initial reactions to the MAPs were mixed, with some businesses being cautious, and many being positive. Responses to the MAPs seemed to be influenced by the extent to which the businesses had been concerned by the scenarios and the perceived impact on their business.

Many businesses were positive about the MAPs, saying they mitigated the concerns they raised in discussion of the hypothetical scenarios. For these businesses, the MAPs facilitated easier intra-UK trade and were seen as positive for their business. The majority of these businesses initially said they would rely on the MAPs to continue trading, though a minority were still cautious about how they would work in practice.

“I think it’s a great idea, I can’t see any negatives and it’s very clear.”

(Large, Scotland, Construction)

“It’s good to see and it’s good to allow as much free trade as possible. It alleviates my concerns in the sense that if I break a rule, I’m covered.”

(Small, Northern Ireland, Manufacturing – Electronics)

“Yes [the MAPs] would alleviate my concerns. From our point of view, we would definitely use these.”

(Small, England, Manufacturing – Construction Materials)

Some businesses, however, were unable to state whether they considered the MAPs to be a positive or a negative, either because they thought it would be situationally dependent or because they would need more information to be able to take a proper view. While the MAPs were tempting in their ability to overcome issues for these businesses, potential logistical and legal implications made them hesitant.

“I think I would need more information about the logistics of it. It’s a bit confusing having the MAPs and knowing that there are different rules. I think initially wait until we better understood what was going on.”

(Large, Northern Ireland, Construction)

“[The MAPs] could be a good or a bad thing... It depends on what ways the regulations differ.”

(Medium, Northern Ireland, Manufacturing – Textiles)

A few businesses had an initial negative reaction to the MAPs, with some questioning whether they are sufficient to create smooth intra-UK trade or, potentially, will introduce more disruption in the UK market.

“It looks like [mutual recognition] gives an unfair advantage to an outside nation who doesn’t have to comply with the regulation ... but can still trade into it. This becomes very divisive. I can see the thinking behind mutual recognition, but it could create winners and losers.”

(Small, Northern Ireland, Manufacturing – Electronics)

Another criticism held by many participating businesses was a feeling that the MAPs were a response to the introduction of an ‘unnecessary’ policy change that enables each nation to introduce its own regulations, when a better way of avoiding trading

difficulties arising from regulatory differences in the UK would be not to introduce regulatory differences in the first instance.

“Why would they change the regulation in the first place? This is a loophole, why would they change regulations knowing there is a loophole? It seems like much faffing about for the same result.”

(Medium, England, Construction)

Some participants found it more difficult to understand how the principle of non-discrimination would be applied or enforced. There was some feeling that ‘discrimination’ is a vague concept and difficult to prove in practice, and so a few participants questioned how the principle would withstand legal scrutiny. A minority suggested that a degree of local ‘discrimination’ is an inevitable, and sometimes even beneficial, part of business in the UK. For example, when Welsh businesses choose to hire Welsh-speakers, or businesses use local suppliers or employees, they minimise carbon footprint, support the local economy or draw on local knowledge. As such, the principle of non-discrimination resonated less with businesses than the principle of mutual recognition, since its value in promoting smooth trade was not as clear.

“I think the reality with non-discrimination in terms of legislation is: how is it policed? How is it monitored? How is it enforced? You can have the best intentions in the world, but there aren’t really the resources to police and enforce every piece of legislation on us.”

(Medium, Scotland, Construction)

Given the difficulties that businesses appeared to have in understanding its practical application, the principle of mutual discrimination was not explored in any further detail in the follow-up workshops.

5 Further discussion in the workshops

Following the one-to-one in-depth interviews, all participants were asked to say whether they would be willing (in principle) to attend one of four follow-up workshops, to discuss the prospect of regulatory differences between UK nations in more detail. The final composition of each workshop was determined by participant interest and availability, as well the need to ensure that a good cross-section of businesses by nation, sector, and size were represented. The workshops were grouped by business sector – Agriculture, Food and Drink, Manufacturing, Construction – with the Agriculture group boosted by two Manufacturing businesses due to participant availabilities. In total, 17 of those who were interviewed in Stage 1 took part in a workshop.

The workshops ran for an hour and a half, giving participants adequate time to discuss their thoughts on intra-UK regulatory differences and develop their thinking from the in-depth interviews. Each group was given one of the hypothetical scenarios to consider. For some, this was a different scenario to the one they discussed in their interview, depending on which scenario was most relevant to their individual business versus what was most suitable in the group setting.

In the workshops, Scenario 1 was covered by the Agriculture and Construction groups, with Scenario 2 covered by the Manufacturing and Food and Drink groups. It was agreed that Scenario 3 would be excluded from the workshops due to weaker engagement with it from participants in the interviews. Full details of all the research materials used in the workshops can be found in the Technical Annex.

Moderators ensured that in this discussion participants avoided any anti-competitive exchange of commercially confidential information. Participants were advised to refer either to past experience of adapting to regulatory requirements or to hypothetical situations, and not to refer to any of their current or future business plans.¹³ As a result, conversation about regulatory differences and the MAPs remained high-level and theoretical in nature, but nonetheless certain developments in thinking emerged following on from the in-depth interviews, and differences by business sector were more pronounced.

Lastly, in our analysis, BritainThinks has applied the Capability, Opportunity, and Motivation model of behaviour change (COM-B model) to findings from the interviews and workshops. Taken from the wider model of the ‘behaviour change wheel’, the COM-B model provides a framework for identifying key drivers of, and barriers to, the adoption of certain behaviours.¹⁴

¹³ See the research materials in the Technical Annex for full details of what was said to participants at the beginning of the workshops.

¹⁴ Michie et al., 2011, *Implementation Science*, 6:42, accessed online: <http://www.implementationscience.com/content/6/1/42>

At this point, it should be noted that the purpose and scope of this project, and therefore the application of the COM-B model, is not to influence or advocate for particular future behaviour by businesses. Rather, this model is intended to be a useful tool to categorise the various contextual factors which influenced businesses' attitudes towards the MAPs during the fieldwork.

5.1 Further discussion of intra-UK regulatory differences and the scenarios

When discussing views of intra-UK regulatory differences in the workshops, participants' overall sentiment was similar to that put forward in the in-depth interviews. Most remained sceptical about the benefits that intra-UK regulatory differences would have for businesses. However, the majority still felt that they would be able to overcome anticipated challenges, albeit expecting added costs and administrative complexities.

"I'm sure we could deal with it somehow but it's the constant erosion of the margin that's the issue."

(Small, Wales, Food and Drink)

Some noted the increased resilience that businesses had developed over recent years of navigating tricky economic circumstances, which they felt would be useful in dealing with future regulatory changes.

"The last couple of years have really pushed us to our limits, especially in procurement – trying to get materials in the market with Brexit, Covid, the war in Russia, stuff getting stuck in the Suez Canal... So, we've had to adapt and overcome and I think a lot of businesses have taken that approach over the last few years. With [intra-UK regulatory differences], I think it'd be the same."

(Large, Scotland, Construction)

When specifically probed in the workshops, few participants saw outright opportunities for their business coming from intra-UK regulatory differences. In general, they felt that any opportunities that did emerge would be gained only to the detriment of other businesses. This was not seen positively by many, because such competitive edges were not considered to reward the 'best' businesses, but rather the ones who happen to be in the 'correct' nation – a difference which was considered arbitrary and not necessarily in the spirit of 'healthy' economic competition.

"As a Welsh company, I might get preferential treatment for trading in Wales and an English company may not; but this doesn't seem fair and things like that could cause a problem."

(Large, Wales, Food and Drink)

“Changes between nations could create a market in which we may struggle to compete just because we are based in a different country.”

(Large, Scotland, Construction)

There was a better understanding from participants in the workshops as to the potential reasons for regulatory differences coming into effect, for example, with respect to ‘bigger picture’ issues such as consumer or environmental protection. There remained some disquiet with this idea, however, amongst participants who felt that these issues should be of equal importance to each UK nation, and that regulations should be UK-wide as a result.

More so than in the interviews, participants’ attention in the workshops turned towards what businesses might need to do to adapt effectively to intra-UK regulatory differences. The main desire was for timely and clear communication from the UK Government and Devolved Governments about different regulations coming into effect. It was thought that this would not only help individual businesses to adapt, but also minimise disruption across supply chains.

“We’d all want as much notice as possible.”

(Large, England, Construction)

Having said this, participants echoed the reactive, ‘wait and see’ mindset from the in-depth interviews. They rarely said that they would proactively make preparations for intra-UK regulatory differences before the point at which there was a clear and specific need (with supporting guidance) to do so.

“It would have to be reactive; how do we know what’s going to happen? Anything’s possible.”

(Small, Wales, Construction)

As with the in-depth interviews, a major influence in this mindset was time and capacity (especially in smaller businesses), combined with the large variation in possible effects that regulatory differences could have on businesses.

“We don’t have the capacity to prepare for things where we don’t know what’s happening exactly. We can’t afford to waste too much energy – current issues are more pressing.”

(Small, Wales, Food and Drink)

A minority of businesses in the workshops also suggested they would actively resist changes and instead seek to influence the national governments not to introduce regulatory differences, through a process of lobbying. This was more common among medium to large businesses and those involved with trade associations.

“It would take less time for people like myself to make sure [regulatory differences] don’t happen by lobbying [on] our perspective.”

(Medium, Wales, Agriculture)

Sector differences

The way in which the workshops were grouped brought out nuances in the concerns and attitudes of each sector more clearly than in the in-depth interviews alone. This was due to participants being more able to discuss sector-specific details with individuals from the same industry.

The **Agriculture** businesses highlighted that, upon consideration, they have little agency in pricing their products, making it harder to deal with or pass on additional costs in the way that they had anticipated might be an option in the in-depth interviews. For example, some rely on auctions to sell livestock and machinery, as well as being dependent on how much supermarkets are willing to pay them for products. These businesses emphasised that such conditions, as well as aforementioned difficulties with small profit margins, would make adapting to regulatory differences challenging.

“Each farmer is a small cog in a big wheel, and they are price takers not price makers. It’s more to do with what the supermarkets charge for the product. A lot of products are actually bid on, rather than selling for what the farmer thinks they should charge – the bidding system would make it really hard to pass on the cost.”

(Medium, Wales, Agriculture)

Meanwhile in response to Scenario 1, **Construction** companies’ first thought was about the impact on their product’s quality. They felt that the success of a change to this would depend on the industry’s consensus about the newly banned input. For example, asbestos was raised as an input which businesses agreed was rightly banned for being hazardous, and therefore those who could remove it from their product more quickly stood to gain financial and reputational advantage.

A couple of Construction businesses in the workshop considered the impact of Scenario 1 on the wider service element of their offer (e.g., transporting or delivering materials). They stated the potential knock-on effect in this area if they were to deliver a product to a nation which met the wrong specifications.

Construction businesses also raised questions about how the regulatory differences raised in Scenario 1 would interact with other regulations in the industry, with some suggesting that there could be a mismatch between the two. For example, on the one hand, contractors could demand adherence to a building regulation that Scenario 1 inhibits businesses from a particular nation from achieving at a competitive rate. On the other hand, Scenario 1 could push some businesses to make a higher quality product than other regulations required, meaning that, despite

the opportunity for reputational gain, these businesses could be out-competed by companies who could offer cheaper rates for a poorer but sufficient quality of product.

“[Construction businesses] could end up being forced to sell a higher quality good with more stringent specification in Scotland for instance, even though [...] it doesn’t necessarily align with other building regulations.”

(Small, Wales, Construction)

Relating to the risks and perceived ‘anti-competitive’ nature involved with regulatory differences in the construction industry, businesses in the Construction workshop stated that the potential introduction of regulatory differences between nations in their sector would be poorly received. Some businesses also emphasised their belief that construction is a vital sector of the economy and thus potentially disruptive regulatory differences in this sector should be avoided.

“In construction I imagine [regulatory differences] would cause a great deal of unrest.”

(Large, England, Construction)

Food and Drink companies were particularly concerned when responding to Scenario 2 because of what they perceived to be substantial health (and therefore legal) risks arising from incorrect labelling. Especially in terms of allergen information, Food and Drink businesses emphasised that they would need to increase compliance checks to ensure safety (which would come with increased costs). They were equally concerned about product recall in the event that they had not correctly adhered to a new requirement, which could be particularly costly due to the short shelf-life of certain products.

“There is a big risk in getting the labelling wrong, if this happened in the food industry it would be terrible, and you would have to recall your product.”

(Medium, Scotland, Food and Drink)

Lastly, **Manufacturing** companies were much more positive in the workshops about adapting to Scenario 2 compared with Scenario 1 (which they responded to in the in-depth interviews). Many already had experience in tailoring specifications – and therefore labels – to individual markets or clients, and so the prospect of tailoring labels between UK nations felt familiar, with many already having the requisite processes in place.

“Everything is checked, has got its own ID and order number. Our processes mean we have to do this anyway, and sometimes customers want their own labels anyway, so just adding a label would fit quite nicely into those processes.”

(Large, England, Manufacturing – Packaging)

Also, given that manufacturers often send their products to repeat customers, whose demands stay largely consistent, participants suggested that after the upfront costs of setting up new labels, there would be little longer-term impact of regulatory differences from Scenario 2.

“Once you put it in place for that customer the first time, you don’t have to think of it again.”

(Small, Northern Ireland, Manufacturing – Clothing)

5.2 Perceptions of the MAPs in the follow-up workshops

Businesses came to the follow-up workshops having developed their thinking about the MAPs, and, overall, were more hesitant about using them. Over and above the concerns about the disruption that intra-UK regulatory differences might cause, participants were equally sceptical about how far the MAPs would address such disruption.

One eventuality which caused particular concern when raised by a couple of participants in the workshops was the thought that the MAPs may lead to a competitive disadvantage for businesses of ‘home’ nations, i.e., the nation where a new regulation is introduced.

Some participants imagined that in Scenario 1, for example, businesses based in the home nation would have to adjust their processes to comply with a ban on the purchase or sale of products containing a specific input, and that this could come at a financial cost. Meanwhile, the MAPs could allow companies based in the three other UK nations to continue to operate in the same market without having to make similar adjustments. Participants could imagine a situation where having to comply with the new regulation meant the home nation’s business was now a less attractive option, for example, because of increased prices, and that it might therefore lose business and/or suffer reputationally as a result.

Likewise, in the case of Scenario 2, some businesses whose reputation was more closely associated with their labelling, for example in the Food and Drink sector, felt that they could be at a disadvantage if their competitors from other nations were not required to make the same adjustment to their labels as them, in light of the MAPs.

“It could open a can of worms. If I understand correctly, it can introduce a specific requirement to [the home nation] but still allow other nations to ignore it. That would create huge disadvantages to [the home nation] and create an unfair market advantage for other nations.”

(Medium, Scotland, Food and Drink)

Contributing in part towards these concerns was the fact that businesses said they would be unsure about when the MAPs might apply to them and to their competitors. This lack of detailed understanding made it difficult for participants to be confident that relying on the MAPs would guarantee their business a competitive advantage, particularly in the face of ‘worst case’ scenarios presented by other participants in the group.

For a minority, this also led to particular worries such as companies having to recall goods or face legal action for incorrect application of the MAPs. This was thought to be more of a concern for smaller businesses who might lack the in-house expertise to deal with the MAPs effectively.

“I just think in terms of compliance, it’s going to be very difficult to navigate. Unless there is someone specifically that has a lot of in-depth knowledge it will be problematic, and smaller companies could really struggle.”

(Large, Wales, Food and Drink)

While all participants appreciated the motivation behind the MAPs, most were particularly sensitive to the fact that the MAPs would only be relevant to their business as a consequence of intra-UK regulatory differences. As such, for many participants across both the interviews and workshops, the idea of the MAPs carried forward some of the worries about intra-UK regulatory differences, such as unwanted ‘red tape’ and disruption to the UK single market.

“Anything that involves legal embroilment [sic] is costly, so [I’m] still a bit reluctant. I would rather there was no divergence at all and then we wouldn’t have to rely on the [MAPs] at all.”

(Medium, Scotland, Construction)

It appears that this sentiment was amplified in the workshops largely for two reasons. Firstly, the potential benefits of the MAPs were not clear enough to participants to improve overall perceptions. This lack of clarity stemmed from a lack of understanding around both *when* the MAPs could be relied upon by businesses and also *how* they would apply in practice. Secondly, the closest point of reference that most participants had for discussing the MAPs was experience in dealing with *past* regulatory changes, for example, following Brexit and during the pandemic. Since these were commonly felt to have been challenging times for businesses in which the regulatory changes were complex to understand and navigate, this brought about

more scepticism, particularly towards the kind of scenarios in which businesses imagined needing to use them.

Overall, therefore, reticence arising from the perceived negative impacts of intra-UK regulatory differences outweighed the potential opportunities offered by the MAPs.

5.3 Applying the COM-B model to businesses' intention to rely on the MAPs

The COM-B model of behaviour is widely used to identify potential barriers surrounding behaviours, and can be used to draw insight on how individuals or groups might behave in particular situations, in this case: the circumstances in which a business might choose to rely on the MAPs. It identifies three factors that need to be present for any behaviour to occur: capability, opportunity and motivation. These factors are understood as follows:

- **Capability:** Whether we have the knowledge, skills and abilities required to engage in a particular behaviour.
- **Opportunity:** Whether external factors (physical or social) make engaging in the behaviour possible.
- **Motivation:** Whether we have the reflective (involving conscious thought) or automatic (involving habitual, instinctive and affective processes) motivation to engage in the behaviour.

We used this model to categorise our understanding of why businesses may or may not decide to rely on the MAPs when presented with the kinds of scenario that we put to them during the interviews. Whilst testing the hypothetical scenarios, we observed the following barriers to reliance on the MAPs by the businesses in our sample:

Capability

There are three key physical or psychological capability barriers that could limit reliance on the MAPs:

- **Low awareness** of the MAPs themselves;
- **Low understanding** of the circumstances in which the MAPs would apply;
- A resulting **lack of confidence** in how a business could rely on the MAPs in practice, and whether doing so would provide a competitive advantage.

This research suggests that these are the most significant and most common barriers to potential reliance on the MAPs amongst businesses. This is because the lack of confidence and knowledge about what relying on the MAPs will involve makes the decision to do so seem more unattractive, particularly within a context where businesses are risk averse.

Opportunity

There are also important external factors that could limit wide reliance on the MAPs:

- **Lack of time and/or capacity** – business decision-makers are time poor and learning and/or implementing new processes is burdensome;
- **Difficult economic context** – existing pressures feel more pressing to decision-makers meaning businesses tended to be more risk averse and less likely to invest time or money into new processes.

These barriers were commonly cited by businesses, but may be considered as slightly less significant than the capability barriers listed above, since they affect the context within which businesses make decisions, rather than guiding the specific decision to rely on the MAPs (or not).

Motivation

Lastly, there are also key cognitive and emotional processes that influence business decision-making, and which could limit potential reliance on the MAPs:

- Believing that not following local regulations may be **risky**;
- Concern about potentially **choosing to rely on the MAPs incorrectly**;
- An ability and/or preference to **move or cease trading in existing markets**:
 - For example, where trade with markets unaffected by new regulatory differences is sufficient for the business' success;
 - Or where a market affected by new regulatory differences is small enough that it makes more commercial sense for the business to withdraw from it, rather than spend time/money adapting to change.

This research suggests that the motivational barriers are more circumstantial to particular businesses. Whilst significant for the businesses to which they apply, they can therefore be considered to be less significant than the capability and opportunity barriers given above.

6 Conclusion

Throughout the course of this research project, we were able to address the OIM's key objectives, getting an understanding of both the spontaneous and considered views of participants from a variety of sectors, nations, and businesses of different size, all of whom were able to clearly engage with the material and provide an incisive account of their perspective. The methodology agreed upon by BritainThinks and the OIM gathered insight into how different types of businesses might respond to future regulatory difference, what the key factors are that influence such responses, as well as how various scenarios might affect them.

Firstly, it is evident from our findings that intra-UK trade is highly important to many businesses of all different types, both on the supply and demand side. Many businesses emphasised that due to geographical proximity, cultural similarity, and established trading processes, there is a heavy reliance on intra-UK trade. As such, businesses were very reluctant to see a reduction or cessation in trade with other UK markets and would be proactive and prepared to make adaptations to accommodate any of the scenarios they were presented with, despite the business challenges this may entail.

Experience of adaptations to regulatory difference between the UK nations was low amongst our sample of businesses, though it had been experienced by a small number in each of the four UK nations (either trading with or from that nation).

When presented with instances of hypothetical regulatory differences, most stated that regulatory difference could present significant challenges; initially businesses tended not to understand the reasons for differences and any benefits such differences might provide, viewing them instead as barriers and risks to business. These challenges varied in severity throughout our sample and included (but were not limited to): increased time and financial costs related to adaptations (caused by adapting processes and increased administration), logistical challenges associated with differentiating products or services between nations, and accommodating these changes in their business plan through passing on costs. Despite this array of challenges, the majority of businesses believed adaptations would be feasible and that they would maintain their trade with markets across the UK nations. Responses to individual scenarios were as follows:

Scenario 1 (an input ban) was widely felt to be the most negatively impactful, with an input ban presenting major challenges for businesses, particularly for those in the manufacturing industry who might be reliant on a specific material. Despite this, many businesses were willing to adapt and innovate to overcome such issues, although they emphasised this would not be a cost-free process and expected their profits to be potentially impacted.

Scenario 2 (a labelling change) had a more mixed response from businesses, all of whom stated it ultimately wouldn't present a barrier to intra-UK trade, though it was still anticipated to raise challenges to varying degrees. Notably, those who worked in

manufacturing believed a change of labelling requirement would be of low impact with few ongoing issues for their business. This was due to their prior experience in needing to tailor specific labels for certain markets, as well a belief that internal label processes are easily adaptable. In other sectors such as food and drink, and agriculture, businesses felt such changes could introduce an additional layer of administration and logistical demands when differentiating labels which increases costs and potential instances of human error.

Scenario 3 (a regulatory requirement) was felt by businesses to be surmountable and not ultimately prohibitive to intra-UK trade, though it could still raise meaningful challenges. When presented with a hypothetical instance of regulatory difference on a key service, businesses tended to focus on the challenge of adhering to the regulation itself (rather than the nationally differentiated aspect of it), emphasising this poses the greater challenge. Those reacting to scenario 3 were particularly inclined to state they would engage in research to fully understand the details of the regulation, and how they could best adapt their business to ensure they were abiding by it. Many services businesses also emphasised that actively demonstrating compliance would be a major consideration, though most saw this as an inevitable part of business operations.

Across all three scenarios, businesses emphasised that having differing regulations between the nations of the UK was not desirable and would likely lead to complications, though these were rarely enough to halt trading with other UK markets altogether. Regardless of the scenario, businesses emphasised that by actively engaging in adaptations such as altering processes, seeking advice, conducting research, passing costs onto customers, and potentially moving parts of their business, they could likely overcome the challenges raised by the hypothetical scenarios presented to them.

Awareness of the MAPs (prior to involvement in the research) was very low across the whole sample, with no business knowing the details of the principles. Hearing about the MAPs during the interviews made some businesses less concerned about the impact of the scenarios and relieved their previous concerns regarding obstacles to trade in the intra-UK market. Others were sceptical of the MAPs, with a wariness of how they might be applied and potential legal and logistical responsibilities that may arise. This scepticism seemed to increase for participants upon further deliberation between the in-depth interviews and the workshops, perhaps after being given time to reflect on how the MAPs might impact the markets in which they trade. In the workshops, many businesses raised the idea that not only could the MAPs create logistical challenges for businesses, they could also actively and negatively affect the intra-UK market by creating uneven trading conditions. For example, as well as creating additional costs from different regulations, in some cases there will be a cost disadvantage for the businesses of nations who had introduced regulations that are more difficult and costly to comply with than those in the other nations.

Across the sample, some differences between businesses of different sizes were identified. In general, larger businesses were more confident in their capacity to respond to regulatory difference, citing extensive and established internal processes to facilitate this, as well as their larger resource capacity. There was an assumption from businesses of all sizes that smaller businesses in particular would likely be hit hardest from changes, with their relatively small capacity making it more difficult to invest in changes needed to adapt.

Overall, whilst most businesses did acknowledge the difficulties of adapting to different regulatory environments, there was a broad feeling that intra-UK trade was sufficiently important to businesses for them to undertake the additional requirements that might arise from new intra-UK regulatory differences.

7 Technical Annex

The OIM commissioned BritainThinks to conduct qualitative research with a sample of UK businesses in four sectors of the economy to explore their experiences and perceptions of intra-UK regulatory difference (i.e., differences that may arise as a consequence of governments exercising their powers to make laws for their own nations in certain policy areas). These sectors – Agriculture, Food and Drink, Manufacturing, and Construction – were identified by the OIM as being the most likely to be affected by potential regulatory difference at this time.

The research comprised 45, one-to-one in-depth interviews (lasting 60 minutes and conducted online) with UK businesses, and four workshops (each involving 4-5 participants drawn from those who took part in the in-depth interviews, conducted online and lasting 90 minutes), to discuss internal market scenarios.

7.1 Interview sample specification

Following the project set-up meeting, BritainThinks drew up a sample specification for a total of 45 businesses that engage in intra-UK trade. Participants were recruited to cover a good cross-section of businesses by nation, business sector and business size. The target minimum and maximum quotas by size and nation were agreed in discussion with the OIM, as per the table below.

Business size (no. of employees)	England, min. quota	Scotland, min. quota	Wales, min. quota	N. Ireland, min. quota	Total, max. quota
Micro (0-9)	1	1	1	1	5
Small (10-49)	3	3	3	3	13
Medium (50-249)	4	3	3	3	14
Large (250+)	3	3	3	3	13
Total, max. quota	12	11	11	11	45

Additionally, within each nation, we aimed to speak to a minimum of two businesses from each of the following sectors:

- Agriculture
- Food and Drink (manufacture and/or retail)
- Manufacturing
- Construction

Across the sample, all businesses had to:

- Engage in intra-UK trade of goods or services
- Not be charities or voluntary organisations, social enterprises or public sector not-for-profits
- Cover a spread of geographical location within each nation
- Cover a range of annual turnover (to fall out naturally by business size)

All business representatives had to:

- Have a firm knowledge of the intra-UK trade in which their business engaged
- Be senior decision-makers in their company
- Be mid-level managers or above (dependent on the size of the business, e.g., targeting the business owner for a micro business vs. a regional director for a large business)

7.2 Recruitment design

We conducted interviews in two stages, first recruiting five businesses to take part in 'pilot' interviews, before speaking to the remaining 40 businesses in the 'mainstage' interviews.

The purpose of the pilot interviews was to test the research materials (the topic guide and the stimulus information, both of which were designed in collaboration with the OIM), ensuring that the scenarios worked as intended and that the guide allowed enough time for discussion. On completion of the pilot interviews, it was agreed that the discussion guide and scenarios were both working well and no changes were made for the mainstage interviews.

BritainThinks originally proposed to include a small number of micro businesses (companies with nine employees or fewer) in the sample, since they account for 95% of businesses in the UK, and a quarter of micro businesses sell goods and/or services in other UK nations.¹⁵

When recruiting for the pilot interviews, we found that it was easier to contact senior businesspeople within smaller companies, and so the pilot interviews saw a skew towards participants from micro businesses. However, after three such interviews, it became clear that it was difficult for these participants to respond in detail to the research questions and hypothetical scenarios, given the niche nature of their businesses. In discussion with the OIM, we agreed, therefore, that micro businesses would not be recruited to take part in the remainder of the research programme, including the workshops. At the point at which this decision was made, one more interview with a micro business had already been completed, and so there were four altogether in the final sample.

The pilot interviews took place between Friday 16th and Friday 23rd September 2022. The mainstage interviews then took place between Wednesday 5th October and Friday 4th November 2022.¹⁶ All interviews took place over Zoom, Microsoft Teams, or telephone call. Video call was our preferred approach, so that stimulus information could be shown to participants on screen during the interview, but we conducted each interview using whatever format the participant was most comfortable with. Interviews were one-to-one between the moderator and participant, with the exception of a small number towards the start of fieldwork which were observed by members of the OIM team (no more than two team members per call). This was done – with the express permission of the participant – as part of the OIM's quality assurance processes, so as to ensure that the BritainThinks moderators had a firm grasp of the complex research topic and could effectively manage any technical,

¹⁵ <https://www.gov.uk/government/statistics/business-population-estimates-2021/business-population-estimates-for-the-uk-and-regions-2021-statistical-release-html>

¹⁶ This is with the exception of the final interview, which took place on Monday 14th November due to being rescheduled.

subject matter queries by participants during the interview. It also allowed a real-time assessment of how well the research materials were working before they were given final sign-off.

All participants were offered a £100 incentive for a 1-hr interview. There was no preparation that businesses had to undertake in advance of the session, apart from signing the Consent Form (included below). At the end of each interview, participants were asked if they would like to be invited to the follow-up workshops that were taking place in the week beginning 7th November 2022. For the workshops, participants were offered an incentive of £150 for a 90-minute session, and these were conducted via Zoom. As well as the moderator and participants, the workshops were attended by a note-taker from BritainThinks, and Workshops 3 and 4 were observed by a member of the OIM team (again with participants' express permission).

7.3 Consent and permissions

Ahead of the in-depth interviews, participants were required to sign the following consent form, in order to be clear that they agreed to the terms under which BritainThinks was conducting the research:

“By writing my FULL NAME below, I confirm the following:

I agree to take part in this research.

I understand that this research is being audio recorded and filmed. This information will be used by BritainThinks and their client for research purposes only. BritainThinks (CM Monitor t/a BritainThinks Ltd) is a research agency registered in the UK (07291125).

I understand that BritainThinks adheres to the Market Research Society Code of Conduct, meaning that personal data I provide will not be passed on to any third party without my express consent and it will not be possible to identify me from the research findings without my consent. However, I understand that if I say anything which gives a BritainThinks researcher reason to think that I or someone else is at risk of harm, BritainThinks may be legally obliged to pass on this information to the relevant authorities.

I understand that I am not required or obliged to take part in this research, and that I can opt out at any time by contacting a member of the BritainThinks research team (info@britainthinks.com / 0207 845 5880), though I may forfeit my right to any incentive or benefit being offered.

I agree to having my name and information held by BritainThinks for a period of up to seven months for their internal quality monitoring purposes only.

I consent to having my name and email address shared with the incentive payment platform Ayda (previously known as Particity), so they can contact me to process any incentive being offered. I understand that I must collect my incentive payment within 6 months of it being released to me.

I am aware that this research may be attended by the client in an observational capacity only.

I understand this is confidential research and I will not share or distribute information or content from this research outside of the BritainThinks research team.

I understand that I may be recontacted in relation to this research about a workshop in the next six months.

I agree to have this record of my consent be kept on file by BritainThinks indefinitely. Please enter your FULL NAME below.

To view the BritainThinks privacy policy, please go to www.britainthinks.com/privacy

To view the Ayda privacy policy, please go to www.helloayda.com/privacy-policy”

7.4 Interview recruitment approach and materials

There were two ways in which we sourced the sample for our recruitment: internal recruitment (i.e., recruitment done by members of the BritainThinks team) using Companies House data and other desk research (e.g., using Google, LinkedIn, company websites), and through external recruitment agencies.

Internal recruitment

Firstly, our team downloaded publicly available information (such as company name, sector, and name of director) from Companies House, sorting our business sample by SIC Code. We then used this information as a springboard for further desk research, to work out who might be the right person within each company to take part in an interview, and to find the best way to contact them.

We contacted businesses using a twin approach of emailing and calling. The template for our **invitation email** was as follows:

“Dear ...,

I’m writing to you from BritainThinks, a research and insight consultancy who have been commissioned by the Competition and Markets Authority (CMA) to conduct research with senior businesspeople on the topic of trade between the four nations of the UK (sometimes referred to as “intra-UK trade”).

We’re looking to hear from companies in the [insert sector] sector that trade across UK borders and, given the nature of your role at [company name], we believe your expertise may be relevant to our research.

As such, we hope you will be willing to take part in an interview with BritainThinks. This would focus on your current experiences of intra-UK trade, and how you believe companies such as yours might expect to address any developments that may have an impact on trade in the future.

The interview would be 1-hour long, conducted over Zoom or Microsoft Teams, and scheduled at a time that best suits you, between now and [insert date].

BritainThinks will provide compensation of £100 as a means of thanking you for taking part.

Participation is confidential, in accordance with the Market Research Society (MRS) Code of Conduct. This means that we don’t tell any third parties that you have decided to take part in the research, and all responses used in our reports are anonymised such that participants are not personally identifiable. Likewise, it will not be possible to identify your business from our report.

Please let me know whether this research is something you would be interested in taking part in. We would also appreciate being referred to a relevant colleague if you feel they would be a more suitable interviewee. I am, of course, more than happy to answer any questions you (or they) may have at this stage before you make a firm decision about getting involved.

Further to the interview, BritainThinks will be conducting a workshop on the same topic. We may ask you to join us at the workshop, and we'll give you more details about what it would involve in the interview.

Best wishes,

[Name and signature]"

We also included the following description of the CMA in our email footnote: *The CMA is an independent government department and the UK's lead competition and consumer authority. Its statutory duty is to promote competition, both within and outside the UK, for the benefit of consumers, and its mission is to make markets work well in the interests of consumers, businesses and the economy.*

When calling businesses, we used the following call script template:

"[Introduction – if warm contact]

Hi there, it's [XX] from BritainThinks, regarding the government research that we're currently conducting – I believe my colleague has already been in touch about this?

[Introduction – if cold call]

Good afternoon, my name's [XX] and I'm calling from a company called BritainThinks. We're currently conducting research on behalf of the UK Government, on the topic of trade between the four UK nations, and we'd like to invite your company to take part in this.

(IF NEEDED: The CMA is an independent government department and the UK's lead competition and consumer authority. Its statutory duty is to promote competition, both within and outside the UK, for the benefit of consumers, and its mission is to make markets work well in the interests of consumers, businesses and the economy.)

I was wondering if you know who the best person to speak about this would be?

OR

I'm looking to speak to [X] – would that be possible?

OR

I was wondering if ...: *[depending on who answers / previous correspondence]*

- It's possible to speak to whoever is best placed in your business to talk about trade within the UK. This will include an understanding of the logistics of trade and any trade regulations affecting your business.
- You remember receiving an email from me [x days] ago...
- You have a moment for me to explain the research project that we're carrying out?

[Project information]

BritainThinks are an independent research agency. We've been commissioned by the Competition and Markets Authority to conduct research with senior businesspeople on the topic of trade between the four nations of the UK.

Each interview is 1-hour long, conducted over Zoom, for which we will pay an incentive fee of £100.

We're looking to hear from companies with [X number] employees, who can share their experiences of what it's like to trade across UK borders and how you think companies such as yours expect to address any developments that might have an impact on trade in the future.

Participation is confidential, meaning that we don't tell any third parties that you have or have not decided to take part in the research, and all responses used in our reports are anonymised such that individual participants are not personally identifiable. Likewise, it will not be possible to identify your business from our report.

[The ask]

Is this something you might be open to participating in?

If yes: That's fantastic, thank you.

- Are there any times in the coming two weeks that would best suit you? *[Record]*
- Finally, I just need to ask a few quick questions to confirm your eligibility for the research. *[Go to screening questions. If pushed for time: Offer to call back or send questions through in email]*

If no: I completely understand – can you think of a colleague who might be better placed to take part? *[If no again: Thank and close]*

[Mention after screening questions] Further to the interview, BritainThinks will be conducting a workshop on this topic, which we would potentially ask [X] to be involved with – more details about this would be given in the interview.”

For businesses representatives who were interested in taking part, we followed up with a number of screening questions to ensure they would be suitable participants for this research.

Our **recruitment screener** template for the interviews was as follows:

“Business category: We understand that your company, [Company name], are a [micro / small / medium-sized / large] company, who trade [goods / services], based in [region]. Please could you confirm this information is correct and up to date? *[Screen out sole traders and micro businesses for mainstage interviews]*

If agricultural – check they are not involved in peat sales or extraction

Business activities: We understand that you sell to and/or buy from other UK nations, in addition to the UK nation that you are based in. Please could you confirm this information is correct and up to date?

Job title: Please could you confirm your job title? *[Screen out roles which are not: mid-level manager or above, related to marketing, business development, operations, sales, product development or compliance]*

Nature of role: Do you have oversight or influence over your company's sales to or purchases from other UK nations? *[If not: would you be able to pass me on to the relevant person?]*

Suitability: During the interview, we will be discussing trade between nations in the UK, and how you believe companies such as yours might expect to address any developments that may have an impact on trade in the future. Do you feel like you are the best-placed person in your organisation to take part in the interview, or would you like to include or refer to a colleague?

E-commerce: Of the goods or services that you sell to or buy from other UK nations, do you use the internet (e-commerce) for any of this? (Yes/No)

UK GDPR

1. As part of our research process, and only with your express consent on the day, a member of the CMA team may wish to observe our interview with you, but we would take efforts to protect your confidentiality in this instance.

Are you happy to proceed on this basis?

Yes	Continue
No	Take note and continue

2. Personal data is data that allows a living individual to be identified, either directly or indirectly. As part of this research, BritainThinks would like to make a recording of our interview with you for analysis purposes. This recording is your personal data and will not be shared with anyone outside of BritainThinks. We will securely delete the recording from our systems no later than the end of April 2023.

Are you happy to proceed on this basis?

Yes	Continue
No	Thank and close

3. Please note that by giving your consent to participate in an interview, you consent to BritainThinks using and storing (processing) the personal data we have collected from you during your recruitment to the research and any further personal data you share with us during your interview. BritainThinks will use and store (process) your personal data for the purposes of this research project only.

Your personal data will not be shared with our client, the Competition and Markets Authority, in a way that would allow you to be individually identified. Please note that you are also consenting to the CMA processing aggregated data from which you cannot be individually identified, in the form of our report for the CMA on the findings from the research.

We will not share your personal data with any third party, except in the very unlikely event that we are required to do so by law.

We will securely delete all your personal data from our systems no later than the end of April 2023.

Are you happy to proceed on this basis?

Yes	Continue
No	Thank and close

Thank you very much for your time.”

External recruitment

We also used external recruitment agencies to recruit participants for the mainstage interviews, given constraints on the project’s fieldwork timeline.

The agencies used were based in different regions of the UK, covering all four nations. They were given the sample specification and recruitment screener and were briefed on the project objectives by a member of the BritainThinks team, via telephone or video call.

As the fieldwork period continued, agencies were used to support the quotas where internal recruitment processes were having most difficulty, which was reviewed on a regular basis.

Recruitment challenges

Internally, we found that emailing senior businesspeople directly was more successful with smaller businesses, whereas it was more difficult to get through to the right person at larger businesses where contact details are limited to generic ‘info@/hello@’ emails and which also receive a high volume of similar invitation emails.

As a result, during the fieldwork period we shifted our approach for larger companies to focus on initial approaches by telephone, using emails to follow up with contacts provided during the call. This proved to be a more successful approach, as switchboard operators were sometimes able to provide the direct line numbers of senior staff for us to contact. However, it still proved challenging to reach potential participants this way. Firstly, this was due to existing demands on the availability of our target participants and this research audience being time-poor. Secondly, some operators were not sure who at their business would be best placed to speak to us, as most companies did not have a single individual who was responsible for or had complete oversight of the company’s intra-UK trade.

This challenge to recruit larger companies, shared by the recruitment agencies used, meant a slight overrepresentation of smaller companies in the achieved sample. Furthermore, larger companies were easier to find and recruit in England compared with Scotland, Wales, and Northern Ireland – simply due to there being more of them

– and this is reflected in the achieved sample profile (versus the target sample profile). We also encountered difficulty in recruiting large businesses in the Agriculture sector with businesses of 250+ employees being relatively rare in this sector, and similarly we found it easier to recruit large businesses in the Manufacturing sector where businesses of this size are more common; again, this is reflected in the achieved sample breakdown.

7.5 Interview achieved sample breakdown

Given the methodological challenges outlined above, the achieved sample contained a different balance of business sizes, nations, and sectors to that set out in the specification, though in each instance the final sample was sufficient to draw out key findings from each key subgroup. Since this research is qualitative, the findings in this report are intended to be illustrative of different businesses' experiences, and not necessarily representative. The coverage of different groups recruited ensured a breadth of business experience, and also allowed for some indicative analysis by subgroup.

Size		Nation		Sector	
Large (250+)	12	England	16	Manufacturing	17
Medium (50-249)	12	Scotland	12	Agriculture	6
Small (10-49)	17	Wales	9	Food and Drink	11
Micro (0-9)	4	Northern Ireland	8	Construction	11

No.	Size quota	Industry quota	Location	Scenario	Job title
1	Medium	Construction	England	3	Marketing Manager
2	Micro	Agriculture	Scotland	1	Director
3	Micro	Construction	Wales	3	Director
4	Micro	Manufacturing – Electronic Materials	Wales	1	Managing Director
5	Micro	Food and Drink	England	2	Founder
6	Small	Food and Drink	England	2	Technical Manager
7	Small	Agriculture	Wales	1	Director
8	Small	Manufacturing – Electronics	Scotland	1	Manager
9	Medium	Construction	Wales	3	Finance Director
10	Medium	Food and Drink	Scotland	2	Operations Manager
11	Small	Food and Drink	NI	2	General Manager
12	Medium	Manufacturing – Motor Vehicles	England	1	Company Director
13	Medium	Agriculture	Scotland	1	Financial Controller
14	Large	Construction	Scotland	3	Buying Manager
15	Large	Food and Drink	Scotland	2	Chief Commercial Officer
16	Medium	Food and Drink	Scotland	2	Managing Director
17	Small	Manufacturing – Construction Materials	England	1	Managing Director
18	Small	Food and Drink	England	2	Director
19	Large	Construction	England	3	Contracts Manager
20	Small	Food and Drink	Wales	2	Managing Director
21	Small	Manufacturing – Construction	Wales	3	Director
22	Medium	Manufacturing – Chemicals	England	1	Planning and Purchasing Manager
23	Medium	Manufacturing – Textiles	NI	1	Financial Controller
24	Large	Manufacturing – Packaging	England	1	Operations Director

25	Small	Manufacturing – Electronics	NI	1	Company Director
26	Small	Manufacturing – Clothing	NI	1	Managing Director
27	Small	Manufacturing – Packaging	NI	1	Director
28	Medium	Agriculture	England	1	Technical Manager
29	Large	Manufacturing – Pharmaceuticals	NI	1	Territory Business Manager
30	Small	Manufacturing – Software Development	NI	1	Marketing and Business Acquisition manager
31	Large	Construction	NI	3	Sales Manager
32	Large	Food and Drink	Wales	2	Raw Materials Technologist
33	Medium	Manufacturing – Cleaning Products	Scotland	1	Finance Director
34	Small	Food and Drink	Scotland	2	Sales Manager
35	Small	Manufacturing – Data Processing	Scotland	1	Operations
36	Small	Agriculture	Wales	1	Director
37	Medium	Agriculture	Wales	2	Director
38	Large	Manufacturing – Clothing	England	2	Senior Team Management
39	Small	Food and Drink	Scotland	2	CEO
40	Large	Manufacturing – Toys	England	2	Director
41	Large	Construction	England	3	Regional Labour Manager
42	Large	Construction	Scotland	1	Sales Coordinator
43	Small	Construction	England	1	Sales Director
44	Medium	Construction	England	1	Head of Finance
45	Large	Construction	England	1	Director of Operations

7.6 Interview research approach and materials

The key research objectives for the in-depth interviews (also included below in the discussion guide) were:

- Understand the importance of intra-UK trade for the business
- Gauge awareness of the potential for regulatory difference; and understand any experiences of adapting to regulatory difference to date
- Understand how businesses might respond to hypothetical instances of difference
- Gauge awareness of the existence and application of the Market Access Principles (MAPs)

The initial design of the research materials was based largely on the content of the specification of requirements from the OIM, BritainThinks' proposal, and the detailed briefing for BritainThinks provided by the OIM during the project set-up meeting in August 2022. After this extensive conversation between the OIM team and BritainThinks, a first full draft of the topic guide, the scenarios, and the stimulus information were drafted by BritainThinks and supplied to the OIM for review. After two rounds of amendments and restructuring, a final draft of all research materials was agreed upon and, after testing in the pilot interviews, was found to work as intended.

OIM Qualitative Research with Businesses

Discussion Guide | 28/09/22 | Mainstage interview final

Moderator objectives

The objectives of this discussion are to:

- Gauge the importance of intra-UK trade for the business
- Gauge awareness of the potential for regulatory divergence; and understand any experiences of adapting to regulatory divergence to date
- Gauge understanding of how businesses might respond to hypothetical instances of divergence at a high level
- Gauge awareness of the existence and application of the Market Access Principles (MAPs)

The purpose of this document is to serve as a guide to inform the flow of the discussions, rather than a definitive list of questions to cover. As these are qualitative sessions, the moderator will use the guide flexibly and be guided by what comes out of the discussions.

Moderator instructions are *italicised*

Questions in **bold** should always be asked (whilst others should be optional to help guide the conversation)

Section and aim	Discussion points and probes	Time
<p>Section 1: Background and Context</p> <p>Aims:</p> <p>Explain the purpose and terms of the research and confirm that they give informed consent.</p> <p>Warm up participants to the discussion and confirm their business context.</p>	<p>My name is [XXX] and I'm a researcher from an independent research agency called BritainThinks. We conduct research on a range of business issues, from understanding company's experiences of different processes or services, how they feel about certain companies or organisations, or what they think about specific regulations. This involves going around the country, speaking to lots of different companies and listening to what they have to say.</p> <p><i>Explain purpose of the session:</i></p> <ul style="list-style-type: none"> • BritainThinks is conducting this research on behalf of the CMA to understand businesses' experiences of trading across UK borders (i.e., those between England, Scotland, Wales and Northern Ireland). <p><i>Explain terms of the session:</i></p> <ul style="list-style-type: none"> • We're an independent research agency so I'm here to listen to your honest views and opinions; there are no right/wrong answers. • We abide by the Market Research Society code of conduct. This means that everything you say today will be confidential and you won't be personally identifiable in our report. • BritainThinks will hold your name and contact information until the end of April 2023 at the latest for quality monitoring purposes only and will not pass on any personal data to any third party. • If you say something that gives me reason to think you or someone else is at risk of harm, we may be legally obliged to pass this information to the relevant authorities. • You can opt out of the research at any time (although you may forfeit your right to any incentive/benefit). • We'll be talking for 60 minutes – finishing up at [XXX]. I have a lot of questions to get through so, in order to finish on time, I may need to interrupt you or move the conversation on. • Some of the questions I have for you today may feel quite specific and technical. We're not expecting you to be able to answer all of them and our discussion is definitely not a test of what you know – we're just interested in understanding your experiences and thoughts on the topics we're covering today. • <i>Obtain permission to audio/video record and recap how the recording will be used</i> • <i>Ensure everyone has signed consent form(s)</i> • <i>Offer opportunity to ask questions about research process</i> 	<p>5 mins</p>

	<ul style="list-style-type: none"> • <i>Ensure the participant has removed/changed their name to protect anonymity from observers and anything visible on the video that could identify them or their company e.g., a sign</i> <p><i>Ask participants to introduce themselves (N.B. Keep this brief and focused on confirming what we know about business from recruitment):</i></p> <ul style="list-style-type: none"> • <i>Name</i> • <i>Business</i> • <i>What your business does</i> • <i>What your role within the business is</i> • <i>Confirm that the business sells/buys across UK borders, and that this is something you know/can talk about</i> <p><i>At this point, if there is an observer from the CMA, check that the participant is happy for the interview to be observed and, if yes, let the observer into the call.</i></p> <ul style="list-style-type: none"> • How is your business structured, e.g., location of headquarters/registered office, location of other sites (if applicable)? • How important is the internet / e-commerce to your business in terms of: <ul style="list-style-type: none"> a) selling to customers in other UK nations (on a scale from not at all to very) and roughly what proportion of your total sales does it account for? (<20%, 20-40%, 40-60%, 60-80%, >80%)? b) buying from suppliers in other UK nations (on a scale from not at all to very) and roughly what proportion of your total purchases does it account for? (<20%, 20-40%, 40-60%, 60-80%, >80%)? 	
<p>Section 2: Experiences and views of intra-UK trade</p> <p>Aims:</p> <p>Gauge the importance of intra-UK trade for the business</p>	<ul style="list-style-type: none"> • How important is intra-UK trade to your business? <i>Moderator explain if needed:</i> By intra-UK trade we mean trade with other UK nations. Of the goods and/or services you sell/supply, how much goes to each UK nation? Does this change over time (ie seasonal changes; longer-term trends)? If yes, why? <ul style="list-style-type: none"> ○ Of the goods and/or services you buy, how much is from each UK nation? Does this change over time (ie seasonal changes; longer-term trends)? If yes, why? <ul style="list-style-type: none"> ▪ How much choice of supplier do you have for the range of goods and/or services you buy? Do you have supply chain alternatives across the different UK nations? • How do you decide where to trade within the UK? <i>Moderator note: keep this discussion top level and brief where possible.</i> <ul style="list-style-type: none"> ○ What motivates your business to trade with other UK nations? Probe IF NEEDED on: <ul style="list-style-type: none"> ▪ Factors including cost, location of business, location of customers, market size/scale of 	<p>10 mins (15)</p>

	<p>demand, logistics, issues arising from the NIP, ESG (environment, social and governance) issues</p> <ul style="list-style-type: none"> ▪ Primary and secondary motivations; relative importance of motivations ○ How important is the UK market to your business relative to the EU or the Rest of the World? <ul style="list-style-type: none"> • How does demand for your goods and/or services vary across the UK? • How price sensitive are customers? Do they have strong preferences for particular product characteristics? What competition do you face? 	
<p>Section 3: Potential regulatory divergence</p> <p>Aims: Gauge awareness of the potential for regulatory divergence; and understand any experiences of adapting to regulatory divergence to date</p>	<ul style="list-style-type: none"> • As far as you know, are there any different rules or regulations between the UK nations that your business must comply with? <i>Moderator explain if needed: I mean, relating to the sale of goods or the supply/provision of services.</i> <ul style="list-style-type: none"> ○ <i>[If yes]</i> What are these regulatory differences? ○ What policies or processes does your business have in place to manage this? ○ How might these rules and regulations change in the future? • <i>[Only ask if the business is aware of regulatory divergence]</i> What, if any, issues relating to differing rules and regulations has your business experienced when selling to other parts of the UK? And what about when buying? <i>Moderator to briefly read out: Since leaving the EU, the devolved administrations and the UK Government have regained powers to determine rules and regulations concerning the sale/purchase and/or supply of goods and services. This means there could be regulatory divergence in the future, i.e., different rules and regulations between each UK nation. Note: this is separate to the issue of the Northern Ireland Protocol.</i> • What might this mean for your business in the future? <i>Moderator note: Prioritise 1st bullet point below.</i> <ul style="list-style-type: none"> ○ Are there any potential issues in your sector that might develop? ○ What might this mean for the goods and/or services you sell/supply? Why? ○ What might this mean for the goods and/or services you buy? Why? ○ What might this mean for your supply chains? • How easy or difficult do you think it would be for your business to respond to differences between UK nations in 	<p>10 mins (25)</p>

	<p>their regulations governing the sale of goods or the supply/provision of services in the future?</p> <ul style="list-style-type: none"> ○ How long would it take to make any necessary changes to your business? ● What, if anything, has your business done to prepare for any potential changes? <ul style="list-style-type: none"> ○ How easy or difficult has this preparation been? 	
<p>Section 4: Regulatory divergence scenarios</p> <p>Aims: Gauge understanding of how businesses might respond to hypothetical instances at a high level</p>	<p><i>Moderator to read out:</i> I'm now going to encourage you to think of a particular scenario in which a key part of your business may be affected and then I'll ask you a few questions related to it.</p> <p><i>Moderator note:</i> At this point share your screen and show the relevant slide from the PowerPoint stimulus pack for the most relevant scenario.</p> <p><i>Moderators to establish which scenario prior to the interview:</i> scenario 1: companies that depend on a specific input/product, scenario 2: companies that depend on specific labelling, scenario 3: companies that provide services.</p> <p><u>Scenario 1:</u> In your business, the main good/product you manufacture contains a specific input. One UK nation bans the sale of goods/products containing this specific input</p> <p><i>Moderator:</i> Before we get into a discussion on the impact of this, I just want to understand some context. Thinking about your business:</p> <p>(a) In which nation of the UK do you do all or the largest proportion of your manufacturing? [E / W / S / NI]</p> <p>(b) And of the <u>remaining UK nations</u> – so not including the nation you just mentioned – which one accounts for the largest proportion of your sales? [E / W / S / NI]</p> <p><i>(Note for Moderator: If the participant misunderstands the question and says (e.g.) they primarily manufacture in England and England is also their largest sales market, please clarify that we want to know their next largest UK sales market, i.e., is it NI, Scotland or Wales?)</i></p> <p>As you answer the following questions, please:</p> <p>(i) think about a specific input that your [main] good/product requires in its manufacture</p> <p>AND</p> <p>(ii) imagine that [country named at (b)] is the UK nation that has banned the sale of good/products containing this specific input</p>	<p>15 mins (40)</p>

	<ul style="list-style-type: none"> • You mentioned that you export a good/product that you sell into [country named at (b)]. How would the scenario described affect this? <p><i>Note for Moderator: if the participant mentions the MAPs specifically, or alludes to the internal market legislation, <u>go straight to questions in purple</u></i></p> <ul style="list-style-type: none"> ○ Would it affect how much you sell (1) within the nation imposing the ban and (2) other UK nation(s) you sell to? ○ Would it affect how much you produce overall? ○ In the case of this scenario, how easy would it be to change where you sell to? <ul style="list-style-type: none"> • Would your response depend on the demand for your product in [country named at (b)] and other UK nations? <ul style="list-style-type: none"> ○ How would the size of the market affect your response to this scenario? ○ If the input ban increased your prices to your customers, how much demand might be lost (ie how price sensitive are your customers)? ○ How would customer preferences affect the impact of this scenario? (Do customers care about the inputs into your products?) ○ How well would you be able to compete in all UK nations if you were to change all your production to include the new input? <ul style="list-style-type: none"> • Would your response depend on the supply chain of your product? <ul style="list-style-type: none"> ○ Are there feasible alternatives to the input that has been banned in [country named at (b)]? <ul style="list-style-type: none"> - Are these from a UK nation, if so which? - How suitable are these alternative inputs? - Are there adequate sources of these alternative inputs? - Are they available at a reasonable price? ○ Do you currently vary the inputs used in your good/product for different UK markets? <ul style="list-style-type: none"> - How easily can you vary production processes for this good/product? - What factors would motivate you to vary your production? ○ How quickly could production be changed? Would any investment be required and how expensive would it be? ○ How easily can you vary your production processes by UK nation? ○ How costly is it to vary your production processes and how long would it take to implement different supply chains for different UK nations? 	
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	<ul style="list-style-type: none"> • What competition do you face in [country named at (b)]? <ul style="list-style-type: none"> ○ Would your competitors both in [country named at (b)] and other UK nations be affected in the same way by the input ban? ○ How much influence will your competitors in [country (b)]'s response influence your sales to [country named at (b)]? <p><i>Moderator note: Do not ask the questions below if you have asked the questions directly above</i></p> <ul style="list-style-type: none"> • What do you understand by the MAPs/ the legislation you just mentioned? <ul style="list-style-type: none"> ○ What effect do you think it will have in this situation? • What is your opinion of the Market Access Principles in general? <ul style="list-style-type: none"> ○ To what extent do they alleviate or exacerbate any concerns you might have about the potential for differences between UK nations in regulations governing the sale of goods? ○ Are there any circumstances when even if it is clear and straightforward that the MAPs would allow you to sell your product with the original input to [country named at (b)] that you would choose to supply your product with the new input? • Assuming you do rely on the MAPs, would your response depend on the demand for your product? <ul style="list-style-type: none"> ○ How might the size of the market in [country named at (b)] affect your response? • How strong are customer preferences (would this impact on whether you choose to avoid using the input banned by [country named at (b)]?) <ul style="list-style-type: none"> ○ Do customers pay attention to the composition of/ingredients in your good/product, and does this matter more than price? (Do customers care about the inputs into your products? Does this vary by UK nation?) • If you chose to continue selling your product into [country named at (b)], how might your competitors in [country named at (b)] be affected? <ul style="list-style-type: none"> ○ Would the input ban increase the prices of your competitors who manufacture in [country named at (b)] and would you have a competitive advantage? How big would that advantage be (i.e., how price sensitive are your customers)? If so, how much more would you consider selling into [country named at (b)]? • What other factors influence your response to the scenario? <ul style="list-style-type: none"> ○ How do you prioritise between cost factors and environment, social and governance (ESG) or PR/reputational factors when deciding how or what to sell in this scenario? 	
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	<p>RESERVE USE ONLY QUESTIONS</p> <p><i>Moderator: these questions should be used IF THE ISSUES DETAILED BELOW (1 or 2) EMERGE SPONTANEOUSLY and YOU HAVE TIME TO COVER.</i></p> <p><i>Note for moderator: Issue 1 questions are only relevant if the company does some manufacturing in the nation where the ban occurs. Only ask if the participant spontaneously mentions that they could see an issue / impact on their business because they manufacture and sell in one nation where the ban would be.</i></p> <p>Issue 1. Moderator note: do not read out the issue (this is for moderator reference before asking the questions below it) Because the business manufactures the good/product in [country named at (b)] (as well as in [country named at (a)]), the input ban in [country named at (b)] means they could no longer sell goods manufactured in [country named at (b)].</p> <ul style="list-style-type: none"> ○ Would you consider replacing the banned input in the good/product that you manufacture in [country named at (b)] and (if so) would you replace it just in [country named at (b)] or across all the UK nations in which you manufacture? <ul style="list-style-type: none"> - How easily can you vary production processes across your manufacturing sites? - What factors would motivate you to vary your production? ○ Would you consider moving your production out of [country named at (b)] to another manufacturing site in another nation, where the sale of the input is permitted? <ul style="list-style-type: none"> - Is there sufficient demand for you to relocate your production? - What factors would motivate this choice? ○ How quickly could production be changed? Would any investment be required and how expensive would it be? <p>Issue 2. Moderator note: do not read out the issue (this is for moderator reference before asking the questions below it) Because the business manufactures the good/product in [country named at (a)] using a specific input that they usually buy from [country named at (b)] but can no longer buy from [country named at (b)] because of the input ban there.</p> <ul style="list-style-type: none"> ● Are there feasible alternatives to the input that has been banned in [country named at (b)]? <ul style="list-style-type: none"> ○ Are these from a UK nation, and (if so) which? ○ How suitable are these alternative inputs? ○ Are there adequate sources of these alternative inputs? ○ Are they available at a reasonable price? 	
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	<ul style="list-style-type: none"> • Do you currently vary the inputs used in your good/product for different UK markets? <ul style="list-style-type: none"> ○ How easily can you vary production processes for this good/product? ○ What factors would motivate you to vary your production? • How quickly could production be changed? Would any investment be required and how expensive would it be? <p><u>Scenario 2: One UK nation imposes new labelling requirements on the main good/product that you manufacture</u></p> <p><i>Moderator: Before we get into a discussion on the impact of this, I just want to understand some context. Thinking about your business:</i></p> <p>(a) In which nation of the UK do you do all or the largest proportion of your manufacturing? [E / W / S / NI]</p> <p>(b) And of the <u>remaining UK nations</u> – so not including the nation you just mentioned – which one accounts for the largest proportion of your sales? [E / W / S / NI]</p> <p><i>(Note for Moderator: If the participant misunderstands the question and says (e.g.) they primarily manufacture in England and England is also their largest sales market, please clarify that we want to know their next largest UK sales market, i.e., is it NI, Scotland or Wales?)</i></p> <p>As you answer the following questions, please:</p> <p>(i) think about the [main] good/product that you manufacture and the labelling of this good/product</p> <p>AND</p> <p>(ii) imagine that [country named at (b)] is the UK nation that imposed new labelling requirements on this good/product</p> <ul style="list-style-type: none"> • You mentioned that you export a good/product that you sell into [country named at (b)]. How would the scenario described affect this? <p><i>Note for Moderator: if the participant mentions the MAPs specifically, or alludes to the internal market legislation, <u>go straight to questions in purple</u></i></p> <ul style="list-style-type: none"> ○ Would it affect how much you sell (1) within the nation imposing the new labelling requirement, i.e. [country named at (b)] and (2) other UK nation(s) you sell to? ○ Would it affect how much you produce overall? ○ In the case of this scenario, how easy would it be to change where you sell to? 	
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	<ul style="list-style-type: none"> • Would your response to this scenario depend on the demand for your product in [country named at (b)] and other UK nations? <ul style="list-style-type: none"> ○ How would the size of the market affect your response to this scenario? ○ If the labelling requirements increased your prices to your customers, how much demand might be lost (i.e., how price sensitive are your customers)? ○ How would customer preferences affect the impact of this scenario? (Do customers care about the labelling on your products?) ○ How well would you be able to compete in all UK nations if you were to change the labelling for your product sold in all UK nations? • Would your response to this scenario depend on production issues pertaining to the labelling requirement? <ul style="list-style-type: none"> ○ What are the cost implications of a new labelling requirement? How long would it take to make the change? ○ What would the cost implications be if you had to vary product labelling for different markets? (Or if you already do, what are they?) • What competition do you face in [country named at (b)]? <ul style="list-style-type: none"> ○ Would your competitors both in [country named at (b)] and other UK nations be affected in the same way by the new labelling requirement? ○ How much influence would the response of your competitors in [country named at (b)] influence your sales to [country named at (b)]? <p><i>Moderator note: Do not ask the questions below if you have asked the questions directly above</i></p> <ul style="list-style-type: none"> • What do you understand by the MAPs/ the legislation you just mentioned? <ul style="list-style-type: none"> ○ What effect do you think it will have in this situation? • What is your opinion of the Market Access Principles in general? <ul style="list-style-type: none"> ○ To what extent do they alleviate or exacerbate any concerns you might have about the potential for differences between UK nations in their regulations governing the sale of goods? ○ Are there any circumstances when, even if it's clear the MAPs would allow you to sell the product with the original label, you would choose to supply the product with the new label instead? • Assuming you do rely on the MAPs would your response depend on the demand for your product? <ul style="list-style-type: none"> ○ How might the size of the market in [country named at (b)] affect your response? • How strong are customer preferences? 	
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	<ul style="list-style-type: none"> ○ Do customers pay attention to the labelling of your good/product, and does this matter more than price? Does this vary by UK nation? ● If you chose to continue selling your product into [country named at (b)], how might your competitors in [country named at (b)] be affected? <ul style="list-style-type: none"> ○ Would the new labelling requirement increase the prices of your competitors who manufacture in [country named at (b)] and would you have a competitive advantage? How big would this be (ie how price sensitive are your customers)? If so, how much more would you consider selling into [country named at (b)]? ● What other factors influence your response to the scenario? <ul style="list-style-type: none"> ○ How do you prioritise between cost factors and environment, social and governance (ESG) or PR/reputational factors when deciding how or what to sell in this scenario? <p>RESERVE USE ONLY QUESTIONS</p> <p><i>Moderator: these questions should be used IF THE ISSUE EMERGES SPONTANEOUSLY and YOU HAVE TIME TO COVER.</i></p> <p><i>Note for moderator: Issue 1 questions are only relevant if the company does some manufacturing in the nation where the ban occurs. Only ask if the participant spontaneously mentions that they could see an issue / impact on their business because they manufacture and sell in one nation where the ban would be.</i></p> <p>Issue 1. Moderator note: do not read out the issue (this is for moderator reference before asking the questions below it) Because the business manufactures the good/product in [country named at (b)] (as well as in [country named at (a)]), the new labelling requirement in [country named at (b)] means they could no longer sell their good/product manufactured in [country named at (b)] in its current form in [country named at (b)].</p> <ul style="list-style-type: none"> ○ Would you consider following the new labelling requirements for the good/product that you manufacture in [country named at (b)] and (if so) would you do this just in [country named at (b)] or across all the UK nations in which you manufacture? <ul style="list-style-type: none"> - How easily can you vary production processes across your manufacturing sites? - What factors would motivate you to vary your production? ○ Would you consider moving your production to another manufacturing site where the existing labelling is permitted? 	
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	<ul style="list-style-type: none"> - Is there sufficient demand for you to relocate your production? - What factors would motivate this choice? o How quickly could production be changed? Would any investment be required and how expensive would it be? <hr/> <p><u>Scenario 3: One UK nation bans the supply of your services in its nation unless service providers like you comply with a new and additional (regulatory) requirement.</u></p> <p><i>Moderator:</i> Before we get into a discussion on the impact of this, I just want to understand some context. Thinking about your business:</p> <p>(a) From which nation of the UK do you provide all or the largest proportion of your services? [E / W / S / NI]</p> <p>(b) And of the <u>remaining UK nations</u> – so not including the nation you just mentioned – which one accounts for the largest proportion of your sales? [E / W / S / NI]</p> <p><i>(Note for Moderator: If the participant misunderstands the question and says (e.g.) they provide their services from England and England is also their largest sales market, please clarify that we want to know their next largest UK sales market, i.e., is it NI, Scotland or Wales?)</i></p> <p>As you answer the following questions, please:</p> <ul style="list-style-type: none"> (i) think about the [main] service that you provide and the regulatory requirements for this service <p>AND</p> <ul style="list-style-type: none"> (ii) imagine that [country named at (b)] is the UK nation that imposed the new and additional regulatory requirement <ul style="list-style-type: none"> • You mentioned you supply services to [country named in (b)]. How would the scenario described affect this? <p><i>Note for Moderator: if the participant mentions the MAPs specifically, or alludes to the internal market legislation, <u>go straight to questions in purple</u></i></p> <ul style="list-style-type: none"> o Would it affect how much you sell (1) within the nation imposing the additional requirement, i.e. [country named at (b)] and (2) other UK nation(s) you sell to? o Would it affect the volume of services you provide overall? o In the case of this scenario, how easy would it be to change where you sell to? <ul style="list-style-type: none"> • Would your response depend on the demand for your product? 	
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	<ul style="list-style-type: none"> ○ How would the size of the market affect your response to this scenario? ○ How would customer preferences affect the impact of this scenario? (Are customers aware of the nature of regulations you comply with?) ○ If the new requirement increased the costs of your services, how much demand might be lost (i.e., are your customers price sensitive)? ○ What matters more to your customers – the regulatory compliance or the price? Would customers in UK nations which are not imposing the new requirement prefer cheaper services or greater regulation? <ul style="list-style-type: none"> ● Would your response to this scenario depend on your ability to vary your services? <ul style="list-style-type: none"> ○ Are you able to vary the level of regulatory compliance to the services you offer by UK nation? ○ If applicable, how much more costly would this be and how would it affect your decision to supply your services to the UK nation imposing the new requirement? ● What competition do you face in [country named at (b)]? <ul style="list-style-type: none"> ○ Would your competitors both in [country named at (b)] and other UK nations be affected in the same way by the additional requirement? ○ How much influence would the response of your competitors in [country named at (b)] influence your sales to [country named at (b)]? <p><i>Moderator note: Do not ask the questions below if you have asked the questions directly above</i></p> <ul style="list-style-type: none"> ● What do you understand by the MAPs/ the legislation you just mentioned? <ul style="list-style-type: none"> ○ What effect do you think it will have in this situation? ● What is your opinion of the Market Access Principles in general? <ul style="list-style-type: none"> ○ To what extent do they alleviate or exacerbate any concerns you might have about the potential for differences between UK nations in their regulations governing service providers/ the supply of services? ○ Even in a situation where it is pretty clear and straightforward that the MAPs should apply and mean that your business can lawfully supply services without complying with the additional requirement (i.e. that applies to the UK nation which you are supplying your services into), are there circumstances in which you would not want to rely on the MAPs and instead choose to follow the local rules? ● Assuming you do rely on the MAPs, would your response depend on the demand for your service? 	
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	<ul style="list-style-type: none"> ○ How might the size of the market in [country named at (b)] affect your response? ● How strong are customer preferences? <ul style="list-style-type: none"> ○ Do customers pay more attention to the regulation of your services, and does this matter more than price? Does this vary by UK nation? ● If you chose to continue providing your services in [country named at (b)], how might your competitors in [country named at (b)] be affected? <ul style="list-style-type: none"> ○ Would the additional requirement increase the prices of your competitors who have to adhere to the new regulations in [country named at (b)]? Would you have a competitive advantage? How big would this be (ie how price sensitive are your customers)? If so, how much more would you consider selling into [country named at (b)]? ● What other factors influence your response to the scenario? <ul style="list-style-type: none"> ○ How do you prioritise between cost factors and environment, social and governance (ESG) or PR/reputational factors when deciding how or what to sell in this scenario? 	
<p>Section 5: Discussion of the OIM and MAPs</p> <p>Aims: Gauge awareness of the existence and application of the MAPs</p>	<p>[For moderator: if the questions in purple were asked in Section 4, please go straight to the questions in purple below]</p> <p><i>Moderator note: Remain sharing screen with the PowerPoint stimulus pack</i></p> <ul style="list-style-type: none"> ● As far as you know, has anything been put in place to ensure that businesses can continue to trade smoothly with other parts of the UK? <ul style="list-style-type: none"> ○ <i>Moderator probe if necessary:</i> agreements; legislation; government departments/other organisations; something else? <p><i>Moderator to show slide 10 from the stimulus pack and allow participant time to read it. If the interview is not a video call then moderator should read out the slide to the participant.</i></p> <ul style="list-style-type: none"> ● Had you heard of (a) the UK Internal Market Act; (b) the OIM before today? <ul style="list-style-type: none"> ○ Where did you find out about it? What did you know about it? ○ <i>Moderator to show slide 11 from the stimulus pack and allow participant time to read it. If the interview is not a video call then moderator should read out the slide to the participant.</i> ● Had you heard of the Market Access Principles, or ‘MAPs’, before today? <ul style="list-style-type: none"> ○ <i>If yes:</i> Where did you find out about them? What did you know about them? 	<p>15 mins (55)</p>

	<p><i>Note for moderator: the level of questioning below will depend on the level of understanding the business shows about the operation of the MAPs.</i></p> <ul style="list-style-type: none"> • What is your opinion of the Market Access Principles? <ul style="list-style-type: none"> ○ To what extent do they alleviate or exacerbate any concerns you might have about the potential for differences between UK nations in their rules and regulations governing the sale of goods and the supply/provision of services? ○ Even in a situation where it is pretty clear and straightforward that the MAPs should apply and mean that your business can lawfully sell goods or supply services without complying with a specific UK nation's different/additional requirements, are there circumstances in which you would not want to rely on the MAPs and instead choose to follow the local rules? <ul style="list-style-type: none"> ▪ Why/why not? ▪ What specifically would lead you to not rely on the MAPs? ▪ What benefits/ incentives are there for your business to not rely on the MAPs? <i>Probe on reputation, PR, administration, simplicity of compliance, etc.</i> • Thinking back to the hypothetical scenario we discussed, do you think your business would respond differently, given the existence of the MAPs? <ul style="list-style-type: none"> ○ How? <i>Probe on things they would do instead, do in addition, not do at all.</i> • Earlier in our discussion, you mentioned legislation that ensures businesses can continue to trade smoothly with other parts of the UK. <p><i>Moderator to show slide 10 from the stimulus pack and allow participant time to read it. If the interview is not a video call then moderator should read out the slide to the participant.</i></p> <ul style="list-style-type: none"> • Had you heard of (a) the UK Internal Market Act; (b) the OIM before today? <ul style="list-style-type: none"> ○ Where did you find out about it? What did you know about it? <p><i>Moderator to show slide 11 from the stimulus pack and allow participant time to read it. If the interview is not a video call then moderator should read out the slide to the participant.</i></p> <ul style="list-style-type: none"> • You mentioned awareness of the Market Access Principles earlier, or 'MAPs' <ul style="list-style-type: none"> ○ Where had you heard about this legislation? 	
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<p>Wrap up</p>	<ul style="list-style-type: none"> • Is there anything else you would like to add to your responses? <p><i>Moderator note: At this point thank the observers for their time, do not ask for any questions, and ask for them to leave the session as the main interview is now finished, but keep the participant to ask a few final questions afterwards.</i></p> <p><i>Once observers have left the interview:</i></p> <p><i>Ask for consent to be invited to follow-up workshop</i></p> <p><i>If OIM client has observed this interview moderator to re-confirm whether participant consents to recording to be seen by client</i></p> <p><i>Thank participants for their time and input</i></p>	<p>5 mins (60)</p>

The following **stimulus material** was displayed to participants during the interview, at the corresponding moments in the Discussion Guide. Participants were presented with one scenario most relevant to their sector. This was to help introduce the information about the scenarios and the MAPs, and so that participants would have information to refer to.

Scenario 1

In your business, the main good/product you manufacture contains a specific input. One UK nation bans the sale of goods/products containing this specific input

Scenario 2

One UK nation imposes new labelling requirements on the main good/product that you manufacture

Scenario 3

One UK nation bans the supply of your services in its nation unless service providers like you comply with a new and additional (regulatory) requirement.

Section 5: Discussion of the MAPs

The UK Internal Market Act (2020) was established to help ensure that businesses can trade freely across the UK nations (i.e., England, Wales, Scotland and Northern Ireland), given the potential for the four UK nations to put in place different legal requirements (which relate to the sale of goods or the provision of services), following Brexit.

The Office for the Internal Market (OIM), which is part of the Competition & Markets Authority (our client), was also established to support the effective operation of the UK Internal Market (i.e., trade across the four UK nations).

The UK Internal Market Act (2020) introduced two key **Market Access Principles** (or 'MAPs') to help ensure that businesses can continue to trade freely across the UK nations, even when the UK nations have in place different legal rules for the sale of goods or the provision of services.

The principles focus on ensuring **mutual recognition** and **non-discrimination** for goods and service providers between every part of the UK. For example (and broadly speaking):

The principle of mutual recognition, as it applies to goods, ensures that a good which can be legally sold in the UK nation where it is produced can be sold in other UK nations.

A hypothetical example: a jam producer in Wales complies with all Welsh regulations on the content of jam and so can lawfully sell jam in Wales. Even if England has different regulations about the content of jam, the producer in Wales could rely on mutual recognition to lawfully sell Welsh jam in England.

The principle of non-discrimination as it applies to service providers ensures that service providers are not discriminated against because they have or they lack a "relevant connection" to a part of the UK.

A hypothetical example: a regulation is made in England that prohibits landscape gardeners from providing their services in England unless they have a registered office in England.

To the extent that the legislation is discriminatory against specific service providers (e.g. landscapers with registered offices in Wales only), it will be of "no effect" (i.e., it can't be applied) to those service providers.

7.7 Workshop recruitment approach

As per the **workshop sample specification** below, it was agreed that workshops would be organised by business sector. It was felt that this approach (as opposed to splitting the groups by business size [e.g., a workshop where all participants were representing (say) medium-sized businesses] or nation [e.g., a workshop where all participants were based in (say) Scotland]) would bring out the clearest insights from discussions on the topic of trade.

Likewise, business sector gave a good indication of which hypothetical scenario would most be relevant for each business. It was decided that Scenario 1 (input ban) would be tested with the Agriculture and Construction groups, with Scenario 2 (labelling) covered by the Manufacturing and Food and Drink groups. Given weaker engagement with Scenario 3 (new, additional regulation for supply of services) in the interviews, it was agreed that Scenario 3 would be excluded from the workshops. Consequently, those businesses who had responded to Scenario 3 in the in-depth interviews responded to Scenario 1 in the workshops.

Workshop 1	Workshop 2	Workshop 3	Workshop 4
Agriculture sector businesses Scenario 1	Manufacturing sector businesses Scenario 2	Food and Drink sector businesses Scenario 2	Construction sector businesses Scenario 1
Across workshop groups: <ul style="list-style-type: none"> Recruit 4-5 participants per workshop Ensure mix of business location Ensure mix of business size (small, medium, large) Exclude micro-businesses 			

Having obtained an indication from participants at the end of each interview of whether they would like to attend a follow-up workshop, we sent invitation emails to interested participants. There was no invitation email template for this, as the formality and style of the email depended on the extent of previous correspondence with each participant. However, in every workshop invitation, the following information was included:

- Thanks for taking part in the interview
- The purpose and content of the follow up workshop
- The date, times, method (i.e., Zoom) and incentive (£150) for the workshops
- A link to a Microsoft Form, which participants could fill in to indicate their availability

The fallout of each workshop was reviewed regularly as participants filled in their availabilities. The achieved **workshop sample breakdown** is shown below.

Due to participant availabilities, only two Agriculture companies were able to attend Workshop 1. Meanwhile, there was a surplus of Manufacturing companies who wished to attend the workshops. Therefore, two Manufacturing companies were included in Workshop 1, as Scenario 1 was also relevant to them. One company classed as Manufacturing in the interviews was included in Workshop 4, again to balance attendance numbers but also because their company activity (manufacturing construction materials, such as timber frames and insulation) was relevant to that of other Construction businesses.

The numbers before each company in the table below match their number in the interview achieved sample breakdown above.

Date	Wednesday 9 th November				Thursday 10 th November			
Group	Workshop 1: Agriculture/ Manufacturing		Workshop 2: Manufacturing		Workshop 3: Food and Drink		Workshop 4: Construction	
Participants	7) Small, Wales, Agriculture, Director		22) Medium, England, Manufacturing – Chemicals, Planning and Purchasing Manager		10) Medium, Scotland, Food and Drink, Operations Manager		14) Large, Scotland, Construction of Commercial Buildings, Buying Manager	
	26) Small, Northern Ireland, Manufacturing – Clothing, Managing Director		23) Medium, Northern Ireland, Manufacturing – Textiles, Financial Controller		15) Large, Scotland, Food and Drink, Chief Commercial Officer		19) Large, England, Electrical Installation, Contracts Manager	
	37) Medium, Wales, Agriculture, Director		24) Large, England, Manufacturer – Packaging, Operations Director		20) Small, Wales, Food and Drink, Managing Director		21) Wales, Small, Manufacturing – Construction (Timber frames and insulation), Director	
	38) Large, England, Manufacturing – Clothing, Senior Management Team		25) Small, Northern Ireland, Manufacturing – Electronics, Company Director		32) Large, Wales, Food and Drink, Raw Materials Technologist		41) Large, England, Civil Engineering Construction, Regional Labour Manager	
			33) Medium, Scotland, Manufacturing – Cleaning Products, Finance Director					
Size counts	Large	1	Large	1	Large	2	Large	3
	Medium	1	Medium	3	Medium	1	Medium	0
	Small	2	Small	1	Small	1	Small	1
Nation counts	England	1	England	2	England	0	England	2
	Wales	2	Wales	0	Wales	2	Wales	1
	Scotland	0	Scotland	1	Scotland	2	Scotland	1
	N. Ireland	1	N. Ireland	2	N. Ireland	0	N. Ireland	0

7.8 Workshop research approach and materials

The research objectives for the workshops were intended to take advantage of contributions from primed participants who now had some familiarity with the topic of discussion and who had also had a little time (following their in-depth interview) to reflect on the issues raised, as well as an arena in which they could develop ideas constructively through discussion with other businesses attending. They were agreed to be:

1. Explore in more detail how businesses would react to the scenario they discussed in the mainstage interview, by drawing on the reactions from other businesses e.g., can they think of further implications or challenges on deeper consideration.
2. Explore in depth in what circumstances businesses think they could use the MAPs in relation to potential UK regulatory divergence.
3. Identify and understand what else, if anything, businesses think they need to ensure smooth and efficient intra-UK trade in the event of regulatory divergence.

The research design for the workshop was adapted from the interview discussion guide, with an emphasis on developing the interview discussions and encouraging dialogue between businesses, with the moderator taking a less involved role. After extensive discussion between OIM and BritainThinks (including interim finding feedback and reflections on research objectives for the workshops) and two rounds of amendments, the following discussion guide was agreed upon.

It is important to note that, in these discussions, moderators ensured that participants avoided any anti-competitive exchange of commercially confidential information. We designed our questions to focus on the impact on intra-UK trade and the broader UK market, rather than on the specific implications for individual businesses. We reminded businesses throughout to adhere to these requirements and read the following script at the beginning of the workshops to clearly signal this limitation (also included in the workshop discussion guide):

NOTE: as per briefing, be prepared to direct conversation away from discussions that encroach on anti-competition law territory. Moderator to also be aware that observers may be in touch via Zoom chat function if discussion is veering into such territory.

It is possible that those of you taking part today are actual or potential competitors. Under competition law, there are limits to what you can disclose about your own business. Can I therefore remind you that **must not** exchange any commercially sensitive information with the other participants. This means you may refer to any **past experience** you've had with different regulatory requirements when taking the same good/product to market in different countries or **hypothetical scenarios**. But please **do not** refer to any **current or future** business plans you have decided –

especially any future pricing intentions of your business. When discussing your potential response to regulatory divergence within the UK please use theoretical examples rather than actual ones.

OIM Qualitative Research with Businesses

Discussion Guide | 07/11/22 | Workshops

Moderator objectives

The objectives of this workshop are to:

1. Explore in more detail how businesses would react to the scenario they discussed in the mainstage interview,
by drawing on the reactions from other businesses e.g., can they think of further implications or challenges on deeper consideration.
2. Explore in depth in what circumstances businesses think they could use the MAPs in relation to potential UK regulatory divergence.
3. Identify and understand what else, if anything, businesses think they need to ensure smooth and efficient intra-UK trade in the event of regulatory divergence.

The purpose of this document is to serve as a guide to inform the flow of the workshops, rather than a definitive list of questions to cover. As these are qualitative sessions, the moderator will use the guide flexibly and be guided by what comes out of the workshops.

Moderator instructions are *italicised*

Questions in **bold** should always be asked (whilst others should be optional to help guide the conversation)

Section and aim	Discussion points and probes	Time
<p>Section 1: Background and Context</p> <p>Aims:</p> <p>Explain the purpose and terms of the research and confirm that they give informed consent.</p> <p>Warm up participants to the discussion and confirm their business context.</p>	<p>My name is [XXX] and I'm a researcher from an independent research agency called BritainThinks. We conduct research on a range of business issues, from understanding companies' experiences of different processes or services, how they feel about certain companies or organisations, or what they think about specific regulations. This involves going around the country, speaking to lots of different companies and listening to what they have to say.</p> <p><i>Explain purpose of the session:</i></p> <ul style="list-style-type: none"> • BritainThinks is conducting this research on behalf of the Office for the Internal Market, which is part of the CMA, to understand businesses' experiences of trading across UK borders (i.e., those between England, Scotland, Wales and Northern Ireland). <p><i>Explain terms of the session:</i></p> <ul style="list-style-type: none"> • We're an independent research agency so I'm here to listen to your honest views and opinions; there are no right/wrong answers. • We abide by the Market Research Society code of conduct. This means that everything you say today will be confidential and you won't be personally identifiable in our report. • BritainThinks will hold your name and contact information until the end of April 2023 at the latest for quality monitoring purposes only and will not pass on any personal data to any third party. • If you say something that gives me reason to think you or someone else is at risk of harm, we may be legally obliged to pass this information to the relevant authorities. • You can opt out of the research at any time (although you may forfeit your right to any incentive/benefit). • We'll be talking for 90 minutes – finishing up at [XXX]. I have a lot of questions to get through so, in order to finish on time, I may need to interrupt you or move the conversation on. <p><u>Moderator to read out below text pertaining to anti-competition law.</u> <i>NOTE: as per briefing, be prepared to direct conversation away from discussions that encroach on anti-competition law territory. Moderator to also be aware that observers may be in touch via Zoom chat function if discussion is veering into such territory.</i></p> <p>It is possible that those of you taking part today are actual or potential competitors. Under competition law, there are limits to what you can disclose about your own business. Can I therefore remind you that must not exchange any commercially sensitive information with the other participants. This means you may refer to any past experience</p>	<p>10 mins</p>

	<p>you've had with different regulatory requirements when taking the same good/product to market in different countries or hypothetical scenarios. But please do not refer to any current or future business plans you have decided - especially any future pricing intentions of your business. When discussing your potential response to regulatory divergence within the UK please use theoretical examples rather than actual ones.</p> <ul style="list-style-type: none"> • <i>Obtain permission to audio/video record and recap how the recording will be used</i> • <i>Ensure everyone has signed consent form(s)</i> • <i>Offer opportunity to ask questions about research process</i> • <i>Ensure the participants have removed/changed their name to protect anonymity from observers and anything visible on the video that could identify them or their company e.g., a sign</i> • <i>Moderators to read the briefing note on anti-competition law and be prepared throughout the discussion to step in and hastily direct the conversation if it veers towards competition territory,</i> • <i>If CMA is observing, moderator to keep an eye on chat function as observer could directly message if conversation has encroached anti-competition laws.</i> <p><i>Ask participants to introduce themselves to one another (N.B. Keep this very brief and no detailed company information):</i></p> <ul style="list-style-type: none"> • <i>Name (first name only)</i> • <i>What your role within the business is (job title)</i> <p><i>At this point, if there are observers from the CMA, check that all participants are happy for the workshop to be observed and, if yes from all participants, let the observer(s) into the call.</i></p>	
<p>Section 2: Consideration of potential regulatory divergence</p> <p>Aims: Understand if perceptions have changed since awareness after mainstage interview</p>	<p><i>Moderator to share on screen from workshop stimulus pack and briefly read out: Since leaving the EU, the devolved administrations and the UK Government have regained powers to determine rules and regulations concerning the sale/purchase and/or supply of goods and services. This means there could be regulatory divergence in the future, i.e., different rules and regulations between each UK nation. Note: this is separate to the issue of the Northern Ireland Protocol.</i></p> <ul style="list-style-type: none"> • Broadly speaking, how do you feel about potential future regulatory divergence in the UK? <ul style="list-style-type: none"> ○ How positive/ optimistic do you feel? Why is this? ○ Is it something you have given a lot of thought to? • Has your thinking about potential future regulatory divergence in the UK changed since we first spoke? <ul style="list-style-type: none"> ○ How so? Why? 	<p>15 mins (25)</p>

	<ul style="list-style-type: none"> ○ Did your discussion with us prompt you to consider thinking about making any changes to your business? ● Regulation is often part of the cost of doing business, and businesses often shape their processes and products to comply with a huge range of regulatory requirements. Do you think this would be any different for potential future regulatory divergence in the UK that we have been discussing? Would it have a more significant impact for the business? <ul style="list-style-type: none"> ○ If yes, why? What about regulations between UK nations is more significant? ○ If no, why not? ● What might be the opportunities if UK regulatory divergence did happen in your sector? <ul style="list-style-type: none"> ○ What is the biggest/main opportunity? ● What might be the challenges if UK regulatory divergence did happen in your sector? <ul style="list-style-type: none"> ○ What is the biggest/ main challenge? ● Since we last spoke, have you done any research on this topic? <ul style="list-style-type: none"> ○ If yes, where did you look for that information? What did you find/ learn? Has that had an impact on your business or your way of thinking about the business? ● Is your business going to do anything to prepare for any instances of potential regulatory divergence in the UK? Why is that? 	
<p>Section 3: Regulatory divergence scenarios</p> <p>Aims: Explore in more detail how businesses would react to the scenario they discussed in the mainstage interview, by drawing on the reactions from other businesses.</p>	<p><i>Moderator to read out:</i> I'm now going to refer back to a particular scenario you discussed in your interview. This is a hypothetical scenario of future UK regulatory divergence.</p> <p><i>Moderator note:</i> At this point share your screen and show the relevant slide from the PowerPoint stimulus pack for the scenario. Moderators to establish which scenario prior to the workshop.</p> <p>Scenario 1: In your business, the main good/product you manufacture contains a specific input. One UK nation bans the sale of goods/products containing this specific input</p> <p><i>Moderator to note and to use to guide discussion:</i> In our initial discussion we asked you to imagine the nation mentioned in this scenario is your largest sales market that isn't where you are based or where you do your manufacturing. We then asked you to think about a specific input that your main good/product requires in its manufacture and imagine that this is banned in that largest sales market.</p> <p><i>Note: some businesses will have focused on services in their interview. Moderator to emphasise that regardless what was discussed previously, this discussion will focus on inputs.</i></p>	<p>25 mins (50)</p>

	<ul style="list-style-type: none"> • Looking at this now, have you thought differently about how prepared your business would be to react to this potential future regulatory divergence scenario for trade within the UK? How so? <p>I'm now going to read out some ways in which some of the businesses we've been speaking to have said they would react to this scenario, and it would be great to have a discussion on each one to see whether they resonate with you and your business.</p> <ul style="list-style-type: none"> ○ Some noted that their supply chains are relatively resilient, and their inputs can be sourced from multiple locations within the UK. <ul style="list-style-type: none"> - Would this be relevant to your business? - Are these locations split across different UK nations or within a single UK nation? - How quickly can these new suppliers be identified and incorporated into your supply chain? ○ Some noted that new regulations might affect the quality or price of their goods <ul style="list-style-type: none"> - Would you be able to pass on any increases in costs to your customers? - What might incentivise you to absorb any costs? ○ How might any new regulations affect your production or storage or logistics decisions? <ul style="list-style-type: none"> - What factors might influence your decision to produce the new good vs the old good or cease trading completely in the nation with the new regulation? - Would you have to make any changes to your storage or logistics decisions? ○ Some businesses noted that exposure to different regulations internationally prepared them for potential divergence here <ul style="list-style-type: none"> - What existing experience of regulatory divergence do you have for international trade? - Do you believe this experience prepares you for any divergence within the UK internal market? - Would regulatory divergence in the UK affect your economies of scale or scope, i.e., does a fragmented UK internal market affect your international competitiveness? ○ Out of all the issues that have been discussed, what are likely to be the most challenging? ○ What opportunities do you envisage from any regulatory divergence? 	
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	<ul style="list-style-type: none"> ○ How would you like regulatory divergence to be managed? <hr style="border-top: 1px dashed black;"/> <p><u>Scenario 2: One UK nation imposes new labelling requirements on the main good/product that you manufacture</u></p> <p><i>Moderator to note and to use to guide discussion:</i> In our initial discussion we asked you to imagine the nation mentioned in this scenario is your largest sales market that isn't where you are based or where you do your manufacturing. We then asked you to think about a change in regulation to a good/product that you manufacture and imagine that this requirement is in that largest sales market.</p> <p><i>Note: some businesses will have focused on inputs in their interview. Moderator to emphasise that regardless of what was discussed previously, this discussion will focus on labelling.</i></p> <ul style="list-style-type: none"> ● Looking at this now, have you thought differently about how prepared your business would be to react to this potential future regulatory divergence scenario for trade within the UK? How so? <p>We're now going to discuss ways in which businesses may react to this scenario, and it would be great to have a discussion on each one to see whether they resonate with you and your business.</p> <ul style="list-style-type: none"> ○ Some of you noted that labelling changes are relatively quick and easy to implement <ul style="list-style-type: none"> - Is that true? - What might create difficulties? - How costly is the process likely to be and what would drive those costs? ○ How might any new labelling affect your production or storage or logistics decisions? <ul style="list-style-type: none"> - What factors might influence your decision to produce the products with the new label vs the old label or ceasing to trade completely with the nation with the new regulation? - Would you have to make any changes to your storage decisions or inventory control or logistics decisions? ○ How might new labelling affect the price of your product? <ul style="list-style-type: none"> - Would you be able to pass any price increases onto consumers? ○ Do you engage in international trade? <ul style="list-style-type: none"> - Do you have existing experience of varying labelling requirements and will that affect your ability to prepare for potential regulatory divergence across the UK internal market? - Would UK regulatory divergence affect your economies of scale or scope, i.e. does a 	
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	<p>fragmented UK internal market affect your international competitiveness?</p> <ul style="list-style-type: none"> ○ How might labelling changes affect your competitiveness as a business? <ul style="list-style-type: none"> - How strongly do you compete with suppliers based in the UK nation into which you export and where the regulation applies? - Would you have a cost-competitive advantage if you were able to sell your product without meeting the regulation? ○ Out of all the issues that have been discussed, what are likely to be the most challenging? ○ What opportunities do you envisage from any regulatory divergence? ○ How would you like regulatory divergence to be managed? 	
<p>Section 4: Discussion of the MAPs</p> <p>Aims: Explore in depth in what circumstances businesses think they could use the MAPs in relation to potential UK regulatory divergence.</p> <p>Identify and understand what else, if anything, businesses think they need to ensure smooth and efficient intra-UK trade in the event of regulatory divergence.</p>	<p><i>Moderator to read out:</i> I'm now going to refer back to some of what we discussed in the interviews: the UK Internal Market Act, the OIM and the Market Access Principles (or 'MAPs').</p> <p><i>Moderator note:</i> At this point share your screen and show the UK Internal Market Act/OIM slide and MAPs slide from the PowerPoint stimulus pack. Read out the two slides.</p> <ul style="list-style-type: none"> ● Since we last spoke to you, have you had any further thoughts about the Market Access Principles? <ul style="list-style-type: none"> ○ Do they seem more or less useful now? Why is that? What has contributed to that change in attitude? ○ Have you looked for any further information on the MAPs? Where did you look for the information? What have you found and what impact (if any) has this had on your thoughts? <p><i>Moderator to read out:</i> For the remainder of this discussion, I'd like us to focus on discussing the principle of mutual recognition as it applies to goods.</p> <ul style="list-style-type: none"> ● In which circumstances of regulatory divergence within the UK, if any, could you see your business using the principle of mutual recognition, as it applies to goods? <ul style="list-style-type: none"> ○ How likely are you to consider using it if there is regulatory divergence in the UK in future? <i>If likely:</i> ○ How do you imagine using it? ○ What might make you cautious about using it? <i>Moderator to probe on perceived issues pertaining to</i> 	<p>20 mins (70)</p>

	<p><i>mutual recognition e.g., brand reputation/PR, ESG, logistics (e.g. admin time/costs), demand for product, location of business/customers</i></p> <ul style="list-style-type: none"> ○ <i>If unlikely:</i> ○ Why do you say that? ○ What specifically makes you want to avoid using the principle? (<i>moderator to probe on perceived issues pertaining to mutual recognition, taking the cue from businesses and encouraging other businesses to engage with their points</i>) <ul style="list-style-type: none"> ● How confident are you that the principle of mutual recognition would contribute to smooth and easy trade between UK nations for your business, if there is regulatory divergence in the UK in future? <ul style="list-style-type: none"> ○ How would it help? What problems would it help overcome? ○ To what extent does it alleviate any concerns you have about possible regulatory divergence in the future? ○ If you have any residual concerns, what are they? <p><i>Moderator note: Ask the following probes in purple only if participants spontaneously mention the Common Frameworks during discussion.</i></p> <ul style="list-style-type: none"> ● You mentioned the 'Common Frameworks', could you explain what you mean by this? ● What is your opinion on Common Frameworks? <i>Moderator to note open text responses with no additional probes</i> 	
<p>Section 5: What Governments should consider for businesses in potential cases of divergence</p> <p>Aims: Explore what businesses</p>	<ul style="list-style-type: none"> ● Could the principle of mutual recognition be improved at all to meet any additional requirements or support you feel your business may need to manage possible regulatory divergence in the future? <ul style="list-style-type: none"> ○ How so? ● What further support or assistance (other than the MAPs) would your business need – if anything – to ensure smooth and easy trade between UK nations if there is regulatory divergence in the future? <ul style="list-style-type: none"> ○ How so? ● In practical terms what would this support or assistance (other than the MAPs) look like? <ul style="list-style-type: none"> ○ How should it be communicated? 	<p>15 mins (85)</p>

<p>believe are the key considerations in instances of divergence of policy/approaches in different UK nation</p>	<ul style="list-style-type: none"> ○ Where would you expect to hear about it from? ○ What platform/media? ○ Which organisations/bodies? 	
<p>Wrap up</p>	<ul style="list-style-type: none"> • For the final 5 minutes is there anything else anyone would like to discuss or mention regarding potential future regulatory divergence within the UK? <p><i>Moderator note: At this point thank the observers for their time, do not ask for any questions, and ask for them to leave the session as the main interview is now finished, but keep the participants to ask a few final questions afterwards.</i></p> <p><i>Once observers have left the interview:</i></p> <p><i>If OIM client has observed this interview moderator to re-confirm whether participant consents to recording to be seen by client</i></p> <p>Thank participants for their time and input.</p>	<p>5 mins (90)</p>

For the **stimulus information in the workshops**, we reintroduced the notion of potential regulatory difference and reminded them of Scenarios 1 and 2. We also provided another description of the MAPs as a reminder, although we added more detailed notes to cover some misconceptions that had surfaced during the in-depth interviews (particularly emphasising that the Northern Ireland Protocol is a separate issue and not the focus on the workshops).

Section 2: Consideration of potential regulatory difference

Since leaving the EU, the devolved administrations and the UK Government have regained powers to determine rules and regulations concerning the sale/purchase and/or supply of goods and services. This means there could be regulatory divergence in the future, i.e. different rules and regulations between each UK nation.

Note: this is separate to the issue of the Northern Ireland Protocol.

Scenario 1

In your business, the main good/product you manufacture contains a specific input. One UK nation bans the sale of goods/products containing this specific input

Scenario 2

One UK nation imposes new labelling requirements on the main good/product that you manufacture

Section 5: Discussion of the MAPs

The UK Internal Market Act (2020) introduced two key **Market Access Principles** (or 'MAPs') to help ensure that businesses can continue to trade freely across the UK nations, even when the UK nations have in place different legal rules for the sale of goods or the provision of services.

One of the principles focuses on ensuring **mutual recognition** for goods and service providers between every part of the UK.

Broadly and generally speaking, **the principle of mutual recognition, when it applies to goods**, helps to ensure that a good which can be legally sold in the UK nation where it is produced can be sold in other UK nations.

A hypothetical example: a jam producer in Wales complies with all Welsh regulations on the content of jam and so can lawfully sell jam in Wales. Even if England has different regulations about the content of jam, the producer in Wales could rely on mutual recognition to lawfully sell Welsh jam in England.

Note:

Mutual recognition will only apply in specific circumstances, which are set out in the UK Internal Market Act. Guidance is provided on GOV.UK.

Mutual recognition will not automatically apply to goods 'produced in' GB and then sold in Northern Ireland. When the Northern Ireland Protocol (NIP) places requirements on goods sold in Northern Ireland, these requirements must be complied with.

The NIP and how it operates are not a focus of this research.

The UK Internal Market Act (2020) was established to help ensure that businesses can trade freely across the UK nations (i.e., England, Wales, Scotland and Northern Ireland), given the potential for the four UK nations to put in place different legal requirements (which relate to the sale of goods or the provision of services), following Brexit.

The Office for the Internal Market (OIM), which is part of the Competition & Markets Authority (our client), was also established to support the effective operation of the UK Internal Market (i.e., trade across the four UK nations).